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, 2022, and applies to tax year 2022 and beyond.

Fiscal Summary

**State Effect:** General fund revenues decrease by $226,700 annually beginning in FY 2023 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 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
<th>FY 2026</th>
<th>FY 2027</th>
</tr>
</thead>
<tbody>
<tr>
<td>GF Revenue</td>
<td>($226,700)</td>
<td>($226,700)</td>
<td>($226,700)</td>
<td>($226,700)</td>
<td>($226,700)</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>($226,700)</td>
<td>($226,700)</td>
<td>($226,700)</td>
<td>($226,700)</td>
<td>($226,700)</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 $147,900 annually beginning in FY 2023. 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. The Maryland Police Training and Standards Commission certifies to the Comptroller the political subdivisions that have crime rates exceeding the State’s crime rate.


Federal and most State law enforcement officers do not qualify for the subtraction modification.

**State Revenues:** Additional subtraction modifications may be claimed beginning in tax year 2022. 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 $226,700 annually beginning in fiscal 2023.

The 2019 *Uniform Crime Report* indicates that there are 2,727 sworn law enforcement officers employed by State agencies, not including MDTA officers who may qualify for the subtraction modification under current law. This number includes 1,467 Maryland State Police officers, 336 officers employed by higher education institutions, and 924 officers employed at other State agencies including the Comptroller’s Office, the Department of General Services, the Department of Natural Resources, the Maryland Department of Transportation, and the State Fire Marshall.

**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 $147,900 annually beginning in fiscal 2023.

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**Additional Information**

**Prior Introductions:** SB 176 of 2021 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. 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 of 2020 received a hearing in the House Ways and Means Committee, but no further action was taken.
Designated Cross File: None.

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

Fiscal Note History: First Reader - January 17, 2022
fnu2/hlb Third Reader - April 12, 2022

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