

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 235 (Senator Jackson)
 Budget and Taxation

Income Tax - Personal Exemption - Disabled Individuals

This bill expands the existing personal exemption under the State income tax for individuals who are blind by extending eligibility to individuals who have a permanent physical disability. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$2.7 million in FY 2023 due to additional exemptions claimed against the personal income tax. Future year estimates reflect projected number of exemptions claimed. Expenditures are not affected.

| (\$ in millions) | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 |
|------------------|---------|---------|---------|---------|---------|
| GF Revenue | (\$2.7) | (\$2.7) | (\$2.7) | (\$2.8) | (\$2.8) |
| Expenditure | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$2.7) | (\$2.7) | (\$2.7) | (\$2.8) | (\$2.8) |

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

Local Effect: Local income tax revenues decrease by \$1.7 million in FY 2023 and by \$1.8 million in FY 2027. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: For State income tax purposes an individual other than a fiduciary is entitled to claim a personal exemption for the taxpayer, the taxpayer’s spouse, and eligible dependents. Nonresidents and part-time residents are required to prorate exemptions based

on the percentage of income subject to Maryland tax. These exemptions are reduced once the taxpayer's federal adjusted gross income exceeds \$100,000 (\$150,000 if filing Married Filing Jointly, Head of Household, or Qualifying Widow(er) with Dependent Child).

Individuals who are blind may claim an additional personal exemption of \$1,000. In addition, individuals who are age 65 or older can also claim an additional personal exemption of \$1,000. These exemptions are not subject to the income phase-out applicable to the regular personal exemption. In recent tax years, the total number of individuals claiming the additional exemption for individuals who are blind has ranged from 7,200 to 8,000.

State Revenues: The bill expands the existing personal exemption for blind individuals by extending eligibility to individuals who have a permanent physical disability beginning in tax year 2022. As a result, general fund revenues will decrease by \$2.7 million in fiscal 2023. **Exhibit 1** shows the projected State and local revenue loss resulting from the bill.

Exhibit 1
Projected State and Local Revenue Loss
(\$ in Millions)

| | <u>FY 2023</u> | <u>FY 2024</u> | <u>FY 2025</u> | <u>FY 2026</u> | <u>FY 2027</u> |
|--------------|----------------|----------------|----------------|----------------|----------------|
| State | (\$2.7) | (\$2.7) | (\$2.7) | (\$2.8) | (\$2.8) |
| Local | (1.7) | (1.7) | (1.7) | (1.8) | (1.8) |
| Total | (\$4.3) | (\$4.4) | (\$4.5) | (\$4.5) | (\$4.6) |

Note: Numbers may not add to total due to rounding.

This estimate (1) is based on the estimated number of individuals who receive Social Security Disability Income and file a taxable Maryland return and (2) excludes the estimated percentage of these individuals who are blind or have a cognitive disability.

Local Revenues: Local income tax revenues decrease as a result of additional personal exemption amounts claimed. Local revenues will decrease by \$1.7 million in fiscal 2023 and by \$1.8 million in fiscal 2027, as shown in Exhibit 1.

Additional Information

Prior Introductions: HB 511 of 2021 received a hearing in the House Ways and Means Committee, but no further action was taken. SB 657 of 2020 and SB 412 of 2019 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. The cross files, HB 806 of 2020 and HB 580 of 2019, received a hearing in the House Ways and Means Committee, but no further action was taken.

Designated Cross File: None.

Information Source(s): Comptroller's Office; U.S. Census Bureau; U.S. Social Security Administration; Department of Legislative Services

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rh/hlb

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