

Department of Legislative Services  
 Maryland General Assembly  
 2014 Session

FISCAL AND POLICY NOTE

House Bill 1401 (Delegate Luedtke)  
 Ways and Means

Election Law - Fair Campaign Financing Fund - Income Tax Checkoff

This bill establishes an income tax return checkoff that allows for contributions to be made to the Fair Campaign Financing Fund (FCFF) on the individual income tax return.

The bill takes effect July 1, 2014.

Fiscal Summary

**State Effect:** Special fund expenditures increase by \$48,000 in FY 2015 due to one-time programming costs. While special fund revenues to FCFF increase by approximately \$100,000 annually, overall special fund revenues to FCFF and other funds receiving contributions through tax checkoffs may be unaffected or decrease.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
SF Revenue	-	-	-	-	-
SF Expenditure	\$48,000	\$0	\$0	\$0	\$0
Net Effect	(\$48,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

Analysis

**Bill Summary:** The Comptroller must include a checkoff designated as the “Fair Campaign Financing Fund Contribution” on the individual income tax return form. The checkoff must state that the individual, or each spouse in the case of a joint return, may

contribute to the fund an amount designated by the individual if the individual or each spouse is a United States citizen or admitted for permanent legal residence in the United States. The individual deducts the amount of the contribution from any refund to which the individual is entitled or, if the individual is not entitled to a refund, the individual adds the amount of the contribution to the income tax paid with the return. The Comptroller must include, with the individual income tax return package, a description of the purposes of FCFF and what it may be used for. From the contributions collected, the Comptroller distributes an amount necessary to administer the checkoff system to an administrative cost account and distributes the remainder to FCFF.

### **Current Law/Background:**

#### *Public Financing Act and FCFF*

The Public Financing Act provides for a system of public financing of elections for candidates for Governor and Lieutenant Governor. The Act established FCFF which is administered by the Comptroller. Until recently, the fund generated revenue from a “tax add-on” on the individual income tax return form that allowed an individual to contribute up to \$500 to the fund on the individual’s tax return in a similar manner as the checkoff established by the bill. The tax add-on, however, was repealed in the Budget Reconciliation and Financing Act of 2010 (Chapter 484). At the time the tax add-on was repealed, it was generating approximately \$100,000 per year.

With the exception of the 1994 gubernatorial race, the gubernatorial public financing program under the Public Financing Act had not been used until recently. Beginning in 2009, following multiple election cycles without use of the gubernatorial public financing program, the General Assembly authorized certain amounts of money in the fund to be used for other elections-related purposes, mostly through budget reconciliation legislation. As of early March 2014, however, one gubernatorial ticket in the 2014 elections has qualified for public financing under the program and others are seeking to qualify. FCFF contained approximately \$4.6 million as of mid-February 2014.

#### *Existing Tax Checkoffs*

There are currently tax checkoffs on the income tax return form for the State Chesapeake Bay and Endangered Species Fund, the Maryland Cancer Fund, and the Developmental Disabilities Waiting List Equity Fund.

**State Expenditures:** The Comptroller’s Office reports that it will incur a one-time expenditure increase of \$48,000 in fiscal 2015 for programming to implement the tax checkoff. While the programming costs will be incurred prior to receipt of contributions from the checkoff, it is assumed the programming costs can be accounted for with

revenue from the tax checkoff contributions, assuming sufficient revenue is generated in fiscal 2015.

To the extent the Comptroller's Office will need to make the option to contribute to FCFF on forms for past tax years available to taxpayers, additional costs, which cannot be reliably estimated at this time, may be incurred.

**State Revenues:** Special fund revenues to FCFF increase by approximately \$100,000 annually, assuming a similar level of contributions as were made through the pre-existing tax add-on when it was repealed in 2010. Overall special fund revenues, however, may be unaffected or decrease. The Comptroller's Office anticipates the addition of the checkoff resulting in either (1) no overall change in special fund revenue from the tax checkoffs collectively (based on an expectation that contributions to the FCFF checkoff will be contributions shifted from the other checkoffs) or (2) a decrease in overall special fund revenue to the checkoffs. The potential decrease in overall special fund revenue results from limited space on the existing income tax return form that will require the tax checkoffs to be moved to a supplemental form to accommodate the FCFF checkoff. The Comptroller's Office advises that adding a page to the income tax return form instead is prohibitively expensive. Moving the checkoffs to a supplemental form may make them less visible to taxpayers and generate fewer contributions. Contributions to the existing checkoffs for the 2011 tax year totaled approximately \$1.5 million.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, State Board of Elections, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2014  
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