

Department of Legislative Services  
 Maryland General Assembly  
 1999 Session

FISCAL NOTE

House Bill 428 (Delegates Mitchell and Hutchins)

Ways and Means

---

Unpaid Taxes - Interest Rate

---

This bill lowers the interest rate charged by the Comptroller of the Treasury on unpaid, overdue State taxes. The current interest rate is the greater of 13% or 3 percentage points above the average prime interest rate. The bill lowers the rate to the greater of 12% or 2 percentage points above the average prime interest rate.

The bill takes effect July 1, 1999.

---

Fiscal Summary

**State Effect:** General fund revenues could decrease by \$3.29 million in FY 2000 and special fund revenues could decrease by \$121,900 in FY 2000. Future year losses increase by about 5% annually. No effect on expenditures.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	(\$3.29)	(\$3.46)	(\$3.63)	(\$3.81)	(\$4.00)
SF Revenues	(0.12)	(0.13)	(0.13)	(0.14)	(0.15)
GF Expenditures	0	0	0	0	0
Net Effect	(\$3.41)	(\$3.59)	(\$3.76)	(\$3.95)	(\$4.15)

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

**Local Effect:** Local revenues could decrease by \$1.17 million in FY 2000. Future year revenue losses increase by about 5% annually. No effect on expenditures.

**Small Business Effect:** Minimal.

---

## Fiscal Analysis

**State Revenues:** Based on the Regional Forecasting Associates' forecast for the prime interest rate and actual interest collections by the Office of the Comptroller for fiscal 1998, general fund revenues are estimated to decrease by \$3.29 million in fiscal 2000 and special fund revenues are estimated to decrease by \$121,872 (\$121,127 reduction in the Transportation Trust Fund and \$745 reduction in the Scrap Tire and Recycling Fund).

Interest collected for unpaid taxes that accrues to the general fund are derived from the income tax, withholdings, the sales and use tax, the estate tax, the alcoholic beverages tax, the tobacco tax, and the boxing and wrestling tax. Interest collected that accrues to the Transportation Trust Fund are derived from the corporate income tax and the motor fuel tax, while interest that accrues to the Scrap Tire and Recycling Fund are derived from the tire recycling fee.

The forecasted average prime rate is 8% for fiscal 2000; thus, the interest rate that is assessed under this bill is 12% compared to the 13% under current law. Out-year estimates assume 5% growth in taxes owed upon which the interest is assessed.

**Local Revenues:** Local revenues are estimated to decrease by \$1.17 million in fiscal 2000 as a result of the lower interest rate assessed on unpaid local taxes. These taxes are the admissions and amusement tax, the personal, corporate, and fiduciary income tax, and withholdings.

---

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

**Fiscal Note History:** First Reader - March 14, 1999  
ncs/jr

---

Analysis by: Lina Walker

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510