

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1090 (Delegate Jackson)
 Health and Government Operations

9-1-1 Specialists - Compensation and Benefits

This bill provides additional tax benefits to 9-1-1 specialists by (1) expanding the existing State subtraction modification for retired law enforcement; correctional officer; and fire, rescue, and emergency services personnel to include 9-1-1 specialists; (2) creating a State income tax subtraction modification of up to \$3,000 of the qualified health insurance premium paid by a retired 9-1-1 specialist; and (3) altering provisions relating to an existing local property tax credit for 9-1-1 public safety telecommunicators.

In addition, the bill states that it is the intent of the General Assembly that jurisdictions employing 9-1-1 specialists (1) appropriately classify and compensate workers and (2) afford all workers' compensation claims, for both physical and mental health afflictions, with the same respect, attention, and consideration afforded claims for workers' compensation by other public safety personnel. **The bill takes effect June 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease by \$354,000 in FY 2020 due to subtraction modifications being claimed against the personal income tax. Future year revenue decreases reflect projected increases in eligible retirement income and health care expenditures. General fund expenditures increase by \$110,000 in FY 2020 due to one-time computer programming expenses at the Comptroller's Office.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$354,000)	(\$362,000)	(\$369,000)	(\$376,000)	(\$384,000)
GF Expenditure	\$110,000	\$0	\$0	\$0	\$0
Net Effect	(\$464,000)	(\$362,000)	(\$369,000)	(\$376,000)	(\$384,000)

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

Local Effect: Local expenditures may increase by a significant amount beginning in FY 2020 due to increased compensation costs. Local revenues decrease by \$231,000 in FY 2020 and by \$250,000 in FY 2024. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary:

Retirement Income Subtraction Modification

Beginning in tax year 2019, retired 9-1-1 specialist officers are eligible to claim the existing State subtraction modification for retired law enforcement; correctional officer; and fire, rescue, and emergency services personnel. An eligible retiree includes an individual who meets the qualifications of the local property tax credit for 9-1-1 specialists, as amended by the bill.

Health Insurance Premium Subtraction Modification

The bill creates a subtraction modification for the qualified health insurance premium paid by a retired 9-1-1 specialist. Qualified health insurance premium includes the long-term care insurance contract, health plan, or accident plan premium for the coverage of the individual, individual's spouse, or dependents. In order to qualify, the premium must be paid by a distribution from a retired plan qualified under Section 402(L) of the Internal Revenue Code. Subtraction modifications may be claimed beginning in tax year 2019.

9-1-1 Specialist Local Property Tax Credit

Chapter 735 of 2018 authorized county and municipal governments to provide a property tax credit for a dwelling owned by a 9-1-1 public safety telecommunicator. The bill amends eligibility for the tax credit by specifying that (1) 9-1-1 specialists include employees working in a county safety answering point and (2) 9-1-1 specialist duties and responsibilities include receiving and processing 9-1-1 requests for emergency assistance and other support functions directly related to 9-1-1 requests for emergency assistance. These changes apply to taxable years beginning after June 30, 2019.

Current Law:

Law Enforcement Officer; Correctional Officer; and Fire, Rescue, or Emergency Services Personnel

Chapters 153 and 154 of 2017 established a pension exclusion for retired law enforcement officers or fire, rescue, or emergency services personnel. Retirement income qualifies for this exclusion if the individual is between the ages of 55 and 64 and the retirement income is attributable to employment as a law enforcement officer or as a fire, rescue, or emergency services personnel of the United States, the State, or a local jurisdiction. Emergency services personnel includes emergency medical technicians and paramedics. The maximum exclusion in the tax year is limited to \$15,000.

Chapters 573 and 581 of 2018 extended eligibility to correctional officers. An eligible retiree includes an individual who was employed in (1) a State correctional facility; (2) a local correctional facility; (3) a juvenile facility; and (4) a facility of the United States that is equivalent to a State or local correctional facility or juvenile facility in the State.

Public Safety Retirement Health Insurance Premium Exclusion

Under federal law eligible retired public safety officers may exclude up to \$3,000 in eligible health insurance premiums. Retired public safety officers include those defined under the Omnibus Crime and Control and Safe Streets Act of 1968, as specified. Public safety officers include law enforcement officers, chaplains, firefighters, and members of a rescue squad or ambulance crew. Maryland conforms to federal tax law. Any amount deducted under federal law flows through for Maryland income tax purposes, thereby reducing State and local income taxes.

Local Property Tax Credit – 9-1-1 Public Safety Telecommunicators

Chapter 735 of 2018 authorized county and municipal governments to provide a property tax credit for a dwelling owned by a 9-1-1 public safety telecommunicator.

“Public safety telecommunicator” means an employee of a county whose duties and responsibilities include (1) answering, receiving, transferring, and dispatching 9-1-1 calls; (2) other support functions related to 9-1-1 calls; or (3) dispatching law enforcement officers, fire rescue services, emergency medical services, and other public safety services to the scene of an emergency.

