

Expanding Online Tax Filings Will Support More Efficient and Effective State Revenue Collections

Position Statement in Support of House Bill 455

Given before the House Ways and Means Committee

Online tax filing has become increasingly popular, with the vast majority of federal individual and business income tax returns now being filed online¹. Online filing also helps streamline processes at revenue collecting agencies, allowing them to operate more efficiently and effectively. **The Maryland Center on Economic Policy supports House Bill 455** because it sets out a reasonable and gradual process for requiring most state tax filings to be done electronically.

Online tax filing has several benefits. It is faster to process and review both for taxpayers and the Comptroller's Office. Reducing paper filings would potentially free up staff time to respond to taxpayers who need assistance. It also makes it easier to match data and catch individuals or businesses that may be underreporting income to avoid taxes. And, it would potentially reduce some state costs associated with processing paper returns.

HB 455 also sets out some reasonable exceptions for those who truly may face challenges using an electronic filing process, including small business owners, people with disabilities, and older adults. It also allows for a long implementation timeline that allows ample time for taxpayer outreach and education before the requirements are in place.

Adopting modern tax collection processes will ultimately benefit Marylanders, businesses, and the state budget.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Ways and Means Committee make a favorable report on House Bill 455.

¹ Internal Revenue Service, "Returns Filed, Taxes Collected and Refunds Issued," tax year 2022, <https://www.irs.gov/statistics/returns-filed-taxes-collected-and-refunds-issued>