

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 8
Budget and Taxation

(Senator Astle)

Ways and Means

Maryland Income Tax Refund - Anne Arundel County - Warrants

This bill authorizes an official of the federal, State, or local government charged with serving a criminal arrest warrant to certify to the Comptroller that an individual who is either a Maryland resident or who receives income from Maryland has an outstanding warrant and to request that the Comptroller withhold the individual's income tax refund. For any individual for which a certification of an outstanding warrant is received, the Comptroller is required to withhold the individual's income tax refund and notify the individual of the certification of an outstanding warrant. The Comptroller may not withhold a refund if the individual is an active duty member of the U.S. Armed Forces or files a joint income tax return.

The bill applies only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County. The program terminates September 30, 2013.

Fiscal Summary

State Effect: State revenues will increase in FY 2013 due to the Comptroller intercepting the income tax refunds of specified individuals with outstanding warrants. State revenues will decrease beginning in FY 2014 to the extent individuals satisfy outstanding warrants and receive income tax refunds. Minimal general fund expenditure increase at the Comptroller's Office for notification expenses.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill authorizes an official of the federal, State, or local government charged with serving a criminal arrest warrant to certify to the Comptroller that an individual who is either a Maryland resident or who receives income from Maryland has an outstanding warrant and to request the Comptroller to withhold the income tax refund of the individual. This certification must include (1) the full name and address of the individual and any other known names of the individual; (2) the Social Security number or federal tax identification number; and (3) a statement that the warrant is outstanding. Warrants include those issued for (1) a failure to appear before a State court; (2) probation violations; or (3) a violation of a motor vehicle law punishable by a term of confinement. Warrants do not include body attachments issued for material witnesses.

For any individual for which a certification of an outstanding warrant is received, the Comptroller is required to withhold the individual's income tax refund and notify the individual of the certification of an outstanding warrant. The Comptroller may not withhold a refund if the individual is an active duty member of the U.S. Armed Forces or files a joint income tax return.

The bill applies only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County.

Before withholding any part of a refund as provided by the bill, the Comptroller's Office must satisfy intercept requests as required under current law.

The Comptroller's Office is required to report to the House Ways and Means Committee and the Senate Budget and Taxation Committee on implementation of the program by December 1, 2013.

Current Law: The Comptroller's Office currently operates several tax compliance programs which intercept the tax refunds of individuals, including (1) tax clearance for business licenses, which applies to about 550,000 licensees and recently generated a total of \$6.8 million in annual revenue; (2) the IRS vendor payment program, which generated \$11.4 million from 7,185 interceptions in calendar 2010; and (3) the IRS refund offset program, which generated \$39.4 million from 49,203 interceptions out of an estimated 2.2 million Maryland federal tax returns owed a refund in calendar 2010. In addition, the Budget Reconciliation and Financing Act of 2011 (Chapter 397) required that individuals and businesses that have unpaid, undisputed state tax liabilities and/or unpaid unemployment insurance contributions satisfy the debt(s) prior to renewing a Maryland driver's license or vehicle registration.

The State also operates several intercept programs to collect delinquent child support payments, including the interception of tax refunds, lottery prizes, and vendor payments. The Department of Human Resources (DHR) is authorized to certify under certain conditions unpaid child support debts of more than \$150 to the State Lottery Agency and the Comptroller's Office. The Comptroller's Office and State Lottery Agency are required to remit to DHR the payment or refund up to the amount of arrearage of an obligor certified as being in arrears. Licensed lottery agents may not pay a prize of over \$600 if the holder of a winning lottery ticket has been certified as having a child support debt.

State Fiscal Effect: The Comptroller's Office is required to withhold the income tax return of an individual who is certified as having an outstanding warrant. The Sheriff of Anne Arundel County advises that there are currently 8,042 outstanding warrants. Additional revenue impacts will occur to the extent the Comptroller's Office receives certification from the Maryland State Police or federal officials for warrants for Anne Arundel County residents.

The Comptroller's Office advises it will incur notification expenses of \$1,500 in fiscal 2013 in order to inform an individual that their refund is being withheld.

Additional Information

Prior Introductions: SB 870 of 2011 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. Its cross file, HB 1214, passed the House and received a favorable with amendments report from the Senate Budget and Taxation Committee, but did not pass the Senate.

Cross File: HB 120 (Delegate Sophocleus, *et al.*) - Ways and Means.

Information Source(s): Anne Arundel County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2012
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