

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader - Revised

Senate Bill 676

(The President)(By Request - Office of the Comptroller)

Budget and Taxation

Tax Assistance for Low-Income Marylanders - Funding

This departmental bill reinstates, beginning in fiscal 2025, a previously mandated annual distribution from the State’s Unclaimed Property Fund to the Tax Clinics for Low-Income Marylanders Fund (TCLIM) at an increased amount of \$500,000 (compared to \$250,000, as mandated under previous law). Also, beginning in fiscal 2026, the bill (1) increases the amount of the annual mandated appropriation for the Creating Assets, Savings, and Hope (CASH) Campaign of Maryland from \$500,000 to \$800,000 and (2) requires that at least \$150,000 be used to provide grants to external entities for providing tax assistance through on-demand or mobile tax clinics that serve senior populations, rural communities, or under-resourced communities. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund revenues decrease by \$500,000 annually beginning in FY 2025; TCLIM revenues and expenditures increase by the same amount, and higher education revenues and expenditures increase by a portion of that amount (\$333,300). The FY 2025 budget as introduced anticipates the distribution of \$250,000 from the State’s Unclaimed Property Fund to TCLIM, as required under previous law. General fund expenditures increase by \$300,000 annually beginning in FY 2026. **This bill establishes a mandated distribution beginning in FY 2025 and increases a mandated appropriation beginning in FY 2026.**

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
SF Revenue	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Higher Ed Rev.	\$333,300	\$333,300	\$333,300	\$333,300	\$333,300
GF Expenditure	\$0	\$300,000	\$300,000	\$300,000	\$300,000
SF Expenditure	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Higher Ed Exp.	\$333,300	\$333,300	\$333,300	\$333,300	\$333,300
Net Effect	(\$500,000)	(\$800,000)	(\$800,000)	(\$800,000)	(\$800,000)

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

Local Effect: None.

Small Business Effect: The Comptroller's Office has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services (DLS) concurs with this assessment.

Analysis

Bill Summary: A recipient of a grant from the CASH Campaign to operate an on-demand or mobile tax clinic in accordance with the bill must interact with the CASH Campaign on at least a quarterly basis to ensure sufficient access to tax preparation services for low-income Maryland residents.

Current Law:

Tax Clinics for Low-Income Marylanders Fund

Chapters 678 and 679 of 2021 established TCLIM, a special, nonlapsing fund administered by the Comptroller, to provide grants to the University of Maryland School of Law, the University of Baltimore School of Law, and the Maryland Volunteer Lawyers Service to operate tax clinics for low-income Maryland residents. The Acts required a distribution of \$250,000 from the Unclaimed Property Fund to TCLIM in each of fiscal 2022 and 2023. Chapters 495 and 496 of 2023 permanently extended the distribution beyond fiscal 2023; however, Chapter 641 of 2023, which was subsequently signed into law, repealed the affected provision of law, as discussed further in the Additional Comments section of this fiscal and policy note.

Each fiscal year, the total amount of grant money expended from TCLIM to support tax clinics must be distributed as follows: (1) one-third to the University of Maryland School of Law; (2) one-third to the University of Baltimore School of Law; and (3) one-third to the Maryland Volunteer Lawyers Service.

CASH Campaign of Maryland

Chapter 745 of 2019 required the Governor to include \$200,000 in the annual State budget bill for the CASH Campaign of Maryland to promote the financial capability of low-income individuals and families by providing outreach, education, and free tax preparation services. Chapters 260 and 261 of 2022 increased the required appropriation to \$500,000 beginning in fiscal 2024. The appropriation may be used only to (1) provide free volunteer income tax assistance that helps low-income individuals and families file tax returns, avoid predatory fees, and claim the federal and State earned income tax credits;

(2) coordinate and expand access to free, fact-based financial education and coaching for low-income individuals and families; (3) connect low-income individuals and families to affordable, high-quality financial services; (4) recruit, train, and manage a corps of volunteers to provide financial education, coaching, and tax preparation services for low-income individuals and families; and (5) conduct outreach to low-income individuals and families.

