

# SENATE BILL 321

Q3

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By: **Senator Brochin**

Introduced and read first time: January 28, 2009

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Estimated Income Tax Deficiencies – Interest**

3 FOR the purpose of altering the interest rate owed for deficiencies in certain required  
4 estimated tax payments; and generally relating to the interest rate for certain  
5 deficiencies in estimated tax payments.

6 BY repealing and reenacting, without amendments,  
7 Article – Tax – General  
8 Section 13–602  
9 Annotated Code of Maryland  
10 (2004 Replacement Volume and 2008 Supplement)

11 BY repealing and reenacting, with amendments,  
12 Article – Tax – General  
13 Section 13–604  
14 Annotated Code of Maryland  
15 (2004 Replacement Volume and 2008 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
17 MARYLAND, That the Laws of Maryland read as follows:

18 **Article – Tax – General**

19 13–602.

20 (a) Except as provided in subsections (b) and (c) of this section, a tax collector  
21 shall assess interest on unpaid tax from the due date to the date on which the tax is  
22 paid if a person who is required to estimate and pay financial institution franchise tax,  
23 public service company franchise tax, or income tax under § 8–210(b), § 8–405(b), or §  
24 10–902 of this article:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (1) fails to pay an installment when due; or

2 (2) estimates a tax that is:

3 (i) less than 90% of the tax required to be shown on the return  
4 for the current taxable year; and

5 (ii) less than 110% of the tax paid for the prior taxable year,  
6 reduced by the credit allowed under § 10-703 of this article.

7 (b) Interest may not be assessed on the underestimation of individual income  
8 tax if:

9 (1) at least 90% of the individual's taxable income is also taxable by  
10 another state; and

11 (2) the underestimation is of the county income tax only.

12 (c) A tax collector may not assess interest on unpaid individual income tax  
13 under subsection (a) of this section if the amount of unpaid income tax is less than  
14 one-half the amount specified in § 6654(e)(1) of the Internal Revenue Code.

15 13-604.

16 (a) **[The] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION,**  
17 **THE** rate of interest for each month or fraction of a month is the percent equal to  
18 one-twelfth of the annual interest rate that the Comptroller sets for the calendar year  
19 under subsection (b) of this section.

20 (b) On or before October 1 of each year, the Comptroller shall set the annual  
21 interest rate for the next calendar year on refunds and moneys owed to the State as  
22 the percent, rounded to the nearest whole number, that is at the percent that equals  
23 the greater of:

24 (1) 13%; or

25 (2) 3 percentage points above the average prime rate of interest  
26 quoted by commercial banks to large businesses during the State's previous fiscal  
27 year, based on determination by the Board of Governors of the Federal Reserve Bank.

28 **(C) NOTWITHSTANDING THE ANNUAL INTEREST RATE SET BY THE**  
29 **COMPTROLLER UNDER SUBSECTION (B) OF THIS SECTION, THE RATE OF**  
30 **INTEREST FOR EACH MONTH OR FRACTION OF A MONTH FOR INTEREST ON A**  
31 **DEFICIENCY IN ESTIMATED INCOME TAX UNDER § 13-602 OF THIS SUBTITLE IS**  
32 **THE APPLICABLE FEDERAL UNDERPAYMENT RATE UNDER § 6621(A)(2) OR (C)**  
33 **OF THE INTERNAL REVENUE CODE THAT IS IN EFFECT FOR THAT MONTH.**

1           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2    July 1, 2009.