

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1227 (Delegate Beidle)  
 Ways and Means

Tax Credit - Commuter Benefits - Alterations

This bill alters the existing commuter benefit tax credit by increasing to (1) 80% the percentage value of the tax credit and (2) \$250 the maximum credit that can be claimed with respect to each employee per month. **The bill takes effect July 1, 2018, and applies to tax year 2018 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease by \$179,400 annually beginning in FY 2019 as a result of additional tax credits being claimed against the corporate and personal income tax. Transportation Trust Fund (TTF) revenues decrease by \$14,600 annually and Higher Education Investment Fund (HEIF) revenues decrease by \$6,000 annually beginning in FY 2019. Expenditures are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$179,400)	(\$179,400)	(\$179,400)	(\$179,400)	(\$179,400)
SF Revenue	(\$20,600)	(\$20,600)	(\$20,600)	(\$20,600)	(\$20,600)
Expenditure	0	0	0	0	0
Net Effect	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)

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

**Local Effect:** Local highway user revenues decrease by \$1,400 annually beginning in FY 2019 as a result of credits claimed against the corporate income tax. Local expenditures are not affected.

**Small Business Effect:** Minimal.

## Analysis

**Bill Summary/Current Law:** Maryland-based businesses that provide commuter benefits for employees may claim a tax credit for a portion of the amounts paid during the taxable year. The tax credit is 50% of the cost of providing the commuter benefits up to a maximum of \$100 per month (based on a \$200 employer contribution) for each employee.

The employer must pay a portion of the cost of an employee's travel between the employee's home and workplace. Commuter benefits include the purchase of transit instruments (tickets, passes, vouchers, fare cards, smart cards, and tokens).

In addition, the workplace must be located in Maryland and travel must take place in either:

- a mass transit vehicle or other qualified mass transit system; or
- a vanpool with minimum seating capacity that is used primarily to transport individuals between home and the workplace.

A business may also qualify for a credit for a portion of the amount paid to provide their employees a Guaranteed Ride Home and/or a parking "Cash-Out" program.

**Background:** Recent federal legislation altered the federal tax treatment of employer-provided transportation benefits. For costs incurred before December 31, 2017, an employer could generally deduct the cost of providing qualified transportation benefits. The federal Tax Cuts and Jobs Act of 2017 (Public Law 115-97) was signed into law on December 22, 2017, and enacted significant changes to federal taxes. The Act generally disallows a deduction for expenses associated with providing any qualified transportation fringe to employees of the taxpayer and, except as necessary for ensuring the safety of an employee, any expense incurred for providing transportation (or any payment or reimbursement) for commuting between the employee's residence and place of employment.

**State Revenues:** The bill alters the existing commuter benefit tax credit by (1) increasing to 80% the value of the tax credit and (2) increasing to \$250 the maximum credit that can be claimed with respect to each employee per month. These changes are effective beginning with tax year 2018. Based on the amount of recent tax credit claims, general fund revenues will decrease by \$179,400 annually beginning in fiscal 2019. TTF revenues decrease by \$14,600 annually and HEIF revenues decrease by \$6,000 annually beginning in fiscal 2019.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 25, 2018  
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