

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 3

(Delegates Lisanti and Carey)

Ways and Means

Budget and Taxation

**Income Tax - Subtraction Modification - Olympic, Paralympic, Special Olympic,
and Deaflympic Games Medals and Prizes**

This bill exempts from the State and local income tax the value of specified medals and prize money or honoraria received by an individual who competes in the Olympic Games, the Paralympic Games, the Special Olympic Games, or the Deaflympic Games.

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

Fiscal Summary

State Effect: General fund revenues may decrease minimally beginning in FY 2018 due to the exemption of specified income. General fund expenditures increase by \$52,000 in FY 2018 due to one-time implementation costs at the Comptroller's Office.

Local Effect: Local revenues may decrease minimally beginning in FY 2018 due to the exemption of specified income. Expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Maryland conforms to the federal tax treatment of the prize money and value of a medal received by an individual, as discussed below.

Background: The United States Olympic Committee awards monetary prizes to American athletes who win medals at the Olympic and Paralympic Games. At the 2016 Olympic Games in Rio de Janeiro, gold medalists received \$25,000, silver medalists \$15,000, and

bronze medalists \$10,000. Paralympians received \$5,000 for gold, \$3,000 for silver, and \$2,000 for bronze. The committee recently announced that the awards will be increased by 50% for the 2018 Olympic and Paralympic Games. Published reports estimate that a gold medal has a value of \$564 compared to a minimal value for a bronze medal.

On October 7, 2016, President Barack Obama signed into law the United States Appreciation for Olympians and Paralympians Act of 2016. Prior to the Act, Olympic and Paralympic prize money and the value of any medal received were considered taxable income for federal income tax purposes. An athlete would incur tax liability unless the prize money or medals were excluded under existing tax law (if the prize money was donated) or offset by expenses that were necessary to compete in the games. The federal Act excludes from federal adjusted gross income the value of any Olympic or Paralympic Games medal and prize money received from the United States Olympic Committee. The exclusion applies to awards received after December 31, 2015, but does not apply if the individual's income exceeds \$1.0 million (\$500,000 if married filing separately).

State Revenues: Additional income may be exempted beginning in tax year 2017. As a result, general fund revenues may decrease minimally beginning in fiscal 2018. Given that federal law generally exempts Olympic and Paralympic prize money and the value of any medals and the limited number of individuals who would qualify for the proposed State exemption, any revenue loss is expected to be minimal. Revenue losses will occur to the extent individuals do not qualify for the federal exclusion.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure of \$52,000 to add the new subtraction modification. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; United States Olympic Committee; Department of Legislative Services

Fiscal Note History: First Reader - January 16, 2017
md/jrb Third Reader - March 18, 2017
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