

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1322
Ways and Means

(Delegate Glass, *et al.*)

Income Tax Credit - Veterinary Services for Adopted Police Dogs

This bill creates a credit against the State income tax for 100% of the eligible veterinary service expenses incurred by an active State or local police department employee for an adopted State or local police dog. The amount of the tax credit may not exceed \$1,000 in the taxable year.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2017 due to eligible expenses being claimed against the State income tax. Under one set of assumptions, general fund revenues may decrease by \$24,000 annually. General fund expenditures increase by \$52,000 in FY 2017 due to one-time implementation costs at the Comptroller's Office.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: No similar State income tax credit exists.

Each publicly owned dog used for law enforcement work by the State or a local jurisdiction must have a license issued by the Department of State Police (DSP). There is no license fee. A license must be issued on the form provided by DSP and to the law enforcement officer to whom the licensed dog is assigned. Each license must (1) be dated and

numbered; (2) state the law enforcement agency to which the dog belongs; and (3) describe the dog that is licensed. DSP must provide with each license a metal tag that is stamped "Department of State Police" and bears the license number of the dog. The tag must be affixed to a substantial collar to be provided by the law enforcement agency to which the dog belongs.

A license is valid for all dog licensing purposes anywhere in the State and is in effect until the earlier of (1) revocation of the license by DSP or (2) removal of the licensed dog from law enforcement work.

Background: DSP's canine unit currently has 45 dogs. The unit's primary mission is to provide DSP and other police departments specialized canine support to assist them in their mission of protecting both the life and property of the citizens of the State of Maryland. This is achieved by advancing the primary purpose of the police service canine, which is to "locate and indicate" whether it be for narcotics, explosives, or people wanted for either criminal acts or those reported missing. The Governor's proposed fiscal 2017 budget includes \$40,000 for veterinary services for canine units at the support services bureau of DSP and \$600 for these expenses in the State Fire Marshal's Office. DSP reports that the average service life of a law enforcement dog is eight years, followed by an expected post-service life of four years. For DSP, on average, five dogs are retired annually.

The Natural Resources Police (NRP) within the Department of Natural Resources has three canines, with plans to acquire one more by July 1, 2016. The Governor's proposed fiscal 2017 budget includes \$15,000 for NRP's Canine Unit for veterinary services for the dogs. DNR currently has one retired canine and expects to have another two dogs in retirement in three to five years.

The Maryland Transportation Authority (MDTA) currently has 10 canines. Each dog is in service for approximately seven years. Under current practice, the handler of the retiring dog may request ownership, including responsibility for proper care, which relieves MDTA of any financial responsibility for the dog.

Numerous local jurisdictions also operate canine units.

DSP is responsible for maintaining a registry of all publicly owned dogs used for law enforcement by State or local government agencies. Licensing and registration is done online. The license terminates upon the death of the dog, retirement from service, or transfer to another agency. Upon reassignment of a handler and/or the assignment of the canine to a new handler, the new handler or agency is required to notify DSP.

The number of new State and local law enforcement dog licenses issued each year by DSP since calendar 2010 is shown in **Exhibit 1**.

Exhibit 1
Licenses Issued by DSP
Calendar 2010-2015

	<u>New Licenses Issued</u>
2010	7
2011	93
2012	91
2013	82
2014	47
2015	95
Total	415

Source: Department of State Police

State Revenues: Tax credits may be claimed beginning in tax year 2016. As a result, general fund revenues may decrease beginning in fiscal 2017. The amount of the revenue loss depends on the number of police dogs adopted by active State or local police department employees and the amount of eligible expenses claimed against the State income tax. *For illustrative purposes only*, assuming 24 active State or local police department employees pay at least \$1,000 in veterinary services for adopted police dogs and that these individuals have a tax liability of at least \$1,000, general fund revenues decrease by \$24,000 annually.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$52,000 in fiscal 2017 to add the tax credit to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: HB 413 of 2015 and HB 1357 of 2014 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Baltimore City; Howard, Montgomery, and Prince George's counties; Comptroller's Office; Department of Natural Resources; Department of State Police; Department of Legislative Services

Fiscal Note History: First Reader - March 10, 2016
min/jrb

Analysis by: Heather N. Ruby

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