

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1444
 Ways and Means

(Delegate Wilkins, *et al.*)

Budget and Taxation

Income Tax Credit - Endowments of Maryland Historically Black Colleges -
 Extension

This bill extends the termination date for the endowments of Maryland historically black colleges income tax credit to December 31, 2028. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: No impact in FY 2023 or 2024. General fund revenues decrease by up to \$228,000 annually beginning in FY 2025 due to credits claimed against the income tax. Transportation Trust Fund (TTF) and Higher Education Investment Fund (HEIF) revenues decrease beginning in FY 2025 to the extent credits are claimed against the corporate income tax. Expenditures are not materially affected.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	\$0	\$0	(\$228,000)	(\$228,000)	(\$228,000)
Expenditure	0	0	0	0	0
Net Effect	\$0	\$0	(\$228,000)	(\$228,000)	(\$228,000)

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

Local Effect: Local highway user revenues decrease beginning in FY 2025 as a result of any credits claimed against the corporate income tax. Local income tax revenues increase minimally beginning in FY 2025 due to the requirement that taxpayers add back the amount of any credit claimed. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 544 of 2019 created a tax credit against the State income tax for 25% of a donation made to a qualified permanent endowment fund at Bowie State University, Coppin State University, Morgan State University, or the University of Maryland Eastern Shore.

A qualified permanent endowment fund is a fund that is held in perpetuity by a qualifying institution of higher education and is used to benefit the institution or its students. Taxpayers seeking the tax credit must apply to the Comptroller for a tax credit certificate for the qualified donation planned in the tax year; applications are approved on a first-come, first-served basis until the maximum amount of authorized credits has been approved. The amount of the tax credit is 25% of a proposed donation and may not exceed the tax liability imposed in the year. Any unused amount of the credit can be carried forward to future tax years until the full amount of the excess is used. A taxpayer claiming the credit is required to add back the amount of the credit claimed to Maryland adjusted gross income or Maryland modified income.

In each tax year, the Comptroller can award a maximum of \$60,000 in tax credits for each of the four institutions. If the maximum amount for an institution is not awarded in the tax year, the tax credits can be awarded for the institution in the next tax year. The tax credit terminates December 31, 2023.

State Revenues: The bill extends the tax credit for five additional years through December 31, 2028. As a result, general fund revenues will decrease by \$228,000 annually beginning in fiscal 2025 through fiscal 2029. This estimate assumes that the Comptroller's Office awards the maximum authorized amount of credits in each year and tax credits are claimed against the personal income tax. It also reflects the requirement that taxpayers add back to their income the amount of tax credit claimed. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease TTF and HEIF revenues.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

Fiscal Note History:
fnu2/jrb

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Third Reader - March 25, 2022

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Analysis by: Robert J. Rehrmann

Direct Inquiries to:

(410) 946-5510

(301) 970-5510