

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 272

(Senator Guzzone)(By Request - Comptroller)

Budget and Taxation

Ways and Means

Disclosure of Tax Information - Fraud Identification, Prevention, or Response

This bill adds the following to the list of persons able to receive specified tax information: a person or governmental entity authorized by the Comptroller in writing to receive tax information for the purpose of identifying, preventing, or responding to fraud, provided that the tax information is (1) anonymized to the extent possible consistent with the information's intended use and (2) in addition to any other protections and safeguards under law, subject to any protections and safeguards set forth by the Comptroller in the written authorization.

Fiscal Summary

State Effect: None. The bill does not significantly affect State operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Tax information may be disclosed to the following persons: (1) an employee or officer of the State who, by reason of that employment or office, has the right to the tax information; (2) another tax collector; (3) the Maryland Tax Court; (4) a legal representative of the State, to review the tax information about a taxpayer who applies for review, who appeals from a determination, or against whom an action to recover tax or a penalty is pending or will be initiated; (5) any license issuing authority of the State required by State law to verify through the Comptroller that an applicant has paid all undisputed taxes and unemployment insurance contributions payable to the Comptroller or the

Secretary of Labor or that the applicant has provided for payment in a manner satisfactory to the unit responsible for collection; (6) specified local officials; (7) specified federal officials; (8) the Maryland Department of Health in accordance with the federal Children's Health Insurance Program Reauthorization Act of 2009; (9) the State Board of Individual Tax Preparers; (10) the Alcohol and Tobacco Commission; and (11) the Emergency Number Systems Board.

State Fiscal Effect: The Comptroller's Office advises that as tax fraud has become more sophisticated, it is necessary for the State to involve all relevant parties in its efforts to identify, prevent, and eliminate illegitimate tax filings. This requires involving the relevant State agencies, law enforcement, information system contractors, and vendors in the analysis of fraudulent data and its associated patterns. This coordination is available, in most circumstances, only under issuance of a court order. In addition, the State is unable to fully participate in multistate anti-fraud efforts, such as those organized through the Identity Theft Tax Refund Fraud Information Sharing and Analysis Center, due to tax disclosure limitations.

The bill expands the Comptroller's authority to share confidential tax information for the purposes of identifying, preventing, or responding to fraud. The bill provides for disclosure only upon an explicit and specific authorization by the Comptroller and does not provide any party with ongoing access to confidential tax information.

The Comptroller's Office can handle any additional workload resulting from the expanded disclosure authorization with existing resources.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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