

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 186
 Ways and Means

(Delegate Brooks)

Budget and Taxation

Income Tax – Subtraction Modification for Centenarians

This bill creates a subtraction modification against the State income tax for an individual who is at least 100 years of age. The maximum value of the subtraction modification is equal to \$100,000 of the income received by an individual. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$688,000 annually beginning in FY 2023 due to subtraction modifications claimed against the personal income tax. The FY 2023 general fund revenue loss is assumed to be accounted for by the \$350.0 million in tax relief assumed in the FY 2023 budget. General fund expenditures increase by \$65,000 in FY 2023 due to one-time implementation costs at the Comptroller’s Office.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$688,000)	(\$688,000)	(\$688,000)	(\$688,000)	(\$688,000)
GF Expenditure	\$65,000	\$0	\$0	\$0	\$0
Net Effect	(\$753,000)	(\$688,000)	(\$688,000)	(\$688,000)	(\$688,000)

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

Local Effect: Local revenues decrease by \$438,000 annually beginning in FY 2023. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Maryland law provides a pension exclusion (in the form of a subtraction modification) for individuals who are at least 65 years old or who are totally disabled. Under this subtraction modification, up to a specified maximum amount of taxable pension income (\$34,300 in 2021) may be exempt from tax. The maximum exclusion allowed is indexed to the maximum annual benefit payable under the Social Security Act and is reduced by the amount of any Social Security payments received (Social Security offset).

Additional retirement income may be exempted if the individual has qualified U.S. military, law enforcement, correctional officer, fire, rescue, or emergency services personnel retirement income.

Social Security benefits are exempt from Maryland income tax even though benefits are partially taxable for federal purposes.

In addition to the special treatment of Social Security and other retirement income, additional income tax relief is provided to senior citizens regardless of the source of their income. Each individual age 65 and older is allowed a \$1,000 personal exemption in addition to the regular personal exemption allowed for all individuals.

State Revenues: The bill creates beginning in tax year 2022 a subtraction modification against the State income tax for an individual who is at least 100 years of age. According to the Comptroller's Office, in tax year 2018 a total of 850 taxpayers who were at least 100 years of age filed a tax return, of whom 410 will benefit from the proposed subtraction modification. As a result, State income tax revenues will decrease by about \$688,000 annually beginning in fiscal 2023.

State Expenditures: The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$65,000 in fiscal 2023 to add the subtraction modification to the personal income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

Local Revenues: Local income tax revenues decrease as a result of additional income exempted against the personal income tax. Local revenues decrease by about \$438,000 annually beginning in fiscal 2023.

Additional Information

Prior Introductions: SB 287 of 2021 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 282, received a hearing in the House Ways and Means Committee, but no further action was taken. HB 1361 of 2020 received a hearing in the House Ways and Means Committee, but no further action was taken.

Designated Cross File: SB 251 (Senator Hayes, *et al.*) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 11, 2022

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