Department of Legislative Services

Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 104 (Senator Folden)
Budget and Taxation

Income Tax - Credit for Individuals Residing With and Caring for Elderly Parents

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This bill establishes a refundable personal income tax credit equal to $3,000 for an individual who resides with and provides care for a qualifying parent (an individual age 70 or older who is a biological or adoptive parent of the taxpayer) for at least six months during the tax year, meets a specified income threshold, and is not a dependent of another taxpayer. To be eligible for the credit, a taxpayer's federal adjusted gross income (AGI) may not exceed $103,650 ($161,000 if married filing jointly), as adjusted for inflation for tax years after 2025. An individual may claim the credit for more than one parent. The credit may not be claimed by multiple individuals in the same household with respect to the same parent. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease significantly, potentially by more than $40.0 million annually, beginning in FY 2026. General fund expenditures increase by $100,000 to $200,000 in FY 2026 only.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The State does not offer a personal income tax credit for caregivers of elderly parents, specifically. However, the State's child and dependent care credit offers income tax relief to taxpayers who incur certain eligible expenses for the care of adult dependents, as discussed below. As also discussed below, recently enacted legislation establishes an expense grant program within the Maryland Department of Aging (MDOA) for family caregivers who pay or incur qualified expenses for the care of a qualified family member.

Maryland Child and Dependent Care Credit

The State's child and dependent care credit offers a partially refundable personal income tax credit for resident taxpayers who qualify for and claim the federal child and dependent care credit and who meet certain income eligibility limits. A taxpayer may be eligible for the federal child and dependent care credit if the taxpayer has earned income and paid eligible expenses for the care of one or more qualifying individuals if the expenses are incurred to enable the taxpayer to work or look for work. Generally, a qualifying individual is a dependent of the taxpayer who is younger than age 13 or a spouse or dependent of the taxpayer who is incapable of self-care and who lived with the taxpayer for more than one-half of the year.

The maximum value of the State credit is 32% of the federal child and dependent care credit allowed for the tax year. For tax year 2023, the maximum value of the State credit is $336 for taxpayers with one qualifying dependent and $672 for taxpayers with two or more qualifying dependents. For tax year 2023, the State credit begins to phase out for taxpayers with federal AGI above $30,000 ($50,000 if married filing jointly), fully phases out for taxpayers with federal AGI above $103,650 ($161,000 if married filing jointly), and is refundable for taxpayers with federal AGI of up to $56,300 ($84,500 if married filing jointly).

Caregiver Expense Grant Program

Chapter 161 of 2024 established the Caregiver Expense Grant Program within MDOA to award grants for qualified expenses paid or incurred by an individual who provides care to a qualified family member and whose federal AGI does not exceed $75,000 ($150,000 if a joint tax filer). A qualified family member is an individual who requires assistance with one or more daily living activities, as certified by a licensed physician, physician assistant, or registered nurse practitioner, and (1) is at least 60 years old or has Alzheimer's Disease or a related disorder and is cared for by an adult relative or informal caregiver who is at least 18 years old or (2) is a child or an adult with developmental or functional disabilities and is cared for by a parent, grandparent, or other relative that is at least 55 years old.

Subject to available funding, an eligible caregiver may apply for a grant equal to 30% of the amount of qualified expenses that exceed $2,000, up to a maximum grant of $2,500 per fiscal year. While the Act specifies that the Governor may include up to $5.0 million for the program in the annual budget bill, there is no requirement that funding be provided.

State Revenues: General fund revenues decrease significantly beginning in fiscal 2026 due to credits claimed against the personal income tax. Due to data limitations, the potential number of claimants is unknown; thus, a precise estimate of the bill's effect on State revenues is not feasible at this time. However, preliminary analysis by the Comptroller's Office suggests that resulting general fund revenue losses may exceed $40.0 million annually.

State Expenditures: The Comptroller's Office advises that the bill necessitates changes to its tax processing system with estimated costs ranging from $100,000 to $200,000. Thus, general fund expenditures for the Comptroller's Office increase by $100,000 to $200,000 in fiscal 2026 only. The Comptroller's Office also advises that the bill presents potential enforcement challenges, as a number of the tax credit eligibility requirements cannot be validated at the time a return is filed (for example, whether the taxpayer provided care for the qualifying parent).

Additional Information

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

Designated Cross File: None.

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

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