



Peter Franchot
Comptroller

David Roose
Director
Bureau of Revenue Estimates

December 21, 2010

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

Honorable Thomas V. "Mike" Miller, Jr.
President, Senate of Maryland
State House
Annapolis, Maryland 21401

Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House
Annapolis, Maryland 21401

Dear Governor, President and Speaker:

Section 10-108 of the Tax-General Article of the Annotated Code of Maryland requires that the Comptroller's Office report the impact of changes in federal income tax law on State revenues. On December 15, 2010, President Obama signed into law H.R. 4994, the *Medicare and Medicaid Extenders Act of 2010* ("the Act"). The Act, first introduced in April 2010, was originally known as the *Taxpayer Assistance Act of 2010*. However, all but one tax provision has been dropped from the final version of the bill.

The primary objective of the Act in its current form is to extend various provisions related to Medicare and other federal health assistance programs. The one provision of the Act that amends the Internal Revenue Code (IRC) relates to the federal health insurance tax credit. As part of the recently enacted health care legislation, certain low-income taxpayers are permitted a federal tax credit that can be used to purchase health insurance. The credit is based on the taxpayer's estimated income for the year. Under current federal law, if an individual's final annual income – as calculated on that taxpayer's income tax return – is higher than the amount that was used to calculate the individual's advanced health insurance premium tax credit, then the individual must return the excess payment to the federal government. Currently, the amount repaid by the individual is limited to \$250 for individuals and \$400 for families for those at or below 400 percent of the Federal Poverty Level. This provision increases the existing limits of \$250 and \$400 and replaces these flat amounts with reduced credit amounts, which start at lower levels for individuals with lower incomes.

While the estimated federal savings of this provision are \$19 billion over ten years, federal tax credits generally do not flow through directly to the Maryland tax return; therefore, State revenues will not be directly affected.

Letter to Honorable Martin O'Malley,
Thomas V "Mike" Miller, Jr., and
Michael E. Busch
December 21, 2010
Page 2

Please do not hesitate to contact me at (410) 260-7450 if you have any questions about this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "David Roose", written in a cursive style.

David F. Roose
Director

cc: Honorable Peter Franchot