

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 153 (Chairman Wave and Means Committee)

(Departmental - Comptroller)

Wave and Means

Comptroller - Compliance Division - Cost of Administration

This departmental bill seeks to establish a special fund administrative cost account to fund the Compliance Division of the Comptroller's Office. The bill requires the Comptroller to distribute the amount necessary to administer the specified taxes to the administrative cost account from specified tax revenues. The bill prohibits funds from being transferred from the administrative cost account by budget amendment or in any manner to any other division of the Comptroller's Office. In addition, before any reorganization of the Compliance Division, the Comptroller is required to submit the reorganization plan to the General Assembly for review.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund revenue and expenditure decrease of approximately \$16.9 million in FY 2001 with a special fund revenue and expenditure increase of approximately \$16.9 million. Future year revenue and expenditure estimates are expected to increase by approximately 3% annually.

Local Effect: None.

Small Business Effect: The Comptroller of the Treasury has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The Department of Legislative Services assumes that the intent of this bill is to create a special fund from which to fund the activities of the Compliance Division. The bill provides that a portion of the revenue collected from the alcoholic beverage tax, the boxing and wrestling tax, the individual income tax, the sales and use tax, and the tobacco tax be distributed to the administrative cost account which will now be a special fund.

Current Law: A portion of revenues from the alcoholic beverages tax, the boxing and wrestling tax, the individual income tax, the sales and use tax, and the tobacco tax is distributed to an administrative cost account for the purpose of administering tax laws. This account is part of the State's general fund.

Background: The Compliance Division is responsible for the enforcement of all tax laws administered by the Comptroller and for the Uniform Disposition of Unclaimed Property Act. The primary functions of the Compliance Division include auditing, collections, and various discovery activities. In conjunction with these activities, the Compliance Division handles the levying of assessments, tax appeals, and legal enforcement.

Chapter 210 of 1993 provided for the distribution of individual income tax revenues to an administrative cost account to cover the cost of administering the income tax laws. Chapter 210 also provided that the administrative cost account be within the State's general fund.

The Comptroller's Office advises that by distributing revenues into a special fund administrative cost account, the Compliance Division will be able to act more quickly in implementing new technology, such as using credit cards for the collection of income taxes, thereby increasing delinquent tax collections.

State Fiscal Effect: Currently, the Compliance Division receives general and special fund revenues to enforce the tax laws of the State. The Governor's proposed fiscal 2001 budget allowance for the Compliance Division is \$22.1 million, of which \$16.9 million is from general fund sources and \$5.2 million is from special funds.

The \$16.9 million in general funds is allocated as follows:

- personal income tax (\$8.4 million)
- sales and use tax (\$6.6 million)
- corporate income tax (\$1.5 million)
- alcoholic beverage tax (\$213,000)
- tobacco tax (\$198,000)

The special funds are allocated as follows:

- admissions and amusement tax (\$1.1 million)
- unclaimed property (\$1.6 million)
- income tax private collectors (\$1.3 million)
- motor fuel tax (\$1.2 million)

The Department of Legislative Services assumes that the bill creates a special fund to be used by the Compliance Division to carry out its statutory responsibilities. As a result, general fund revenues and expenditures would decrease by \$16.9 million in fiscal 2001, and special fund revenues and expenditures would increase by \$16.9 million in fiscal 2001.

Revenues for other divisions of the Comptroller's Office would not be affected by the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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