This bill expands the existing State subtraction modification for 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, 2021, and applies to tax year 2021 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues decrease by $254,100 annually beginning in FY 2022 due to additional income being exempted. Future year revenue decreases reflect a stable number of claimants. Expenditures are not affected.

<table>
<thead>
<tr>
<th>(in dollars)</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
</tr>
</thead>
<tbody>
<tr>
<td>GF Revenue</td>
<td>($254,100)</td>
<td>($254,100)</td>
<td>($254,100)</td>
<td>($254,100)</td>
<td>($254,100)</td>
</tr>
<tr>
<td>Expenditure</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Effect</td>
<td>($254,100)</td>
<td>($254,100)</td>
<td>($254,100)</td>
<td>($254,100)</td>
<td>($254,100)</td>
</tr>
</tbody>
</table>

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 2022. 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.


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.

**State Revenues:** Additional income may be exempted beginning in tax year 2021. 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 2022.

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 (the Comptroller’s Office, the Department of General Services, the Department of Natural Resources, the Maryland Department of Transportation, and the State Fire Marshall). This total includes 426 MDTA officers who may qualify for the subtraction modification under current law.

**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 2022.

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**Additional Information**

**Prior Introductions:** SB 492 of 2020 passed the Senate and was referred to the House Ways and Means Committee, but no further action was taken. Its cross file, HB 843 received a hearing in the House Ways and Means Committee, but no further action was taken.

SB 176/ Page 2
Designated Cross File:  None.

Information Source(s):  Comptroller’s Office; Federal Bureau of Investigations; Department of Legislative Services

Fiscal Note History:  First Reader - January 12, 2021

rh/hlb

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