

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 312

(Senator Zucker, *et al.*)

Budget and Taxation

Ways and Means

Tax Clinics for Low-Income Marylanders - Funding - Repeal of Sunset

This bill makes the \$250,000 distribution from the State’s Unclaimed Property Fund by the Comptroller to the Tax Clinics for Low-Income Marylanders Fund (TCLIM) permanent beginning in fiscal 2024; the authorization for the Governor to include an appropriation to TCLIM in the annual budget is unaffected. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: General fund revenues decrease by \$250,000 annually beginning in FY 2024, reflecting the ongoing and now permanent distribution to TCLIM. In FY 2024 only, due to \$250,000 in discretionary funding in the budget as introduced, TCLIM revenues and expenditures increase by \$250,000 and higher education revenues and expenditures increase by \$166,700. Annually thereafter, however, general fund expenditures are assumed to decrease by \$250,000, and TCLIM and higher education revenues and expenditures are not affected (due to the required distribution). **This bill establishes a mandated distribution beginning in FY 2024.**

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
SF Revenue	\$250,000	\$0	\$0	\$0	\$0
Higher Ed Rev.	\$166,700	\$0	\$0	\$0	\$0
GF Expenditure	\$0	(\$250,000)	(\$250,000)	(\$250,000)	(\$250,000)
SF Expenditure	\$250,000	\$0	\$0	\$0	\$0
Higher Ed Exp.	\$166,700	\$0	\$0	\$0	\$0
Net Effect	(\$250,000)	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: After making certain required distributions, for fiscal 2022 and 2023 only, the Comptroller was required to distribute \$250,000 to TCLIM before the remaining net funds were distributed to the general fund. Beginning in fiscal 2024, the Governor may include in the annual budget an appropriation to TCLIM.

TCLIM is a special, nonlapsing fund administered by the Comptroller. The purpose of the fund is to provide grants to the University of Maryland School of Law, the University of Baltimore School of Law, and the Maryland Volunteer Lawyers Service (MVLS) to operate tax clinics for low-income Maryland residents. Money expended from the fund for this purpose is supplemental and is not intended to take the place of funding that otherwise would be appropriated for tax clinics. Expenditures from the fund may be made only in accordance with the State budget. TCLIM consists of revenue distributed by the Comptroller to it as well as any money appropriated in the State budget or from any other source.

For each fiscal year, the total amount of grant money expended from the fund to support tax clinics must be distributed as follows: one-third to the University of Maryland School of Law; one-third to the University of Baltimore School of Law; and one-third to MVLS.

State Fiscal Effect: Beginning in fiscal 2024, \$250,000 in abandoned property proceeds administered by the Comptroller are permanently diverted to TCLIM to fund tax clinics (increasing TCLIM revenues and expenditures and higher education revenues and expenditures). It is assumed that the required distribution can be made with existing budgeted resources. Under current law, TCLIM received \$250,000 in abandoned property proceeds in fiscal 2022 and 2023 only.

The abandoned property proceeds in fiscal 2024 are in addition to the \$250,000 in general fund expenditures for TCLIM reflected in the fiscal 2024 budget as introduced. Thus, TCLIM revenues and expenditures increase by \$250,000. Based on the distribution requirements for TCLIM under current law, higher education revenues and expenditures for the two law schools increase by an estimated \$166,667 (approximately \$83,333 each) in fiscal 2024 to provide supplemental funding for existing tax clinics offered by the schools.

This analysis assumes that, absent the required distribution, general fund expenditures would have continued to be provided at \$250,000 in subsequent years as well. However, with a permanent funding source for TCLIM, general fund expenditures for TCLIM are assumed to decrease by \$250,000 annually beginning in fiscal 2025. Accordingly, there is no net effect on TCLIM or higher education revenues and expenditures in fiscal 2025 and beyond. Nevertheless, general fund expenditures for TCLIM continue to be discretionary

under the bill; to the extent that general funding continues to be provided, TCLIM and related higher education revenues and expenditures increase.

Additional Comments: Both the University of Maryland and the University of Baltimore schools of law operate low-income tax clinics funded by grants from the Internal Revenue Service (IRS). MVLS is a nonprofit provider of *pro bono* legal services in the State and offers a variety of legal services, including a low-income taxpayer clinic that assists with IRS tax issues. The clinics do not help prepare tax returns; rather, they assist individuals in dispute with the IRS. The clinics generally focus on issues related to federal, not State, taxes.

The IRS awards matching grants of up to \$100,000 per year to qualifying organizations to develop, expand, or maintain a low-income taxpayer clinic. Such a clinic must provide services for free or for no more than a nominal fee. At least 90% of the taxpayers the clinic represents must qualify as low income, meaning households below 250% of federal poverty guidelines. In addition, when a clinic represents a taxpayer, the dollar amount in controversy for any tax year generally must not exceed \$50,000.

Additional Information

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

Designated Cross File: HB 346 (Delegate Rosenberg) - Ways and Means.

Information Source(s): Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Tax Court; University System of Maryland; Department of Budget and Management; Department of Legislative Services

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