

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 115 (Delegate Reilly)
 Ways and Means

Maryland Income Tax Refund - Warrant Intercept Program - Termination
 Repeal

This bill repeals the termination date of the Warrant Intercept Program. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues may increase by \$198,000 in FY 2020 due to the Comptroller intercepting the income tax refunds of specified individuals with outstanding warrants. Future year revenue impacts reflect annualization and projected net amounts of refunds withheld. General fund expenditures may increase beginning in FY 2020 due to administrative costs at the Comptroller’s Office.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	\$198,000	\$207,000	\$160,000	\$151,000	\$151,000
GF Expenditure	-	-	-	-	-
Net Effect	\$198,000	\$207,000	\$160,000	\$151,000	\$151,000

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local income tax revenues may increase beginning in FY 2020. County expenditures may increase beginning in FY 2020 due to administrative costs. In addition, county warrant service expenditures may decrease beginning in FY 2020.

Small Business Effect: None.

Analysis

Current Law: The warrant intercept program 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 files a joint income tax return.

Except for Anne Arundel County, the warrant intercept program terminates September 30, 2019.

Background: Chapter 451 of 2012 established the warrant intercept program by authorizing Anne Arundel County to participate in the program. Chapter 590 of 2014 extended the program to Washington County and Chapter 594 of 2014 extended the program to Baltimore City. Chapter 387 of 2016 authorized all counties to participate in the warrant intercept program if the sheriff of the county notifies the Comptroller that the county intends to participate in the program.

Chapter 387 of 2016 also required the Governor's Office of Crime Control and Prevention (GOCCP) to study the program and make recommendations to ensure the program does not disparately impact individuals on racial grounds. GOCCP reports that during calendar 2018 the Comptroller's Office withheld the income tax refunds of 1,184 individuals. A total of \$816,427 in refunds were withheld or about \$690 per person. **Exhibit 1** shows by county the total number and amount of refunds withheld by the Comptroller's Office.

Exhibit 1
Warrant Intercept Program
Calendar 2018

<u>County</u>	Refunds Withheld		
	<u>Number</u>	<u>Total</u>	<u>Average</u>
Anne Arundel	204	\$122,932	\$602.61
Baltimore City	77	45,457	590.35
Harford	9	*	*
Howard	81	43,896	541.93
Prince George's	763	570,308	747.45
Washington	50	33,834	676.68
Total	1,184	\$816,427	\$689.55

*Harford County refund amounts were not disclosed by the Comptroller's Office.

Source: Comptroller's Office; Governor's Office of Crime Control and Prevention

The most common charges associated with the outstanding warrants were traffic offenses (31%), failure to appear to court for traffic and civil cases (22%), assault (10%), and theft/malicious destruction of property (7%). GOCCP reports that no individual contested the withholding of their income tax refund. GOCCP, in consultation with the Comptroller's Office, recommended the continuation and expansion of the program.

State Fiscal Effect: The bill repeals the termination date of the warrant intercept program. As a result, general fund revenues will increase by \$198,000 in fiscal 2020, reflecting the program's current termination date of September 30, 2019, for all counties except Anne Arundel. General fund revenues increase by \$207,000 in fiscal 2021, \$160,000 in fiscal 2022, and by \$151,000 annually beginning in fiscal 2023. This estimate reflects the projected net impact of income tax refunds withheld and released in each year and the continued participation of Baltimore City and Harford, Howard, Prince George's, and Washington counties. In addition, the Comptroller's Office advises that it expects Frederick County to participate in the program.

Under these assumptions, the Comptroller's Office and GOCCP can continue to administer the program within existing budgeted resources. To the extent additional counties participate general fund expenditures may increase at the Comptroller's Office due to the additional expenditures required to withhold additional income tax refunds. The Comptroller estimates that general fund expenditures will increase by about \$220,000

annually if all counties participate in the program. This estimate reflects the cost of hiring three revenue specialists at the Comptroller's Office.

Local Fiscal Effect: Local income tax revenues in participating counties will increase beginning in fiscal 2020. County expenditures may increase beginning in fiscal 2020 in order to continue to administer the program. In addition, county warrant service expenditures in these counties may decrease beginning in fiscal 2020.

Additional Information

Prior Introductions: None.

Cross File: SB 109 (Senator Reilly) - Budget and Taxation.

Information Source(s): Comptroller's Office; Governor's Office of Crime Control and Prevention; Department of Legislative Services

Fiscal Note History: First Reader - January 31, 2019
md/hlb

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