

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 380 (Senator M. Washington)
Budget and Taxation

Income Tax - Subtraction Modification - Water Affordability Assistance

This bill authorizes a subtraction modification against Maryland income tax for the amount of federal, State, or local water affordability assistance received by an individual during the taxable year. On request, a unit of State or local government that administers a water affordability assistance program must provide specified information to the Comptroller's Office within 30 days of the request. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

Fiscal Summary

State Effect: General fund revenues may decrease by a minimal amount beginning in FY 2024. General fund expenditures increase by \$43,000 in FY 2024 only.

Local Effect: Local income tax revenues may decrease by a minimal amount beginning in FY 2024. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: State law does not specifically provide for an income tax subtraction modification for water affordability assistance received by an individual, as contemplated under the bill.

Home water assistance benefits received by eligible households under the federal Low Income Household Water Assistance Program (LIHWAP), as authorized under the Consolidated Appropriations Act of 2021, may not be considered income of such households for income tax purposes.

Baltimore City's new Water4All billing discount program offers water affordability assistance to residential households with income of less than 200% of the federal poverty level. According to the program's webpage, for tenants, the discount is provided in the form of a monthly or one-time payment that is counted as additional income for the tenant.

State/Local Revenues: General fund revenues and local income tax revenues may decrease beginning in fiscal 2024 to the extent additional subtraction modifications are claimed against the personal income tax as a result of the bill. While the precise impact cannot be readily determined, it is anticipated that any effect on State and local revenues will be relatively minimal, since affected taxpayers are likely to be from lower-income households.

As noted above, LIHWAP benefits received by households are not taxable for federal or State income tax purposes, however, as also noted above, water affordability assistance provided to Baltimore City residents under the Water4All billing discount program may be considered taxable income in some cases. The Department of Legislative Services is currently unaware of other water assistance benefits that may be subject to State income tax.

State Expenditures: General fund expenditures for the Comptroller's Office increase by \$43,000 in fiscal 2024 only for one-time changes to the Comptroller's tax systems.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 538 (Delegate Love) - Ways and Means.

Information Source(s): Comptroller's Office; Department of Human Services; Public Service Commission; Maryland Advisory Committee to the U.S. Commission on Civil Rights; U.S. Department of Health and Human Services; Department of Legislative Services

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