# House Bill 1114

*Income Tax – Depreciation Modification – First Year Depreciation*

MACo Position: **OPPOSE**
Date: March 7, 2014

To: Ways and Means Committee
From: Andrea Mansfield

The Maryland Association of Counties (MACo) **OPPOSES** House Bill 1114. This bill would allow property that qualifies for depreciation under the Internal Revenue Code (IRC) to be depreciated under the State income tax by 100% in the year in which the property is placed in service.

While Maryland is currently decoupled from any additional depreciation amounts under section 168 (k) and expensing under section 179 of the IRC, Maryland does allow a taxpayer to deduct the depreciation of an asset from the taxpayer's ordinary income based on a specified depreciation schedule. Instead of following a depreciation schedule specified for a certain type of property, HB 1114 would allow a taxpayer to fully depreciate property in the year in which it is placed in service, effectively reducing the taxpayer's income tax liability.

MACo is concerned with the fiscal effects of this legislation. According to the fiscal note, local income tax revenues would decline by $56 million in Fiscal 2015. This is a substantial revenue loss to be shared by the counties, and when combined with other potential revenue challenges, it presents significant budget difficulties.

Counties have faced economy-driven fiscal challenges in recent years, with county revenue woes expected to continue as property assessments remain in decline for most jurisdictions. Counties are also feeling pressure from federal budget uncertainties and potential changes in the treatment of out-of-state income for county income tax purposes. Legislation that further reduces county revenues would make it substantially more difficult for counties to manage their budgets to provide needed services.

For this reason, MACo urges the Committee to give HB 1114 an **UNFAVORABLE** report.