



Peter Franchot
Comptroller

David Roose
Director
Bureau of Revenue Estimates

August 12, 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 August 1, 2010, President Obama signed into law H.R. 5900, the *Airline Safety and Federal Aviation Administration Act of 2010* ("the Act"). The Act amends the Internal Revenue Code (IRC) to extend, through September 30, 2010, the excise taxes on aviation fuels and air transportation of persons and property, and the expenditure authority for the Airport and Airway Trust Fund.

This temporary extension is intended to provide the U.S. Congress with time to complete its work on a long-term Federal Aviation Administration (FAA) reauthorization bill. This amendment does not affect the calculation of federal adjusted gross income (FAGI) or federal taxable income (FTI) and therefore will not flow through to the Maryland income tax return. There may be small indirect effects to Maryland revenues, as maintaining a higher federal excise tax for aviation fuel – which is also taxed by Maryland – could reduce overall sales. In addition, higher fuel costs could affect the profitability of airlines that are taxed in Maryland, or could result in an increase in fares for State residents, thus reducing disposable income. However, these indirect effects cannot be estimated and are expected to be minimal.

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

Sincerely,

David F. Roose
Director

cc: Honorable Peter Franchot