

Department of Legislative Services  
 Maryland General Assembly  
 2020 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 843 (Delegate Hornberger, *et al.*)  
 Ways and Means

**Income Tax - Subtraction Modification - State Law Enforcement Officers**

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 State law enforcement officers who reside in these qualifying political subdivisions. **The bill takes effect July 1, 2020, and applies to tax year 2020 and beyond.**

**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$254,100 annually beginning in FY 2021 due to additional income being exempted. Future year revenue decreases reflect a stable number of claimants. Expenditures are not affected.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$254,100)	(\$254,100)	(\$254,100)	(\$254,100)	(\$254,100)
Expenditure	0	0	0	0	0
Net Effect	(\$254,100)	(\$254,100)	(\$254,100)	(\$254,100)	(\$254,100)

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

**Local Effect:** Local revenues decrease by \$166,000 annually beginning in FY 2021. Local expenditures are not affected.

**Small Business Effect:** None.

**Analysis**

**Current Law:** 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.

Chapters 67 and 68 of 2019 extended eligibility to Maryland Transportation Authority (MDTA) law enforcement officers who reside in these qualifying political subdivisions.

Federal and most 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.

**Background:** The 2017 *Uniform Crime Report* indicates that there are approximately 2,800 sworn law enforcement officers employed by State agencies. This number includes 1,429 Maryland State Police officers, 347 officers employed by higher education institutions, and 1,040 officers employed at other State agencies (Comptroller's Office, Department of General Services, Department of Natural Resources, Maryland Department of Transportation, and State Fire Marshall). This total includes 426 MDTA officers who may qualify for the subtraction modification under current law.

**State Revenues:** Additional income may be exempted beginning in tax year 2020. Based on the number of police officers employed by State agencies who do not currently qualify for the subtraction modification and the political subdivisions that have crime rates exceeding the State's crime rate, it is estimated that general fund revenues will decrease by \$254,100 annually beginning in fiscal 2021.

**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 \$166,000 annually beginning in fiscal 2021.

---

### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** SB 492 (Senator Kramer) - Budget and Taxation.

**Information Source(s):** Comptroller's Office; Maryland State Police; Federal Bureau of Investigations; Department of Legislative Services

**Fiscal Note History:** First Reader - February 10, 2020  
rh/hlb

---

Analysis by: Robert J. Rehrmann

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