

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 467

(Senator Eckardt, *et al.*)

Budget and Taxation

Rules and Executive Nominations

Income Tax – Subtraction Modification – Classroom Supplies Purchased by Teachers

This bill creates a State income tax subtraction modification for classroom supplies that are purchased by an elementary or secondary classroom teacher. The amount of the subtraction cannot exceed \$250 of the unreimbursed expenses paid for classroom supplies used by students in the classroom or by the teacher to prepare for or during classroom teaching. The amount allowed as a subtraction does not include an expense that is subtracted from federal adjusted gross income under Section 62 of the Internal Revenue Code. An eligible individual is a full-time kindergarten through grade 12 classroom teacher at an elementary or secondary school in the State. **The bill takes effect July 1, 2018, and applies to tax years 2018 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$900,000 annually beginning in FY 2019 due to subtraction modifications claimed against the personal income tax. General fund expenditures increase by \$54,000 in FY 2019 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$0.9)	(\$0.9)	(\$0.9)	(\$0.9)	(\$0.9)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$1.0)	(\$0.9)	(\$0.9)	(\$0.9)	(\$0.9)

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

Local Effect: Local revenues decrease by \$588,000 annually beginning in FY 2019. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law/Background: For federal income tax purposes, eligible educators can deduct certain unreimbursed expenses including books, supplies, and certain computer equipment used in the classroom. This deduction is available regardless of whether the taxpayer itemizes deductions. In tax year 2017, taxpayers could deduct up to \$250 (\$500 if married filing jointly). This deduction reduces federal adjusted gross income, which in turn reduces State income tax liability by flowing through to Maryland adjusted gross income.

State Revenues: Subtraction modifications may be claimed beginning in tax year 2018. Based on the requirements of the bill and data on the federal deduction, general fund revenues will decrease by \$900,000 annually beginning in fiscal 2019.

State Expenditures: The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$54,000 in fiscal 2019 to add the subtraction modification to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Local Revenues: Local income tax revenues decrease by \$588,000 annually beginning in fiscal 2019.

Additional Information

Prior Introductions: None.

Cross File: HB 671 (Delegate Patterson, *et al.*) - Ways and Means.

Information Source(s): Comptroller's Office; Internal Revenue Service; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2018
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Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510