SB 344

Department of Legislative Services

Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 344 (Senator Benson, *et al.*)
Budget and Taxation

Income Tax - Caregiver Tax Credit

This bill establishes a nonrefundable credit against the State income tax for qualified expenses paid or incurred by an individual who provides care to a qualified adult family member and whose federal adjusted gross income does not exceed $75,000 ($150,000 if filing a joint return). An eligible caregiver may claim a credit equal to 30% of the amount of qualified expenses that exceed $2,000, up to a maximum credit of $5,000. Any unused amount of credit may not be carried forward to any other taxable year. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2024, as discussed below. General fund expenditures increase by $63,000 in FY 2024 only.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: "Qualified expenses" means expenses paid or incurred by a caregiver for goods or services that relate directly to the care or support of a qualified family member. Qualified expenses include, for example, adult day care, specialized transportation, legal or financial services, or assistive care technology, among other things. A "qualified family member" is an individual who (1) is at least 18 years old on the last day of the taxable year in which the qualified expenses were paid or incurred; (2) requires assistance with one or more daily living activities, as certified by a licensed physician, physician assistant, or registered nurse practitioner; and (3) is an immediate family member of the caregiver.

Current Law: State law does not provide for a tax credit for caregivers of adult family members, specifically. However, the State does offer a child and dependent care credit for taxpayers who claim the federal child and dependent care credit and meet specified eligibility requirements. A taxpayer may be eligible to claim the federal credit if the taxpayer paid expenses for the care of one or more qualifying individuals during the taxable year and the expenses were incurred to enable the taxpayer to work or look for employment. A qualifying individual may include a spouse, dependent, or other specified individual who is physically or mentally incapable of self-care and lived with the taxpayer for more than half of the year.

State Revenues: General fund revenues decrease significantly beginning in fiscal 2024 due to credits claimed against the State income tax. A reliable estimate cannot be determined, as the number of taxpayers who will be eligible for and claim the credit and their average creditable expenses are unknown. However, a preliminary estimate by the Comptroller's Office based on the bill's requirements and socioeconomic data suggest that general fund revenue losses may exceed $40 million annually.

State Expenditures: General fund expenditures increase by $63,000 in fiscal 2024 only for one-time changes to the Comptroller's tax systems.

Additional Information

Prior Introductions: Similar legislation has been introduced within the last three years. See SB 660 and HB 978 of 2022.

Designated Cross File: None.

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

Fiscal Note History: First Reader - February 13, 2023
km/jrb

Analysis by: Elizabeth J. Allison

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