

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1510
Ways and Means

(Howard County Delegation)

Budget and Taxation

**Income Tax - Subtraction Modification - Rental Subsidy Under the Howard
County "Live Where You Work" Program**
Ho. Co. 20-20

This bill exempts from the State income tax the value of the rental expense subsidy received by a Howard County resident under the Live Where You Work Program of the Downtown Columbia Plan. **The bill takes effect July 1, 2020, and applies to tax year 2020 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2021 due to subtraction modifications claimed against the personal income tax. General fund expenditures increase by \$56,000 due to one-time implementation costs at the Comptroller's Office.

Local Effect: Howard County income tax revenues may decrease beginning in FY 2021 due to subtraction modifications claimed against the personal income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Unless certain conditions are met, rental subsidies and the value of employer-provided lodging paid to employees is typically treated as a fringe benefit subject to federal and State income taxation. Rental subsidies paid to a landlord are typically treated as taxable business income.

Background: According to Howard County’s website, The Live Where You Work program will provide three years of rental subsidies to low- and moderate-income Howard County general hospital employees. The subsidies, paid for by the hospital and the Columbia Downtown Housing Corporation, will be paid directly to eligible landlords in downtown Columbia. The Housing Corporation has plans to expand the program by enlisting other employers and currently expects to provide a total of \$7.5 million in rental subsidies.

State Revenues: Subtraction modifications may be claimed beginning in tax year 2020. As a result, general fund revenues will decrease beginning in fiscal 2021. Based on the limited number of individuals and amount of subsidies, revenue losses are not expected to be significant in the near term. Under the assumption that a total of \$7.5 million in rental subsidies is provided and the entire amount is taxable under current law, general fund revenues will decrease by a total of \$356,300 in the years in which the subsidies are provided. Additional revenue losses will occur to the extent the program receives funding beyond the initial planned amount.

State Expenditures: The Comptroller’s Office reports that it will incur a one-time general fund expenditure increase of \$56,000 in fiscal 2021 to add the exemption to the personal income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

Local Revenues: Under the assumptions above, Howard County income tax revenues will decrease by a total of \$240,000 in the years in which subsidies are provided. Revenue losses will be less to the extent subsidies are provided to individuals who are not residents of the county.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Howard County; Comptroller’s Office; Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2020
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Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510

(301) 970-5510