

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 978
Ways and Means

(Delegates Harrison and Howell)

Income Tax - Caregiver Tax Credit

This bill creates a nonrefundable credit against the State income tax for certain expenses incurred by an individual who provides care for an immediate family member with long-term care needs. **The bill takes effect July 1, 2022, and applies to tax years 2022 and beyond.**

Fiscal Summary

State Effect: General fund revenues will decrease significantly beginning in FY 2023 due to credits claimed against the State income tax. General fund expenditures increase by \$40,000 in FY 2023 due to one-time implementation costs at the Comptroller's Office.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An eligible caregiver may claim a tax credit equal to 30% of the amount of qualified expenses that exceed \$2,000. The maximum value of the tax credit may not exceed the lesser of \$5,000 or the tax liability imposed in the year, and any unused amount may not be carried forward to any other tax year. The amount of the tax credit begins to phase out once the eligible caregiver's federal adjusted gross income exceeds \$75,000 (\$150,000 if married filing jointly).

Qualified expenses are the expenses paid or incurred for goods, services, or support to assist an immediate family member who meets specified requirements with accomplishing

the activities of daily life and are provided solely for the use of the individual with long-term care needs. The individual must be certified as an individual with long-term care needs.

Current Law: No similar State income tax credit exists.

State Revenues: Tax credits may be claimed beginning in tax year 2022. As a result, general fund revenues decrease significantly beginning in fiscal 2023. Based on the requirements of the bill and socioeconomic data, the Comptroller's Office estimates that general fund revenues will decrease by at least \$55.0 million annually beginning in fiscal 2023.

State Expenditures: The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$40,000 in fiscal 2023 to add the tax credit to the income tax forms. This includes changes to the income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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Analysis by: Robert J. Rehrmann

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