

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1054
Ways and Means

(Delegate Brooks, *et al.*)

Budget and Taxation

Income Tax - Penalties - Assessment Schedule

This bill reduces the maximum penalty that may be imposed on a person who fails to pay income taxes from 25% to 10%.

The bill takes effect July 1, 2016, and applies to all penalties assessed on or after July 1, 2016.

Fiscal Summary

State Effect: State revenues are not expected to be materially impacted. No effect on expenditures.

Local Effect: Local revenues are not expected to be materially impacted. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: The Comptroller is required to assess a penalty not exceeding 25% of the unpaid income tax when a return is not filed or the tax is not paid by a person or governmental unit. For reasonable cause, the Comptroller may waive the penalty.

State Revenues: The bill reduces to 10% the maximum penalty that the Comptroller may assess when a person fails to pay income taxes. While information is not available on the amount of penalties assessed and collected under current law or the average rate of penalty imposed, the Comptroller's Office advises that a penalty of 10% is typically imposed and

that penalties are often waived. The current practice includes waiving the full penalty if a taxpayer settles the past due amount after the first contact from the Comptroller's Office. To the extent the bill leads to a decrease in the average penalty assessed, State revenues could decrease minimally.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 4, 2016
min/jrb Revised - House Third Reader - March 25, 2016

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