

Department of Legislative Services  
 Maryland General Assembly  
 2024 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 369 (Delegate Vogel)  
 Ways and Means

Income Tax - Senior Tax Credit - Alterations

This bill increases the value of the senior tax credit for specified taxpayers. In general, (1) for eligible joint filers (if both spouses filing jointly are at least age 65), surviving spouses, and heads of household with federal adjusted gross income (FAGI) of up to \$125,000, the maximum value of the credit is increased from \$1,750 to \$2,000; and (2) for eligible joint filers (if only one spouse filing jointly is at least age 65) with FAGI of up to \$125,000 and all other eligible filers with FAGI of up to \$75,000, the maximum value of the credit is increased from \$1,000 to \$1,250. The bill also increases the value of and FAGI thresholds applicable to the reduced senior tax credit for a tax year in which the September general fund estimate issued by the Board of Revenue Estimates (BRE) for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year. **The bill takes effect July 1, 2024, and applies to tax year 2024 and beyond.**

Fiscal Summary

**State Effect:** General fund revenues decrease by an estimated \$19.7 million in FY 2025, as discussed below. Future years reflect projected growth in eligible tax credits. The Comptroller’s Office can implement the bill’s changes with existing budgeted resources.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$19.7)	(\$20.5)	(\$21.2)	(\$21.8)	(\$22.4)
Expenditure	0	0	0	0	0
Net Effect	(\$19.7)	(\$20.5)	(\$21.2)	(\$21.8)	(\$22.4)

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Current Law:** Chapters 3 and 4 of 2022 established a nonrefundable tax credit against the State income tax, beginning in tax year 2022, for a resident who is at least age 65 and whose FAGI does not exceed \$100,000 (\$150,000 if filing jointly or as a surviving spouse or head of household). The amount of the tax credit is equal to (1) \$1,000 or (2) \$1,750 for surviving spouses, heads of household, and joint filers if both spouses are at least age 65.

For a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, the value of the tax credit is reduced for specified taxpayers. Specifically, the value of the credit is reduced from \$1,750 to \$875 for qualifying surviving spouses, heads of household, and joint filers (if both spouses are at least age 65) whose FAGI is at least \$100,000 but not more than \$150,000; for all other qualifying taxpayers whose FAGI is at least \$50,000 but not more than \$100,000, the value of the credit is reduced from \$1,000 to \$500.

**Exhibit 1** shows the maximum values of the credit under current law and under the bill. As noted below, with respect to joint filers, the maximum credit values shown (under “Joint Filers, Surviving Spouses, and Heads of Household”) reflect the maximum allowable credit if both spouses filing jointly are at least age 65; if only one spouse filing jointly is at least age 65, the maximum value of the credit is equal to the maximum value of the credit for all other filers.

### Exhibit 1 Maximum Values of the Senior Tax Credit Current Law vs. the Bill

*Under Current Law*

<b>Joint Filers, Surviving Spouses, and Heads of Household</b>	<b>Maximum Credit Value<sup>1</sup></b>	<b>All Other Filers</b>	<b>Maximum Credit Value</b>
<b><u>FAGI</u></b>		<b><u>FAGI</u></b>	
Less than \$100,000	\$1,750	Less than \$50,000	\$1,000
At least \$100,000 but not more than \$150,000	1,750 * (875)	At least \$50,000 but not more than \$100,000	1,000 * (500)
More than \$150,000	0	More than \$100,000	0

***Under the Bill***

<b>Joint Filers, Surviving Spouses, and Heads of Household</b>		<b>All Other Filers</b>	
<b><u>FAGI</u></b>	<b><u>Maximum Credit Value<sup>2</sup></u></b>	<b><u>FAGI</u></b>	<b><u>Maximum Credit Value</u></b>
<i>Up to \$125,000</i>	<i>\$2,000</i>	<i>Up to \$75,000</i>	<i>\$1,250</i>
<i>More than \$125,000 but not more than \$150,000</i>	<i>1,750 *(1,000)</i>	<i>More than \$75,000 but not more than \$100,000</i>	<i>1,000 * (750)</i>
<i>More than \$150,000</i>	<i>0</i>	<i>More than \$100,000</i>	<i>0</i>

FAGI: federal adjusted gross income

BRE: Board of Revenue Estimates

<sup>1</sup> For joint filers, the maximum credit values shown apply only if both spouses filing jointly are at least age 65. If only one spouse filing jointly is at least age 65, the maximum value of the credit is equal to \$1,000 (\$500 for a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, if the taxpayer’s FAGI is at least \$100,000 but not more than \$150,000.)

<sup>2</sup> For joint filers, the maximum credit values shown apply only if both spouses filing jointly are at least age 65. If only one spouse filing jointly is at least age 65, the maximum value of the credit is equal to \$1,250 (if the taxpayer’s FAGI is \$125,000 or less), \$1,000 (if the taxpayer’s FAGI is more than \$125,000 but not more than \$150,000), or \$750 (for a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year, if the taxpayer’s FAGI is more than \$125,000 but not more than \$150,000).

\* Reduced maximum credit value for a tax year in which the September general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the previous March general fund estimate for the current fiscal year.

Note: In the second table (“Under the Bill”), values altered under the bill are indicated in italics.

Source: Department of Legislative Services

**State Revenues:** General fund revenues decrease by an estimated \$19.7 million in fiscal 2025 and by \$22.4 million in fiscal 2029 due to increases in the amount of credits claimed against the personal income tax. This estimate is based on an analysis of relevant federal income tax statistics published by the Internal Revenue Service, including the number of Maryland federal personal income tax returns, by FAGI level, on which the federal additional standard deduction for individuals age 65 and older was claimed in tax year 2020 (the latest year for which data is available). In addition, this estimate accounts for the estimated pre-credit State income tax liability of affected taxpayers and projected growth in the number and income of eligible taxpayers. Lastly, this estimate

assumes that the condition for the reduced maximum credit value for certain taxpayers (applicable to tax years in which the general fund estimate issued by BRE for the current fiscal year is more than 7.5% below the March general fund estimate issued in the same year) is not met within the estimate period.

For context, the Comptroller's Office advises that a preliminary analysis of tax year 2022 data indicates that the senior tax credit reduced personal income tax liability by an estimated \$239 million in tax year 2022.

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### **Additional Information**

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

**Designated Cross File:** SB 498 (Senator Gile) - Budget and Taxation.

**Information Source(s):** Comptroller's Office; Internal Revenue Service; U.S. Census Bureau; Moody's Analytics; Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2024  
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