

Department of Legislative Services  
 Maryland General Assembly  
 2023 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 641 (Delegate Wivell, *et al.*)  
 Ways and Means

Income Tax - Pregnancy Options Tax Credit

This bill authorizes a nonrefundable credit against the State income tax for a donation to an eligible charitable organization that operates a pregnancy resource center, as defined under the bill, and is registered with the Maryland Department of Health (MDH). The value of the credit is 50% of the eligible donation, up to a maximum of \$1,000 (\$5,000 in the case of a business entity). Any unused amount of credit may be carried forward for up to five tax years. To claim the credit, a taxpayer must submit an application to MDH, which must approve qualifying applications on a first-come, first-served basis and may certify up to \$3 million in tax credit certificates annually. MDH must adopt regulations to carry out the bill’s provisions. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease by up to \$2.85 million annually beginning in FY 2024, as discussed below. To the extent credits are claimed against the corporate income tax, Higher Education Investment Fund (HEIF) revenues and Transportation Trust Fund (TTF) revenues and expenditures are also affected (not shown below). General fund expenditures for the Comptroller’s Office increase by \$63,000 in FY 2024 only; in addition, general fund expenditures for MDH likely increase beginning in FY 2024, as discussed below.

(\$ in millions)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$2.85)	(\$2.85)	(\$2.85)	(\$2.85)	(\$2.85)
GF Expenditure	-	-	-	-	-
Net Effect	(-)	(-)	(-)	(-)	(-)

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

**Local Effect:** Local highway user revenues decrease beginning in FY 2024, to the extent credits are claimed against the corporate income tax. Local income tax revenues increase minimally beginning in FY 2024 as taxpayers add back to income the amount of credit claimed, as required under the bill. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** “Eligible charitable organization” means an organization that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code, operates a pregnancy resource center, and is registered with MDH as operating a pregnancy resource center. “Pregnancy resource center” means an organization or facility in the State that (1) as its primary purposes, is established and operates to provide pregnancy counseling or information; (2) does not perform, induce, or refer for abortions and does not hold itself out as performing, inducing, or referring for abortions; (3) provides its services at no cost to its clients, and (4) provides direct client services at its facility. “Donation” means an irrevocable gift of cash.

For purposes of determining Maryland taxable income, a taxpayer must add back to income any amount deducted as a donation to the extent the donation is included in an application for a credit that is certified under the bill.

**Current Law:** State law does not provide for a credit against State income tax for donations to pregnancy resource centers, as contemplated under the bill.

**State Revenues:** General fund revenues decrease by up to \$2.85 million annually due to credits claimed against the State income tax, assuming that MDH awards the maximum authorized amount of tax credits annually and that credits are claimed against the personal income tax. In addition, this estimate reflects the bill’s requirement that taxpayers add back to income the amount of credit claimed. To the extent credits are claimed against the corporate income tax, a portion of the foregone tax revenues will reduce HEIF and TTF revenues.

### State Expenditures:

#### *General Fund Expenditures*

*Comptroller’s Office:* General fund expenditures for the Comptroller’s Office increase by \$63,000 in fiscal 2024 only for one-time changes to the Comptroller’s tax systems.

*Maryland Department of Health:* Under the bill, MDH is responsible for registering eligible charitable entities, approving applications for the tax credit and issuing tax credit certificates, and adopting implementing regulations. MDH advises that it does not have the resources or expertise to administer the tax credit program as required under the bill. Thus, beginning in fiscal 2024, general fund expenditures for MDH increase due to costs associated with hiring additional personnel to process tax credit applications and potentially hiring consultants to assist with developing regulations. However, a precise estimate of the related costs is unavailable at this time. According to a preliminary assessment by MDH, as many as five full-time personnel may be needed; however, the Department of Legislative Services advises that the bill could likely be implemented with fewer staff.

#### *Transportation Trust Fund Expenditures*

A portion of TTF revenues from the corporate income tax is used to provide capital transportation grants to local governments (local highway user revenues). Thus, TTF expenditures for highway user revenue grants to local governments decrease beginning in fiscal 2024, to the extent credits are claimed against the corporate income tax.

**Local Revenues:** Local income tax revenues increase minimally as taxpayers add back to income the amount of credit claimed, as required under the bill. In addition, local highway user revenues decrease beginning in fiscal 2024, to the extent credits are claimed against the corporate income tax.

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### **Additional Information**

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

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 21, 2023  
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