

**Department of Legislative Services**  
Maryland General Assembly  
2022 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 988  
(Delegate Walker)  
Ways and Means

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**Income Tax - Subtraction Modification for Classroom Supplies Purchased by  
Teachers - Alteration**

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This bill expands the existing classroom supplies purchased by teachers tax subtraction modification by increasing from \$250 to \$500 the maximum value of the subtraction modification. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

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**Fiscal Summary**

**State Effect:** General fund revenues decrease by approximately \$250,000 annually beginning in FY 2023 as a result of additional subtraction modifications claimed against the personal income tax. Expenditures are not affected.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
Expenditure	0	0	0	0	0
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)

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

**Local Effect:** Local revenues decrease by approximately \$162,500 annually beginning in FY 2023. Local expenditures are not affected.

**Small Business Effect:** None.

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## Analysis

### Current Law:

#### *Federal Income Tax*

For federal income tax purposes, eligible educators can deduct certain unreimbursed expenses, including participation in professional development courses, books, supplies, supplementary material, and certain computer equipment used in the classroom. For courses in health or physical education, the expenses for supplies must be for athletic supplies. Qualified expenses also include the amounts for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus. In order to qualify, the person must be a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide for at least 900 hours during the school year.

This deduction is available regardless of whether the taxpayer itemizes deductions. Taxpayers may deduct up to \$250 (\$500 if married filing jointly). Qualified expenses are deductible only to the extent the expenses exceed nontaxable earnings from qualified state tuition programs and Coverdell education savings accounts, certain reimbursed expenses, and interest on specified U.S. saving bonds.

The deduction reduces federal adjusted gross income, which in turn reduces State income tax liability by flowing through to Maryland adjusted gross income.

#### *State Subtraction Modification*

Chapter 466 of 2018 created a State income tax subtraction modification for classroom supplies that are purchased by a classroom teacher. The amount of the subtraction cannot exceed \$250 of the unreimbursed expenses paid for classroom supplies used by students in the classroom or by the teacher to prepare for or during classroom teaching. The amount allowed as a subtraction does not include an expense that is subtracted from federal adjusted gross income under the federal deduction described above. An eligible individual is a full-time kindergarten through grade 12 classroom teacher at an elementary or secondary school in the State. A total of 21,400 tax returns claimed the subtraction modification in tax year 2018.

**State Revenues:** The bill expands the classroom supplies purchased by teachers tax subtraction modification beginning in tax year 2022. As a result, general fund revenues decrease by approximately \$250,000 annually beginning in fiscal 2023.

**Local Revenues:** Local income tax revenues decrease by approximately \$162,500 annually beginning in fiscal 2023 as a result of additional subtraction modifications claimed against the personal income tax.

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### **Additional Information**

**Prior Introductions:** HB 385 of 2019 and HB 452 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; Department of Legislative Services

**Fiscal Note History:** First Reader - February 28, 2022  
fnu2/hlb

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