

Department of Legislative Services
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1230
Ways and Means

(Delegate Lisanti)

Income Tax - Subtraction Modification - Computer Equipment

This emergency bill creates a subtraction modification against the State income tax for up to \$180 of the sales and use tax paid for qualified computer equipment (1) purchased between March 1, 2020, and June 29, 2021, and (2) for use by a student participating in distance or remote learning or an individual who works remotely. Computer equipment is a personal computer or tablet, software, and computer accessories including a mouse, printer, keyboard, speakers, or video conferencing equipment. **The bill applies to tax year 2020 and 2021. The bill terminates June 30, 2022.**

Fiscal Summary

State Effect: General fund revenues may decrease by \$7.7 million in FY 2021 and by \$2.5 million in FY 2022 due to subtraction modifications claimed against the income tax. General fund expenditures increase by \$60,000 in FY 2021 and 2022 due to computer programming expenses at the Comptroller’s Office.

(\$ in millions)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$7.7)	(\$2.5)	\$0	\$0	\$0
GF Expenditure	\$0.1	\$0.1	\$0	\$0	\$0
Net Effect	(\$7.8)	(\$2.6)	\$0.0	\$0.0	\$0.0

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

Local Effect: Local income tax revenues may decrease by \$5.0 million in FY 2021 and by \$1.6 million in FY 2022. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: No similar State income tax subtraction modification exists.

State Revenues: Subtraction modifications may be claimed in tax year 2020 and 2021. Based on the requirements of the bill, it is estimated that 900,000 households will claim the subtraction modification on a tax year 2020 taxable return and 300,000 households will claim the subtraction modification on a tax year 2021 taxable return. As a result, general fund revenues will decrease by \$7.7 million in fiscal 2021 and by \$2.5 million in fiscal 2022.

To the extent fewer eligible households claim the subtraction modification or do not claim its maximum value, revenue losses will be less than estimated.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$60,000 in fiscal 2021 and 2022 to add and remove the subtraction modification to the personal income tax return. This includes data processing changes to the SMART income tax return processing and imaging systems and system testing.

Local Revenues: Local income tax revenues decrease as a result of subtraction modifications claimed against the personal income tax. Local revenues decrease by \$5.0 million in fiscal 2021 and by \$1.6 million in fiscal 2022.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland State Department of Education; U.S. Census Bureau; Department of Legislative Services

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md/hlb

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