Background: The Comptroller's Office advises that many Marylanders do not meet the minimum income threshold for required tax filing but may be eligible for valuable tax refunds upon filing an income tax return; through increasing State financial support for tax clinics for low-income Marylanders, the bill aims to increase utilization of antipoverty programs within the federal and State tax codes, such as the federal and State earned income tax credits.

Maryland Low-Income Taxpayers Clinics

The University of Maryland and University of Baltimore schools of law and the Maryland Volunteer Lawyers Service operate low-income taxpayer clinics in part through grant funding from the Internal Revenue Service. These clinics provide free legal representation to low-income taxpayers in tax disputes; they do not provide tax preparation assistance.

CASH Campaign of Maryland

The CASH Campaign of Maryland is a nonprofit organization that promotes economic advancement for low- to moderate-income individuals and operates various direct service programs, including free income tax preparation assistance for low- to moderate-income individuals and families.

State Fiscal Effect: As noted above, the bill requires the Comptroller to annually distribute \$500,000 from the State's Unclaimed Property Fund to TCLIM beginning in fiscal 2025. After required distributions, remaining funds within the Unclaimed Property Fund are distributed to the general fund; thus, general fund revenues decrease by \$500,000 annually beginning in fiscal 2025. TCLIM revenues and expenditures increase by a corresponding amount as the funds are received and distributed as grants. Higher education revenues and expenditures for the University System of Maryland increase by \$333,333 annually beginning in fiscal 2025, reflecting the share of TCLIM grants distributed to and expended by the University of Maryland School of Law and the University of Baltimore School of Law. The bill is not anticipated to affect funding for the Access to Counsel in Evictions Special Fund, which receives a subsequent distribution from the Unclaimed Property Fund.

The fiscal 2025 budget as introduced anticipates the distribution of \$250,000 from the State's Unclaimed Property Fund to TCLIM, as required by Chapters 495 and 496 prior to the enactment of Chapter 641.

The bill also increases, from \$500,000 to \$800,000, the annual mandated appropriation for the CASH Campaign of Maryland. Thus, general fund expenditures increase by \$300,000 annually beginning in fiscal 2026. Consistent with the existing mandated appropriation, the fiscal 2025 budget as introduced includes \$500,000 for the CASH Campaign.

Additional Comments: As noted above, Chapters 495 and 496 of 2023 permanently extended the annual \$250,000 distribution from the State's Unclaimed Property Fund to TCLIM, which previously applied only to fiscal 2022 and 2023. However, Chapter 641 of 2023 ("Access to Counsel in Evictions – Funding") repealed the affected provision of law. Independent of the other legislation, the change appears to have been intended as a deletion of an obsolete provision. As Chapter 641 was signed into law after Chapters 495 and 496, Chapter 641, which removes the distribution provision, controls. The bill restores this funding source for TCLIM in fiscal 2025 and future years but does not restore the distribution in fiscal 2024. It is worth noting that the DLS 2023 [Fiscal Effects Report](#) assumes a \$250,000 distribution to TCLIM in fiscal 2024 and future years based on Chapters 495 and 496 – as do the fiscal 2024 budget and fiscal 2025 budget as introduced.

Additional Information

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

Designated Cross File: HB 451 (The Speaker)(By Request - Office of the Comptroller) - Ways and Means.

Information Source(s): Comptroller's Office; Judiciary (Administrative Office of the Courts); University System of Maryland; Department of Budget and Management; CASH Campaign of Maryland; Maryland Volunteer Lawyers Service; Department of Legislative Services

Fiscal Note History:
rh/hlb

First Reader - February 7, 2024

Revised - Budget Information - March 12, 2024

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Tax Assistance for Low-Income Marylanders - Funding

BILL NUMBER: SB0676

PREPARED BY: Justin Hayes, Director of State Affairs

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This bill provides funding support for Low-Income Tax Clinics, the CASH Campaign, and creates a grant program to incentivize mobile or on-demand tax clinics in underserved or under resourced areas. There is no direct economic impact on small businesses as a result of this bill.