

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 620 (Senator Edwards)
Budget and Taxation

**Income Tax - Subtraction Modification for Volunteer Fire, Rescue, or
Emergency Medical Services Members - Active Status Points**

This bill alters eligibility of the State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel by allowing an individual to qualify for active status by prorating the minimum points needed to qualify based on the number of days the organization or auxiliary organization ceased operations due to a public health emergency. **The bill takes effect July 1, 2021, and applies to tax year 2021 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease in FY 2022 due to additional subtraction modifications claimed against the personal income tax. Expenditures are not affected.

Local Effect: Local revenues decrease in FY 2022 due to additional subtraction modifications claimed against the personal income tax. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: The Honorable Louis L. Goldstein Volunteer Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program allows a subtraction modification for individuals who serve in a volunteer capacity and meet specified requirements during the tax year. Individuals can qualify if they are (1) a member of a Maryland fire, rescue, or emergency medical services organization; (2) a member of an auxiliary organization of a Maryland fire, rescue, or emergency medical services

organization; (3) a member of the Maryland Defense Force; (4) a member of the U.S. Coast Guard Auxiliary; or (5) a member of the Maryland Civil Air Patrol.

The individual must also (1) have been an active member of a qualifying organization for at least 36 months during the last 10 calendar years and (2) qualify for active status during the tax year or have maintained active status for at least 25 years under a volunteer fire, rescue, or emergency medical services personnel or auxiliary Length of Service Award Program (LOSAP). An individual qualifies for active status under LOSAP or a similar plan by earning a minimum of 50 points in the year in at least two different categories.

In addition, Chapter 267 of 2003 allowed an individual to claim the subtraction modification if the individual did not qualify for active status due to being called into service on active duty in the U.S. Armed Forces or was a qualifying civilian or member of the Merchant Marines in support of the U.S. Armed Forces in a designated combat zone.

Legislation enacted in the 2014 and 2018 sessions doubled to \$7,000 the value of the State income tax subtraction, phased-in over nine years beginning in tax year 2014. The amount of the subtraction is equal to (1) \$5,000 in tax year 2019; (2) \$6,000 in tax year 2020; (3) \$6,500 in tax year 2021; and (4) \$7,000 beginning in tax year 2022.

In tax year 2016, about 10,000 tax returns claimed the subtraction modification.

State/Local Revenues: This bill alters eligibility of the State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel by allowing an individual to qualify for active status by prorating the minimum points needed to qualify to reflect the time in which an organization or auxiliary organization was closed due to a public health emergency. As a result, State general fund and local income tax revenues will decrease in fiscal 2022 to the extent additional individuals qualify for active status and claim subtraction modifications in tax year 2021. Future year revenues will be impacted to the extent organizations are closed due to public health emergencies.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 888 (Delegate McKay) - Ways and Means.

Information Source(s): Department of Legislative Services

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Analysis by: Robert J. Rehrmann

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