

# Maryland Nonprofits

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**August 2008**

## **Public Policy and Advocacy**

### **Public Policy**

**POLICY ALERT** - With gasoline prices impacting most parts of the economy, the IRS has already acted to allow increases in the income tax mileage deductions for business travel (from 50.5 to 58.5 cents per mile), and for medical and moving related mileage (from 19 to 27 cents). BUT the deduction for people who volunteer with charities is set in law at **14** cents per mile and requires congressional action for any change. Several measures have recently been introduced to change this – including S.3246 by Senators Cardin, Mikulski and Snow (Maine) that would give the IRS the same power to revise the rate as it has for business, medical and moving travel.

CONTACT your members of Congress now and urge them to fix this problem. Nationally there is already evidence that volunteers are cutting back. Visit our [Legislative Action](#) site to find your members' contact information or to send an email message we have already prepared.

**MARYLAND TAX CREDITS AVAILABLE TO NONPROFIT ORGANIZATIONS** - Some nonprofit organizations may not realize Maryland allows most nonprofits to take advantage of certain state 'incentive' income tax credits, even without tax liability. Maryland Nonprofits has successfully lobbied that credits like this are not really related to an organization's tax liability, but are simply state subsidies using the vehicle of the income tax code rather than direct payments. These credits are listed below, with links to summaries of the respective programs at the Maryland Comptroller's web site.

### **Credits That May Be Applied Against Employer Withholding Accounts**

- [Employer Subsidized Commuting Benefits](#)
- [Hiring Former Long-Term Felons](#)
- [Hiring Persons With Disabilities](#)
- [Hiring Former Public Assistance Assistance Recipients](#)

### **Credits That Are "Refundable" If They Exceed Tax Liability**

- ["One Maryland" Economic Development \(refundable after delay\)](#)
- [Maryland Heritage Rehabilitation](#)

## **Maryland Budget and Tax Policy Institute**

### **It's Budget Season – Really**

EVEN THOUGH there are five months until the Governor presents the next budget to the legislature, state agencies are now wrapping up their budget proposals to the state budget office.

This is not a public process. It is protected from public view by the principal of executive privilege. But it turns out that this phase is critical to what ends up in the budget in January.

Maryland is unique among the 50 states in that the legislature can generally not add to the budget proposed by the Governor. If an item is going to get funded, the Governor has to put it in the budget.

If you want to promote a state expenditure, or protect an existing expenditure item, this is a good time to call, write, or e-mail the head of the appropriate state agency, the Governor's

office and the Secretary of the Department of Budget and Management.

### **And It Will be A Tough Budget Season**

The Department of Legislative Services (DLS) recently briefed the Senate Budget and Taxation Committee on Maryland's Economy and General Fund Revenues. There's good news and bad news. We'll start with the bad news:

The economy shows definite signs of weakness.

- For calendar year 2008 so far, initial unemployment claims are up 18% over last year.
- Sales of existing homes declined 21% in 2006, 23% last year, and 35% so far this year.
- Vehicle sales are down 8% for calendar 2008 year-to-date.

These effects are showing up in the state's revenue collections. DLS presented revenue figures for the first 11 months of fiscal year 2008. (Because certain revenues are collected a month in arrears, final figures will not be available until later in the summer).

- Overall, revenues are slightly behind estimates. DLS shows a \$37 million shortfall, which is only 3/10 of one percent.
- The most important revenues, income tax and sales tax, are \$72 million below the estimates. These negatives are partially offset by positives in other sources, principally inheritance taxes.
- Property transfer taxes have been down for the last 24 consecutive months. The declines for each of the last five months (January through May 2008) have been more than 30% below the prior year. These revenue support state and local open space and recreation programs.

Here is the (comparatively) good news.

- So far, employment in Maryland continues to grow, in contrast to the nation as a whole.
- Maryland's rates of unemployment and housing foreclosures remain well below US averages.
- Maryland retains nearly \$1 billion in general fund balance and "Rainy Day" reserve.

The budget looks precarious. The Governor announced \$50 million in budget cuts in June. If revenues slip significantly, there will be pressure to cut more from the current budget.

MB&TPI remains concerned about the adequacy of staffing levels in the state's "safety net" operations, which are vital for timely processing of benefits for residents who are hit by the slowing economy.

Check the Institute's [website](#) for reports on the budgetary threats to education and other programs.