This bill establishes a Maryland Military Family Relief Fund checkoff on the individual income tax return form for the purpose of providing financial relief to eligible military families. After the Comptroller deducts administrative expenses, the contributions are credited to the fund and distributed by the Department of Veterans Affairs to eligible families of individuals who are domiciled in the State, members of the Maryland National Guard or reserves of the U.S. Armed Forces, and have been called to active duty since September 11, 2001. The Secretary of Veterans Affairs must adopt regulations implementing the grant program and must report to the General Assembly by August 31 of each year on the administration of the fund.

The bill is effective July 1, 2005 and applies to tax year 2005 and beyond.

**Fiscal Summary**

**State Effect:** Minimal net increase in special fund revenues in FY 2006 and beyond. General fund expenditures would increase by approximately $56,100 in FY 2006 for a program administrator at the Department of Veterans Affairs. Future year expenditures reflect annualized salaries, operating costs, and inflation. Special fund expenditures would increase by approximately $44,400 in FY 2006 due to one-time tax form changes.

<table>
<thead>
<tr>
<th>(in dollars)</th>
<th>FY 2006</th>
<th>FY 2007</th>
<th>FY 2008</th>
<th>FY 2009</th>
<th>FY 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Revenue</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>GF Expenditure</td>
<td>56,100</td>
<td>69,700</td>
<td>73,600</td>
<td>77,800</td>
<td>82,200</td>
</tr>
<tr>
<td>SF Expenditure</td>
<td>44,400</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Effect</td>
<td>($100,500)</td>
<td>($69,700)</td>
<td>($73,600)</td>
<td>($77,800)</td>
<td>($82,200)</td>
</tr>
</tbody>
</table>

*Note:* () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect
Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Chesapeake Bay and Endangered Species Fund (CBESF), the Fair Campaign Financing Fund (FCFF), and the Cancer Research Fund (CRF) are the three current checkoffs on the personal income tax form.

Background: In fiscal 2004, approximately $1.6 million was donated to CBESF and $183,000 was donated to FCFF. Chapter 392 of 2004 added the CRF checkoff beginning with tax year 2004.

A survey by the Federation of Tax Administrators (FTA) identified 220 checkoff programs available to taxpayers in 41 states and the District of Columbia on state income tax returns filed for tax year 2002. Every state with a broad-based income tax has at least one checkoff program and some states have had to create a separate form just for checkoffs. For example, in tax year 2003 Virginia had 22 checkoffs which added four pages to the personal income tax form. The most common checkoffs are for wildlife protection, political campaigns, and child abuse prevention. According to FTA, Maryland’s CBESF checkoff was the largest nonpolitical state checkoff.

State Revenues: While the amount of donations cannot be accurately estimated, Legislative Services believes that there will be a minimal net increase in special fund revenues in fiscal 2006 and beyond. Donations to this checkoff would likely divert funds from the three existing personal income checkoffs: CBESF, CRF, and FCFF. To the extent that the new checkoff does not divert funds from the existing checkoffs, net special fund revenues will increase by a greater amount.

State Expenditures: The bill requires the Department of Veterans Affairs to distribute the fund to eligible families, adopt regulations to implement the proposed grant program, and submit a report annually to the General Assembly on the administration of the fund. The Department of Veterans Affairs reports that it would incur additional costs of $132,259 in fiscal 2006 as a result of hiring two employees, a program manager, and an administrative aide. Legislative Services estimates that, based on the estimated amount of revenues the program will receive, the requirements of the program that cannot be absorbed within existing budgeted resources necessitate the hiring of one program administrator only. Further, although the bill is effective July 1, 2005, taxpayers will begin donating to the fund beginning in January 1, 2006, necessitating a program
administrator be hired October 1, 2005. General fund expenditures would increase by approximately $56,100 in fiscal 2006. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The Comptroller’s Office reports that it would incur a one-time expenditure increase of $44,400 to add the checkoff to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems, and systems testing.

---

**Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller’s Office, Department of Veterans Affairs, Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2005

ncs/hlb

Analysis by: Robert J. Rehrmann

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