Income Tax Credit - Active Duty, Retired, and Honorably Discharged Military - Housing Expenses

This bill creates a nonrefundable credit against the State income tax for certain mortgage loan expenses incurred by an individual who is (1) an active duty, retired, or honorably discharged member of the U.S. Uniformed Services, the military reserves, or National Guard. The bill takes effect July 1, 2022, and applies to tax years 2022 and beyond.

Fiscal Summary

State Effect: General fund revenues may decrease by $39.2 million in FY 2023 due to tax credits claimed against the State income tax. Future years reflect credits carried forward from previous years and the projected growth in eligible expenses. General fund expenditures increase by $40,000 in FY 2023 due to one-time implementation costs at the Comptroller’s Office.

<table>
<thead>
<tr>
<th></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>($39.2)</td>
<td>($52.7)</td>
<td>($68.1)</td>
<td>($72.1)</td>
<td>($72.5)</td>
</tr>
<tr>
<td>GF Expenditure</td>
<td>$0.0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Effect</td>
<td>($39.2)</td>
<td>($52.7)</td>
<td>($68.1)</td>
<td>($72.1)</td>
<td>($72.5)</td>
</tr>
</tbody>
</table>

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

Local Effect: None.

Small Business Effect: None.
Analysis

Bill Summary: An eligible individual may claim a tax credit equal to the sum of (1) 5% of the total initial amount of the individual’s mortgage loan and (2) 20% of the first installment paid toward the mortgage loan. The maximum value of the tax credit may not exceed $100,000 or the tax liability imposed in the year, and any unused amount may be carried forward to three tax years.

An individual may claim the tax credit with respect to only one mortgage loan.

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 housing market data, the Comptroller’s Office estimates that general fund revenues will decrease by $39.2 million in fiscal 2023. Revenue losses are expected to increase and total $72.5 million in fiscal 2027, reflecting tax credits being carried forward from previous years and a projected increase in eligible expenses.

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 data processing 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

Fiscal Note History: First Reader - February 20, 2022

fnu2/jrb

Analysis by: Robert J. Rehrmann

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

SB 459/ Page 2