

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 80 (Chairman, Budget and Taxation Committee)
(Departmental - Comptroller)

Budget and Taxation

Income Tax - Refunds and Offsets - Out-of-State Income Tax Liability

This departmental bill allows the Comptroller to withhold some or all of the Maryland income tax refund of an individual who has a delinquent tax liability in another state, at the request of that state, if that state allows reciprocal privileges.

This bill is effective October 1, 1998, and applies to all taxable years beginning after December 31, 1997.

Fiscal Summary

State Effect: General fund revenues could potentially increase an estimated \$103,000 annually beginning in FY 1999. Any increase in expenditures would be minimal and could be absorbed within existing budgeted resources.

Local Effect: Local revenues could potentially increase an estimated \$57,000 annually beginning in FY 1999. Expenditures would not be affected.

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

Fiscal Analysis

Background: Through the reciprocity requirement, this bill would allow the Comptroller to request the interception of tax refunds from other states for delinquent Maryland tax liabilities. The majority of any revenue collected through these means would be from Delaware refunds since Maryland has tax reciprocity with all other nearby jurisdictions. Similar legislation is on the agenda for the Delaware Department of Revenue, but it would not be introduced until February at the earliest. Officials in several other states have committed to similar legislation.

State Revenues: The following discussion assumes the adoption of similar legislation in nearby jurisdictions. Based on 1995 tax data from Maryland and Delaware, approximately \$150,000 in State and local income tax revenue (about \$97,000 State) would have been collected from Delaware tax refunds to individuals with delinquent Maryland tax liabilities through a Delaware tax refund interception program. Assuming another \$10,000 would be collected from other states' tax refunds, general fund revenues would increase by \$103,000.

Local Revenues: Local government revenues would increase by 55% of any State revenue increase, potentially \$57,000.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates),
Department of Legislative Services

Fiscal Note History: First Reader - January 19, 1998

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