

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 622 (Senator Corderman, *et al.*)  
 Budget and Taxation

Income Tax - Credit for Travel, Hospitality, and Entertainment

This bill creates a nonrefundable credit against the State income tax for certain travel, hospitality, and entertainment expenses incurred in the State by an individual. The Department of Commerce is required to administer the credit and may award a maximum of \$3.2 million in credits in each tax year. **The bill takes effect July 1, 2022, and applies to tax years 2022 and 2023. The bill terminates June 30, 2024.**

Fiscal Summary

**State Effect:** General fund revenues may decrease by \$3.2 million annually in FY 2023 and FY 2024 due to credits claimed against the income tax. Administrative costs at the Comptroller’s Office and Commerce increase by \$128,600 in FY 2023 and by \$76,000 in FY 2024.

(\$ in millions)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$3.2)	(\$3.2)	\$0	\$0	\$0
GF Expenditure	\$0.1	\$0.1	\$0	\$0	\$0
Net Effect	(\$3.3)	(\$3.3)	\$0.0	\$0.0	\$0.0

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

Analysis

**Bill Summary:** The credit is equal to 100% of the qualified expenses incurred by the individual during qualified travel, not to exceed \$500 for an individual or \$1,000 for

married couples that file a joint return plus \$100 for each dependent child. Any unused tax credit may not be carried forward to any other tax year.

Qualified travel is travel that occurs in the State during calendar 2022 and 2023, and the final destination is at least 50 miles from the principal residence of the individual. Qualified expenses include expenses for (1) food and beverages; (2) specified lodging and transportation; (3) live entertainment and sporting events; and (4) attending a conference or business meeting.

An individual may not claim the tax credit for business-related travel and meal expenses deducted under the federal income tax.

Commerce is required to (1) approve tax credit applications; (2) adopt regulations jointly with the Comptroller to implement the credit; and (3) report annually specified information about the credit.

The tax credit program terminates June 30, 2024.

**Current Law:** No similar State income tax credit exists.

Certain business-related travel and meal expenses are deductible under the federal and State income tax.

**State Revenues:** Tax credits may be claimed in tax year 2022 and 2023. As a result, general fund revenues decrease by \$3.2 million annually in fiscal 2023 and 2024. This estimate assumes that Commerce awards the maximum authorized amount of credits in each tax year.

**State Expenditures:** General fund expenditures increase by \$128,557 in fiscal 2023 due to implementation costs at Commerce and the Comptroller's Office, as described below.

*Commerce*

The Department of Legislative Services estimates Commerce will need a contractual tax credit specialist to administer the program. General fund expenditures will increase by an estimated \$88,557 in fiscal 2023, which reflects the bill's July 1, 2022 effective date. This estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Contractual Position	1
Salary and Fringe Benefits	\$80,949
Other Operating Expenses	7,608
<b>Commerce Expenditures</b>	<b>\$88,557</b>
<b>Comptroller Expenditures</b>	<b>\$40,000</b>
<b>Total FY 2023 Expenditures</b>	<b>\$128,557</b>

*Comptroller's Office*

The Comptroller's Office reports that it will incur a one-time general fund expenditure of \$40,000 in fiscal 2023 to add the tax credit to the income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

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**Additional Information**

**Prior Introductions:** SB 730 of 2021, a similar bill, received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 1176, received a hearing in the House Ways and Means Committee, but no further action was taken.

**Designated Cross File:** HB 1273 (Delegate Hornberger, *et al.*) - Ways and Means.

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

**Fiscal Note History:** First Reader - February 27, 2022  
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