

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1567 (Delegate Glass, *et al.*)  
 Ways and Means

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 must adopt regulations to implement the credit. **The bill takes effect July 1, 2018, and applies to tax year 2018 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease significantly beginning in FY 2019 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 \$54,000 in FY 2019 for one-time tax form changes and computer programming modifications at the Comptroller’s Office.

| (in dollars)   | FY 2019    | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|----------------|------------|---------|---------|---------|---------|
| GF Revenue     | (-)        | (-)     | (-)     | (-)     | (-)     |
| GF Expenditure | \$54,000   | \$0     | \$0     | \$0     | \$0     |
| Net Effect     | (\$54,000) | \$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

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

**Background:** A survey conducted by the Professional Animal Workers of Maryland found that annually:

- 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 2018. As a result, general fund revenues will decrease by a significant amount beginning in fiscal 2019. 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 \$54,000 in fiscal 2019 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 systems testing.

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## Additional Information

**Prior Introductions:** HB 1302 of 2017 and HB 1335 of 2016 received a hearing in the House Ways and Means Committee, but no further action was taken. In addition, similar bills were introduced in the 2012 through 2015 sessions.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 18, 2018  
nb/hlb

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