

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

Senate Bill 55 (Chairman, Budget and Taxation Committee)
 (Departmental - Comptroller)

Budget and Taxation

Taxpayer Identification Information - Confidentiality

This departmental bill allows the Comptroller to use commercial printers to print taxpayer identification information on all tax forms for all taxes administered by the Comptroller. The bill also allows the Comptroller to use other commercial entities in addition to commercial banks for the purpose of using a lockbox or similar system for tax forms and payments of all taxes administered by the Comptroller.

This bill takes effect July 1, 2000.

Fiscal Summary

State Effect: General fund revenue increase of \$198,800 in FY 2001 as a result of increased interest earnings. Future year interest earnings assume a 3% growth rate. Annual general fund expenditure increase of \$163,000 beginning in FY 2001 for contractual services associated with operating a lockbox or similar system for collecting the sales and use tax. Potential increase in computer programming costs as discussed below.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$198,800	\$204,800	\$210,900	\$217,300	\$223,800
GF Expenditures	\$163,000	\$163,000	\$163,000	\$163,000	\$163,000
Net Effect	\$35,800	\$41,800	\$47,900	\$54,300	\$60,800

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

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.

Analysis

Current Law: The disclosure of taxpayer information to commercial printers and the use of a lockbox system is limited to income taxes.

Background: The current law authorizing the disclosure of taxpayer information to commercial printers for the purposes of printing income tax forms was enacted in 1984 (Chapter 388). A 1985 amendment authorized the Comptroller to disclose taxpayer identification information to one or more commercial banks for the purpose of utilizing a lockbox system for employer withholding and estimated tax forms and payments. A lockbox system is a system for collecting tax payments through the use of a Post Office box and an institution contracted by the Comptroller's Office (a commercial bank). Payments are sent to the Post Office box and then collected and deposited in the bank within the time period required by contractual provisions (currently 24 hours). Currently, only the various payments associated with the income tax (withholding and estimated) are handled by this method.

State Fiscal Effect: The bill allows the State to disclose taxpayer information for taxes other than the income tax and to use other financial institutions in addition to commercial banks to administer a lockbox or similar system. As a result, it will allow the Comptroller to use a lockbox or similar system to collect the sales and use tax. The Bureau of Revenue Estimates advises that a contract with a bank or other financial institution to administer a lockbox system for sales and use taxes would cost approximately \$163,000 annually.

The Bureau of Revenue Estimates also reports that the use of a lockbox system would allow the sales and use tax payments that are collected to be deposited up to a day and a half sooner than they would be under the current system. As a result of earlier deposits, it is estimated that interest revenue would increase. Based upon an analysis of 1999 interest earnings, it is estimated that interest earnings could increase by approximately \$198,800 in fiscal 2001. Interest earnings are assumed to grow at a rate of 3% in future years as more funds are deposited through the lockbox system.

The Bureau of Revenue Estimates advises that computer programming expenditures could increase by an estimated \$12,000 in fiscal 2001 for a one-time modification to the computer programs that would be necessary to implement a lockbox system. The Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the Comptroller's

system. Further, DLS advises that the increased computer expenditure is simply an estimate and the Comptroller may be able to handle the changes with either less money than it estimates or existing resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Mike Sanelli

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