

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 644 (Senators Gallion and Hester)
 Budget and Taxation

Income Tax Checkoff - The Blueprint for Maryland's Future Fund

This bill establishes the Blueprint for Maryland’s Future Fund checkoff on the individual income tax return form. After the Comptroller deducts administrative expenses, the contributions are credited to the fund. **The bill takes effect July 1, 2020, and applies to tax year 2020 and beyond.**

Fiscal Summary

State Effect: General fund expenditures increase by \$56,000 in FY 2021 due to one-time computer programming expenses at the Comptroller’s Office. While special fund revenues to the Blueprint for Maryland’s Future Fund increase beginning in FY 2021, total special fund revenues to other funds receiving contributions through tax checkoffs may decrease.

| (in dollars) | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 |
|----------------|------------|---------|---------|---------|---------|
| SF Revenue | - | - | - | - | - |
| GF Expenditure | \$56,000 | \$0 | \$0 | \$0 | \$0 |
| Net Effect | (\$56,000) | \$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

Bill Summary: The Comptroller must include a checkoff designated as the Blueprint for Maryland’s Future Fund Contribution on the individual income tax return form. The checkoff must state that the individual, or each spouse in the case of a joint return, may

contribute to the fund an amount designated by the individual. The individual deducts the amount of the contribution from any refund to which the individual is entitled or, if the individual is not entitled to a refund, the individual adds the amount of the contribution to the income tax paid with the return. The Comptroller must include, with the individual income tax return package, a description of the purposes of the fund. From the contributions collected, the Comptroller distributes an amount necessary to administer the checkoff system to an administrative cost account and distributes the remainder to the fund.

Current Law/Background: The Chesapeake Bay and Endangered Species Fund, Maryland Cancer Fund, Developmental Disabilities Services and Support Fund, and Fair Campaign Financing Fund are the four current checkoffs on the personal income tax form. In fiscal 2019, taxpayers contributed a total of \$1.7 million via income tax checkoffs.

The Blueprint for Maryland's Future

The Blueprint for Maryland's Future Fund is a special nonlapsing fund that may be used only to assist in providing adequate funding for early childhood education and primary and secondary education based on the recommendations of the Commission on Innovation and Excellence in Education, including revised education funding formulas. Chapter 771 of 2019 established in statute the policy framework for a world-class education system in Maryland based on the commission's recommendations. When fully phased-in, the commission's recommendations are expected to require an additional \$2.8 billion in State funding and \$1.2 billion in local funding by fiscal 2030.

State Revenues: Special fund revenues to the Blueprint for Maryland's Future Fund increase, but the amount of the donations cannot be accurately estimated. Overall special fund revenues, however, may be unaffected or decrease. Contributions to existing checkoffs have typically decreased in the fiscal year in which a new checkoff is established. Accordingly, donations to this checkoff will likely divert funds from the four existing checkoffs.

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 checkoff to personal income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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af/hlb

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