

**Department of Legislative Services**  
Maryland General Assembly  
2021 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

Senate Bill 480

(Senator Zucker)

Budget and Taxation

Ways and Means

**Tax Clinics for Low-Income Marylanders**

This bill establishes a special fund and related processes to provide supplemental grant funding for the University of Maryland School of Law, the University of Baltimore School of Law, and the Maryland Volunteer Lawyers Service (MVLS) to operate tax clinics for low-income State residents. For fiscal 2022 and 2023, the Comptroller must distribute \$250,000 from the State's Unclaimed Property Fund to the new special fund. Beginning in fiscal 2024, the Governor *may* include an appropriation for the fund in the annual budget bill. Funds must then be distributed to the two law schools (one-third each) and MVLS (one-third). **The bill takes effect July 1, 2021, with the distribution of abandoned property proceeds to the special fund terminating after December 31, 2023.**

**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$250,000 in FY 2022 and 2023, reflecting the distribution of proceeds from abandoned property to the new special fund; general fund expenditures increase by an estimated \$250,000 annually beginning in FY 2024, assuming funding continues. Special fund revenues and expenditures increase correspondingly as funds are received and distributed for the tax clinics. Higher education revenues and expenditures increase by \$166,700 annually, the portion of the funds to be received and used by the law schools. **This bill establishes a mandated distribution for FY 2022 and 2023.**

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$250,000)	(\$250,000)	\$0	\$0	\$0
SF Revenue	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Higher Ed Rev.	\$166,700	\$166,700	\$166,700	\$166,700	\$166,700
GF Expenditure	\$0	\$0	\$250,000	\$250,000	\$250,000
SF Expenditure	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Higher Ed Exp.	\$166,700	\$166,700	\$166,700	\$166,700	\$166,700
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary/Current Law:** The Tax Clinics for Low-Income Marylanders Fund (TCLIM) is established as a special, nonlapsing fund to be administered by the Comptroller. The purpose of the fund is to provide grants to the University of Maryland School of Law, the University of Baltimore School of Law, and MVLS to operate tax clinics for low-income Maryland residents. Money expended from the fund for this purpose is supplemental and is not intended to take the place of funding that otherwise would be appropriated for tax clinics. Expenditures from the fund may be made only in accordance with the State budget. TCLIM consists of revenue distributed to it under the bill as well as any money appropriated in the State budget or from any other source.

After making certain required distributions, the Comptroller must distribute the remaining net funds from the State's Unclaimed Property Fund to the general fund. The bill adds, for fiscal 2022 and 2023 only, another distribution to TCLIM *before* the remaining net funds are distributed to the general fund.

**State Fiscal Effect:** In fiscal 2022 and 2023 only, \$250,000 in abandoned property proceeds administered by the Comptroller is diverted to TCLIM to fund tax clinics. Accordingly, general fund revenues decrease by \$250,000 in fiscal 2022 and 2023 only. It is assumed that the required distribution can be made with existing budgeted resources. The Governor *may* include an appropriation for TCLIM in the annual budget bill beginning in fiscal 2024; although such funding is not mandated, this analysis assumes that annual funding for TCLIM is maintained at \$250,000. Thus, general fund expenditures increase by \$250,000 annually beginning in fiscal 2024 to continue to fund tax clinics through TCLIM. Special fund revenues and expenditures for TCLIM increase correspondingly as funds are received and then distributed to the two law schools and MVLS. The Comptroller can also administer TCLIM using existing resources.

Higher education revenues and expenditures for the two law schools increase by an estimated \$166,667 annually (approximately \$83,333 each) beginning in fiscal 2022 from distributions made by TCLIM and to provide supplemental funding for existing tax clinics offered by the schools. Actual revenues depend on the annual funding appropriated to MVLS after fiscal 2023. The schools advise that they intend to use the funds to provide services for *State* tax returns, which support from existing federal funds does not allow.

Use of the funds may include the hiring of full-time staff at one or both institutions but not necessarily so.

**Additional Comments:** Both the University of Maryland and the University of Baltimore schools of law operate low-income tax clinics funded by grants from the Internal Revenue Service (IRS). MVLS is a nonprofit provider of *pro bono* legal services in the State and offers a variety of legal services, including a low-income taxpayer clinic that assists with IRS tax issues. The clinics do not help prepare tax returns; rather, they assist individuals in dispute with the IRS. The clinics generally focus on issues related to federal, not State, taxes.

The IRS awards matching grants of up to \$100,000 per year to qualifying organizations to develop, expand, or maintain a low-income taxpayer clinic. Such a clinic must provide services for free or for no more than a nominal fee. At least 90% of the taxpayers the clinic represents must qualify as low income, meaning households below 250% of federal poverty guidelines. In addition, when a clinic represents a taxpayer, the dollar amount in controversy for any tax year generally must not exceed \$50,000.

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### Additional Information

**Prior Introductions:** HB 454 of 2020, a similar bill, passed the House with amendments and was referred to the Senate Budget and Taxation Committee, but no further action was taken.

**Designated Cross File:** HB 421 (Delegate Rosenberg) - Ways and Means.

**Information Source(s):** Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Higher Education Commission; University System of Maryland; Department of Legislative Services

**Fiscal Note History:** First Reader - January 27, 2021  
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