

Department of Legislative Services  
 Maryland General Assembly  
 2017 Session

FISCAL AND POLICY NOTE  
 Third Reader

House Bill 1422  
 Ways and Means

(Delegate C. Wilson, *et al.*)

Budget and Taxation

**Income Tax Checkoff - Maryland Veterans Trust Fund**

This bill establishes the Maryland Veterans Trust Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed by the Maryland Department of Veterans Affairs (MDVA).

The bill takes effect July 1, 2017, and applies to tax year 2017 and beyond.

**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$53,000 in FY 2018 due to one-time computer programming expenses at the Comptroller’s Office. While special fund revenues to the Maryland Veterans Trust Fund increase beginning in FY 2018, total special fund revenues to other funds receiving contributions through tax checkoffs may decrease.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	-	-	-	-	-
GF Expenditure	\$53,000	\$0	\$0	\$0	\$0
Net Effect	(\$53,000)	\$0	\$0	\$0	\$0

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The Comptroller must include a checkoff designated as the Maryland Veterans Trust Fund Contribution on the individual income tax return form. The checkoff must state that the individual, or each spouse in the case of a joint return, may contribute to the fund an amount designated by the individual. The individual deducts the amount of the contribution from any refund to which the individual is entitled or, if the individual is not entitled to a refund, the individual adds the amount of the contribution to the income tax paid with the return. The Comptroller must include, with the individual income tax return package, a description of the purposes of the Maryland Veterans Trust Fund. From the contributions collected, the Comptroller distributes an amount necessary to administer the checkoff system to an administrative cost account and distributes the remainder to the Maryland Veterans Trust Fund.

**Current Law/Background:** The Chesapeake Bay and Endangered Species Fund, Cancer Research Fund, Developmental Disabilities Services and Support Fund Contribution, and Fair Campaign Financing Fund are the four current checkoffs on the personal income tax form. In fiscal 2015, taxpayers contributed a total of \$1.7 million via income tax checkoffs.

### *Maryland Veterans Trust Fund*

Chapter 742 of 2009 established the Maryland Veterans Trust Fund, which consists of gifts and grants received by MDVA. Additionally, the Comptroller must deposit 10% of the money that remains in the State Lottery Fund from the proceeds of ticket sales from instant ticket lottery machines by specified veterans' organizations into the fund. Money in the fund may be used to make grants and loans to veterans and their families and support public and private programs that serve veterans in the State. Money in the fund may also be used to invest in general obligations of the State or other securities and pay for the cost of administering the fund. Money expended from the fund is supplemental to and is not intended to take the place of funding otherwise appropriated to MDVA.

**State Revenues:** Special fund revenues to the Maryland Veterans Trust Fund increase, but the amount of the donations cannot be accurately estimated. Overall special fund revenues, however, may be unaffected or decrease. Donations to this checkoff would likely divert funds from the four existing checkoffs. To the extent that the new checkoff does not divert funds from the existing checkoffs, net special fund revenues will increase by a greater amount.

**State Expenditures:** The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$53,000 in fiscal 2018 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

MDVA reports that additional donations to the Maryland Veterans Trust Fund will enable the agency to provide more financial assistance to veterans in need. MDVA can process the additional donations and financial assistance with existing resources.

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### **Additional Information**

**Prior Introductions:** HB 780 of 2016 received a favorable with amendments report from the House Ways and Means Committee, passed the House, and received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. HB 686 of 2015 received a favorable with amendments report from the House Ways and Means Committee, passed the House, and was referred to the Senate Rules Committee, but no further action was taken.

**Cross File:** SB 296 (Senator Peters, *et al.*) - Budget and Taxation.

**Information Source(s):** Comptroller's Office; Department of Veterans Affairs; Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2017  
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