

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 730 (Senators Edwards and Carozza)
Budget and Taxation

Income Tax - Credit for Travel, Hospitality, and Entertainment Expenses

This bill creates a nonrefundable credit against the State income tax for certain travel, hospitality, and entertainment expenses incurred in the State by an individual. The Department of Commerce (Commerce) is required to administer the credit and may award a maximum of \$25 million in credits in each tax year. **The bill takes effect July 1, 2021, and applies to tax years 2021 and 2022. The bill terminates June 30, 2023.**

Fiscal Summary

State Effect: General fund revenues may decrease by \$25.0 million annually in FY 2022 and FY 2023 due to credits claimed against the income tax. Administrative costs at the Comptroller's Office and Commerce may increase by \$181,100 in FY 2022 and by \$100,800 in FY 2023.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$25.0)	(\$25.0)	\$0	\$0	\$0
GF Expenditure	\$0.2	\$0.1	\$0	\$0	\$0
Net Effect	(\$25.2)	(\$25.1)	\$0.0	\$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: Minimal.

Analysis

Bill Summary: The credit is equal to 100% of the qualified expenses incurred by the individual during qualified travel, not to exceed \$4,000 for an individual or for

married couples that file a joint return \$8,000 plus \$500 for each dependent child. Any unused tax credit may not be carried forward to any other tax year.

Qualified travel is travel that occurs in the State during calendar 2021 and 2022 and the final destination is at least 50 miles from the principal residence of the individual. Qualified expenses include expenses for (1) food and beverages; (2) specified lodging and transportation; (3) live entertainment and sporting events; and (4) attending a conference or business meeting.

An individual may not claim the tax credit for business-related travel and meal expenses deducted under the federal income tax.

Commerce is required to (1) approve tax credit applications; (2) adopt regulations jointly with the Comptroller to implement the credit; and (3) report annually specified information about the program.

The tax credit program terminates June 30, 2023.

Current Law: No similar State income tax credit exists.

Certain business-related travel and meal expenses are deductible under the federal and State income tax.

State Revenues: Tax credits may be claimed in tax year 2021 and 2022. As a result, general fund revenues decrease by \$25.0 million annually in fiscal 2022 and 2023. This estimate assumes that Commerce awards the maximum authorized amount of credits in each tax year.

State Expenditures: General fund expenditures increase by \$181,100 in fiscal 2022 due to implementation costs at Commerce and the Comptroller's Office, as described below.

Commerce

Commerce indicates it would need two contractual tax credit specialists to administer the program. General fund expenditures will increase by an estimated \$121,090 in fiscal 2022, which reflects the bill's July 1, 2021 effective date. This estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Positions	2
Salary and Fringe Benefits	\$109,600
Other Operating Expenses	11,490
Commerce Expenditures	\$121,090
Comptroller Expenditures	\$60,000
Total FY 2022 Expenditures	\$181,090

Comptroller's Office

The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$60,000 in fiscal 2022 to add the tax credit to the 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: HB 1176 (Delegate Hartman) - Ways and Means.

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

Fiscal Note History: First Reader - February 18, 2021
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