

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 70

(Senator Kramer, *et al.*)

Budget and Taxation

Ways and Means

Income Tax - Subtraction Modification - State Law Enforcement Officers

This bill expands eligibility for the existing subtraction modification for law enforcement officers who reside in political subdivisions with specified crime rates to include State law enforcement officers who reside in these qualifying political subdivisions. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$202,900 annually beginning in FY 2024, as discussed below. Expenditures are not affected.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$202,900)	(\$202,900)	(\$202,900)	(\$202,900)	(\$202,900)
Expenditure	0	0	0	0	0
Net Effect	(\$202,900)	(\$202,900)	(\$202,900)	(\$202,900)	(\$202,900)

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

Local Effect: Local revenues decrease by \$132,400 annually beginning in FY 2024. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 519 of 2016 established an income tax subtraction modification of up to \$5,000 of 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. Every three years, the Maryland Police

Training and Standards Commission must certify to the Comptroller the political subdivisions in which the crime rate exceeds the State's crime rate.

Subsequent legislation enacted in 2019 and 2020 extended eligibility to law enforcement officers of the Maryland Transportation Authority Police, the Maryland-National Capital Park Police, and the Washington Suburban Sanitary Commission Police Force who reside in qualifying political subdivisions.

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

State Revenues: General fund revenues decrease by an estimated \$202,900 annually beginning in fiscal 2024 due to additional subtraction modifications claimed against Maryland income tax. This estimate assumes a stable number of claimants and is based on Maryland police employee data published by the Federal Bureau of Investigation, current qualifying political subdivisions, and tax year 2020 and 2021 claims for the existing subtraction modification.

Local Revenues: Local income tax revenues decrease by an estimated \$132,400 annually due to additional subtraction modifications claimed against the personal income tax.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 137 of 2022; SB 176 of 2021; and SB 492 and HB 843 of 2020.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 16, 2023
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