

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 Third Reader

House Bill 387

(Delegate Hornberger, *et al.*)

Ways and Means

Budget and Taxation

Income Tax - Subtraction Modification - Maryland Transportation Authority
 Police

This bill expands the existing State subtraction modification for local law enforcement officers who reside in political subdivisions with certain crime rates by extending eligibility to Maryland Transportation Authority (MDTA) law enforcement officers who reside in these qualifying political subdivisions. **The bill takes effect July 1, 2019, and applies to tax year 2019 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$60,000 annually beginning in FY 2020 due to additional income being exempted. Future year revenue decreases reflect a stable number of claimants. Expenditures are not affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)
Expenditure	0	0	0	0	0
Net Effect	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)	(\$60,000)

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

Local Effect: Local revenues decrease by \$38,000 annually beginning in FY 2020. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law/Background: Chapter 519 of 2016 established a subtraction modification of up to \$5,000 of the income earned by a law enforcement officer if (1) the officer resides in the political subdivision in which the officer is employed and (2) the crime rate in the political subdivision exceeds the State's crime rate. A law enforcement officer is an individual who (1) in an official capacity is authorized by law to make arrests and (2) is a member of a law enforcement agency, including a law enforcement officer who serves in a probationary status or at the pleasure of the appointing authority of a county or municipality.

Federal and State law enforcement officers do not qualify for the subtraction modification.

The Maryland Police Training and Standards Commission certifies to the Comptroller the political subdivisions that have crime rates exceeding the State's crime rate. This information can be found [here](#).

State Revenues: Additional income may be exempted beginning in tax year 2019. Based on data provided by MDTA, an estimated 250 additional law enforcement officers will qualify for the proposed expansion. As a result, general fund revenues will decrease by \$60,000 annually beginning in fiscal 2020.

Local Revenues: Local income tax revenues will decrease as a result of subtraction modifications claimed against the personal income tax. Local revenues will decrease by \$38,000 annually beginning in fiscal 2020.

Additional Information

Prior Introductions: SB 1261 of 2018 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 1419, received a favorable 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.

Cross File: SB 477 (Senator Kramer) - Budget and Taxation.

Information Source(s): Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2019
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