

**Department of Legislative Services**  
Maryland General Assembly  
2001 Session

**FISCAL NOTE**

Senate Bill 344 (Senator Mooney)

Budget and Taxation

Ways and Means

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**Income Tax - Claims for Refunds**

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This bill allows a claim for refund or credit for overpayment of income tax attributable to a right to a reduction in a person's Maryland income tax that is established by a decision of an administrative board, or by an appeal of such a decision, to be filed within one year after the date of a final decision of the administrative board or a final decision of the highest court to which an appeal of a final decision of the administrative board is taken.

The bill also provides that a claim for refund or credit for overpayment of income tax filed prior to July 1, 2001 may not be denied on the basis of late filing of the claim if the claim is: (1) attributable to a right to a reduction in a person's Maryland income tax that is established by a decision of an administrative board or by an appeal of a decision of an administrative board; and (2) was filed within 18 months after the date of a final decision of the administrative board or a final decision of the highest court to which an appeal of a final decision of the administrative board was taken.

The bill takes effect July 1, 2001.

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**Fiscal Summary**

**State Effect:** Minimal general fund revenue loss. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** A taxpayer may file a claim for a refund within three years from the date the tax, interest, or penalty was paid. A taxpayer may not file a claim for a refund later than one year after a final decision of the highest court to which an appeal of a final decision of an administrative board is taken.

**Background:** Internal Revenue Code rules allow a taxpayer to file a claim for a credit or refund of a tax overpayment paid by return provided that the claim is filed within the later of: (1) three years from the date the return was filed (or due date if filed earlier); or (2) two years from the date the tax was paid. If a return was not filed, the claim must be filed within two years from when the tax was paid. Under specified circumstances such as those involving a taxpayer's physical or mental impairment, overpayment resulting from bad debt, or overpayment of foreign taxes, the refund claim period may be extended.

This bill is the result of two cases that are currently under review where taxpayers filed for a refund after the three-year period due to a dispute of their residency status.

**State Fiscal Effect:** The Comptroller indicates that only a few cases of this type occur each year. As a result, general fund revenues are expected to decrease minimally. The current amount of refunds that would be paid as a result of the bill is less than \$10,000.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader – February 18, 2001  
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