

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**

House Bill 157 (Chairman, Ways and Means Committee)  
(Departmental - Comptroller)

Ways and Means

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**Income Tax - Income Tax Return Preparer -  
False Return or False Claim for Refund**

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This departmental bill provides that a tax return preparer can be found guilty of a misdemeanor for preparing a false income tax return or claim for refund if acting with fraudulent intent, in addition to acting with intent to evade taxes. Additionally, the penalties (maximum \$5,000 fine and/or a maximum of five years imprisonment) are applicable even if the preparer is preparing his or her own return.

This bill is effective July 1, 1997.

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**Fiscal Summary**

**State Effect:** Potential minimal increase in general fund revenue as discussed below. Potential minimal increase in general fund revenues and expenditures due to the bill's penalty provision.

**Local Effect:** Potential minimal increase in revenue through the piggyback tax. Potential minimal increase in revenues and expenditures due to the bill's penalty provision.

**Small Business Effect:** The Office of the Comptroller has determined that this bill has minimal or no impact on small businesses (attached). Fiscal Services concurs with this assessment.

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## Fiscal Analysis

**State Revenues:** To the extent that this bill deters tax return preparers from filing false tax returns with fraudulent intent, general fund revenues could increase.

General fund revenues could increase under the bill's monetary penalty provision for those cases heard in the District Court, depending upon the number of convictions and fines imposed.

**State Expenditures:** General fund expenditures could increase as a result of the bill's incarceration penalty due to more people being committed to a Division of Correction (DOC) facility and increased payments to counties for reimbursement of inmate costs, depending upon the number of convictions and sentences imposed.

Persons serving a sentence longer than one year are incarcerated in a DOC facility. In fiscal 1998 the average monthly cost per inmate is estimated at \$1,500.

Persons serving a sentence of one year or less are sentenced to a local detention facility. The State reimburses counties for part of their per diem rate after a person has served 90 days. State per diem reimbursements for fiscal 1998 are estimated to range from \$12 to \$42 per inmate depending upon the jurisdiction. Persons sentenced in Baltimore City are incarcerated in the Baltimore City Detention Center (BCDC), a State operated facility. The per diem cost for fiscal 1998 is estimated at \$43 per inmate.

The Division of Correction advises that no tax return preparer has been convicted or placed on probation under current law in the last two fiscal years.

**Local Revenues:** Local revenues would increase by 54.5% of any State revenue increase through the piggyback tax.

Revenues could increase under the bill's monetary penalty provision for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

**Local Expenditures:** Expenditures could increase as a result of the bill's incarceration penalty depending upon the number of convictions and sentences imposed. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence, plus part of the per diem cost after 90 days. Per diem operating costs of local detention facilities are expected to range from \$23 to \$83 per inmate in fiscal 1998.

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**Information Source(s):** Office of the Comptroller (Revenue Administration Division), Department of Public Safety and Correctional Services (Division of Correction), Department of Fiscal Services

**Fiscal Note History:** First Reader - January 17, 1997

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