County and municipal governments may, by law, grant a property tax credit for a dwelling owned by 9-1-1 public safety telecommunicators. The amount of the property tax credit may not exceed the lesser of \$2,500 or the amount of property tax imposed on the dwelling.

County and municipal governments may establish, by law, the amount of the property tax credit, the duration of the property tax credit, additional eligibility requirements for public safety officers to qualify for the property tax credit, procedures for the application and uniform processing of requests for the credit, and any other provisions necessary to implement the credit.

Workers' Compensation and Public Safety Employees

If an employee covered under workers' compensation insurance has suffered an accidental personal injury, compensable hernia, or occupational disease, the employee is entitled to compensation benefits paid by the employer, its insurer, the Subsequent Injury Fund, or the Uninsured Employers' Fund, as appropriate. Workers' compensation benefits including wage replacement, medical treatment, death and funeral costs, and vocational rehabilitation expenses.

Related to wage replacement benefits, an employee who receives worker's compensation benefits for a permanent partial disability for a period of less than 75 weeks (which is the most common type of injury and length of award) is eligible to receive weekly benefits of one-third of his or her average weekly wage, but that amount may not exceed 16.7% of the State average weekly wage. However, a "public safety employee," as defined in statute, is eligible for enhanced workers' compensation benefits if awarded compensation for the same injury. In such a case, the employer is eligible to receive approximately double the weekly benefits – two-thirds of his or her average weekly wage, but that amount may not exceed one-third of the State average weekly wage. The State average weekly wage for 2019 is \$1,116.

Under current law, 9-1-1 specialists are not considered public safety employees. Moreover, the bill does not include 9-1-1 specialists in the list of employees eligible for these enhanced benefits.

State Revenues: Both the retirement income and health insurance premium subtraction modifications may be claimed beginning in tax year 2019. As a result, general fund revenues will decrease by \$354,000 in fiscal 2020. **Exhibit 1** shows the projected State and local revenue loss from the bill.

Exhibit 1
Projected State and Local Revenue Impact

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>
State	(\$354,000)	(\$362,000)	(\$369,000)	(\$376,000)	(\$384,000)
Local	(231,000)	(236,000)	(241,000)	(245,000)	(250,000)
Total	(\$585,000)	(\$598,000)	(\$610,000)	(\$621,000)	(\$634,000)

State Expenditures: The Comptroller’s Office reports that it will incur a one-time general fund expenditure increase of \$110,000 in fiscal 2020 to add the subtraction modifications to personal income tax forms. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Local Revenues: Local income tax revenues will decrease as a result of subtraction modifications claimed against the personal income tax. Local revenues will decrease by \$231,000 in fiscal 2020 and by \$250,000 in fiscal 2024, as shown in Exhibit 1.

Local property tax revenues may decrease to the extent local governments have granted property tax credits for dwellings owned by 9-1-1 specialists and additional individuals qualify under the bill.

Local Expenditures:

Employee Classification and Compensation

Local expenditures may increase by a significant amount beginning in fiscal 2020 due to increased compensation costs for 9-1-1 specialists. The amount of the increase depends on whether local governments increase compensation and the amount of any increase. **Exhibit 2** shows the number of 9-1-1 public safety telecommunicators in the State by county as of March 2018.

Exhibit 2
9-1-1 Specialists in Maryland
March 2018

<u>County</u>	<u>Number of</u> <u>Telecommunicators</u>	<u>County</u>	<u>Number of</u> <u>Telecommunicators</u>
Allegany	25	Harford	68
Anne Arundel	105	Howard	75
Baltimore City	220	Kent	15
Baltimore	193	Montgomery	157
Calvert	25	Prince George's	201
Caroline	21	Queen Anne's	24
Carroll	0	St. Mary's	43
Cecil	46	Somerset	16
Charles	60	Talbot	0
Dorchester	25	Washington	66
Frederick	69	Wicomico	19
Garrett	13	Worcester	0
		Total	1,486

Note: Includes full-time and part-time employees.

Source: Emergency Number Systems Board

According to the *Salary Survey of Maryland County Governments* published by the Maryland Association of Counties, the statewide average salary for emergency dispatchers was \$42,286 in fiscal 2018. In comparison, the average statewide salary for various public safety officers includes: police officer/deputy (\$57,699), emergency medical technician – paramedic (\$54,040), and correctional officer (\$45,760).

Workers' Compensation

Even though the bill expresses that it is the intent of the General Assembly that jurisdictions employing 9-1-1 specialists afford all workers' compensation claims, for both physical and mental health afflictions, with the same respect, attention, and consideration afforded claims for workers' compensation by other public safety personnel, the bill does not include 9-1-1 specialists into the statutory definition of "public safety employee." Therefore, the bill does not directly increase local expenditures for workers' compensation benefits.

Additional Information

Prior Introductions: None.

Cross File: SB 284 (Senators Kagan and Reilly) - Finance.

Information Source(s): U.S. Bureau of Labor Statistics; Comptroller's Office; Maryland Association of Counties; Department of Legislative Services

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