

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 490
 Ways and Means

(Delegate D. Jones, *et al.*)

Budget and Taxation

Income Tax - Subtraction Modification for Donations to Diaper Banks and Other Charitable Entities - Sunset Extension

This bill extends through tax year 2026 the State income tax subtraction modification for donations of disposable diapers, other hygiene products for infants or children, feminine personal hygiene products, or cash specifically designated for the purchase of such items to diaper banks and other qualified charitable entities. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: General fund revenues decrease by an estimated \$250,000 annually in FY 2025 through 2027, as discussed below. To the extent subtraction modifications are claimed against the corporate income tax, Higher Education Investment Fund (HEIF) revenues and Transportation Trust Fund (TTF) revenues and expenditures also decrease (not shown below). Expenditures are not otherwise affected.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$250,000)	(\$250,000)	(\$250,000)	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$250,000)	(\$250,000)	(\$250,000)	\$0	\$0

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

Local Effect: Local revenues decrease by an estimated \$165,000 annually in FY 2025 through 2027, as discussed below. Local highway user revenues also decrease to the extent subtraction modifications are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: Chapters 221 and 222 of 2021 established a subtraction modification against the State income tax for up to \$1,000 of eligible donations made by a taxpayer during the tax year to a diaper bank or other qualified charitable entity. “Donation,” for purposes of the subtraction modification, means an irrevocable gift of disposable diapers, other hygiene products for infants or children, feminine personal hygiene products, or cash that is specifically designated for the purchase of these items. “Qualified charitable entity” means a diaper bank, homeless shelter, domestic violence shelter, religious organization, or other charitable organization that has registered with the Comptroller as a distributor of disposable diapers, other hygiene products for infants or children, or feminine personal hygiene products. To qualify for the subtraction modification, a taxpayer must file with the taxpayer’s income tax return the name of each qualified charitable entity to which a donation was made, proof of the value of the donation, and any other information required by the Comptroller.

The Acts apply to tax years 2021 through 2023 only and terminate June 30, 2024. Pursuant to the Acts, in January 2024, the Comptroller’s Office submitted a [report](#) to the General Assembly on the impact of the subtraction modification. According to the report, in tax year 2022, 8,403 individual taxpayers and 4 businesses claimed subtraction modifications totaling \$5.2 million and \$110,910, respectively, and 2 nonprofit organizations registered as qualified donation distributors.

State Fiscal Effect: Based on tax year 2022 claims for the subtraction modification for donations to diaper banks and other charitable entities, and assuming a similar magnitude of claims in tax years 2024 through 2026, general fund revenues decrease by an estimated \$250,000 annually in fiscal 2025 through 2027. To the extent subtraction modifications are claimed against the corporate income tax, HEIF and TTF revenues also decrease, as do TTF expenditures for capital transportation grants to local governments (local highway user revenues). Based on the information contained in the Comptroller’s report, subtraction modifications claimed by businesses in tax year 2022 represented a relatively minimal portion of overall claims under the program, as noted above.

Local Revenues: Local income tax revenues decrease by an estimated \$165,000 annually in fiscal 2025 through 2027 due to subtraction modifications claimed against the personal income tax. To the extent subtraction modifications are claimed against the corporate income tax, local highway user revenues also decrease.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 1115 (Senator Zucker) - Rules.

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

Fiscal Note History: First Reader - February 4, 2024
km/jrb Third Reader - March 18, 2024
Revised - Amendment(s) - March 18, 2024

Analysis by: Elizabeth J. Allison

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