

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 267

(Senator Hough, *et al.*)

Budget and Taxation

Income Tax Credit - Cat and Dog Adoption

This bill creates a one-time tax credit against the State income tax for each animal shelter or rescue facility cat or dog adopted by an individual in the tax year. The credit may not exceed the lesser of \$100 for each animal adopted or the tax liability imposed in the year. The Comptroller's Office is required to adopt regulations to implement the credit.

The bill takes effect July 1, 2015, and applies to tax year 2015 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2016 as a result of tax credits claimed against the personal income tax. Under one set of assumptions, general fund revenues may decrease by \$5.5 million annually. General fund expenditures increase by \$48,000 in FY 2016 for one-time tax form changes and computer programming modifications at the Comptroller's Office.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State tax credit of this type exists.

Background: An informal survey conducted by the Professional Animal Workers of Maryland, Inc. (PAWS) found that annually:

- 38,400 dogs and 57,600 cats enter shelters;
- 10,700 dogs and 34,900 cats are euthanized in shelters; and
- 27,700 dogs and 22,700 cats are adopted out of shelters.

State Revenues: Tax credits can be claimed beginning in tax year 2015. As a result, general fund revenues will decrease by a significant amount beginning in fiscal 2016. However, the amount of the revenue decrease depends on the number of qualifying cat and dog adoptions. *For illustrative purposes only*, assuming 30,000 dogs and 25,000 cats are adopted and that all individuals have a tax liability of at least \$100, general fund revenues will decrease by \$5.5 million annually.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$48,000 in fiscal 2016 to add the tax credit to the personal income tax return. This includes data processing changes to the SMART income tax return processing and imaging systems and system testing.

Additional Information

Prior Introductions: HB 1358 of 2014, HB 371 of 2013, and HB 882 of 2012 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: HB 418 (Delegate Glass, *et al.*) - Ways and Means.

Information Source(s): Comptroller's Office, Professional Animal Workers of Maryland, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2015
md/jrb

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