

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

**FISCAL NOTE**  
**Revised**

House Bill 828 (Delegate Conway, *et al.*)

Ways and Means

Budget and Taxation

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**Tax Amnesty Program**

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This bill requires the Comptroller to declare an amnesty period for delinquent taxpayers from September 1, 2001 through October 31, 2001 for penalties attributable to the nonpayment, nonreporting, or underreporting of income taxes, withholding taxes, sales and use taxes, or admissions and amusement taxes that are paid during the amnesty period. The bill also increases specified criminal penalties from \$5,000 to \$10,000 under various tax laws, effective at the end of the amnesty period (November 1, 2001). In addition, the bill provides for the distribution of the receipts from the amnesty program. The Comptroller is required to report to the Governor and the General Assembly by March 15, 2002 on the revenues raised under the amnesty program and any other matter relating to the amnesty program.

The bill takes effect June 1, 2001.

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**Fiscal Summary**

**State Effect:** General fund revenue increase of \$30.0 million in FY 2002. Transportation Trust Fund (TTF) revenue increase of \$3.9 million in FY 2002. Special fund revenue increase of \$2.0 million for administration of the program and a corresponding expenditure increase in FY 2002. Special fund revenue increase of \$8 million and a corresponding expenditure increase in FY 2002 for education grants. Special fund (Low Interest Revolving Loan Account of the Volunteer Company Assistance Fund) revenue increase of approximately \$10 million in FY 2002. Special fund (Maryland Tax Amnesty fund) revenue increase of approximately \$1.0 million in FY 2002. A \$30 million deficiency appropriation included in the FY 2002 budget bill is contingent on passage of this bill.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	\$30,000,000	\$0	\$0	\$0	\$0
SF Revenue	25,000,000	0	0	0	0
GF Expenditure	30,000,000	0	0	0	0
SF Expenditure	24,000,000	0	0	0	0
Net Effect	\$1,000,000	\$0	\$0	\$0	\$0

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

**Local Effect:** Local government revenues from the amnesty program for education purposes would total \$14.9 million in FY 2002 as a result of the required distribution of tax revenues that are collected. In addition, specified county boards of education would receive a special fund distribution of \$8 million. Revenues could also increase by as much as \$11.0 million as a result of funds being distributed from the State special fund for fire and rescue capital projects.

**Small Business Effect:** Potential meaningful. Small businesses that owe taxes could pay these taxes during the amnesty period without having to pay any associated penalties.

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## Analysis

**Bill Summary:** Revenues generated under the amnesty program that would otherwise be distributed to the general fund are to be distributed as follows:

- the first \$2 million to the Comptroller for expenditures related to publicity for the amnesty program and increased administrative personnel;
- the next \$30 million to the general fund;
- the next \$8 million to a special fund for distribution to specified county boards of education and the New Baltimore City Board of School Commissioners;
- the next \$10 million to the Low Interest Revolving Loan Account of the Volunteer Company Assistance Fund to provide funding for capital projects for volunteer fire companies and facilities; and
- any additional revenues would be placed in the Maryland Tax Amnesty Fund that could be used for future purposes as determined by the General Assembly.

The bill also requires the Governor to provide a \$30 million general fund appropriation to the Revenue Stabilization Fund in the fiscal 2003 budget bill as a fiscal 2002 deficiency appropriation. The fiscal 2002 budget bill includes a \$30 million deficiency appropriation to the dedicated purpose fund to address Mental Hygiene Administration

deficits and private psychiatric hospital provider reimbursements. This deficiency appropriation is contingent on the passage of this bill.

**Current Law:** None applicable.

**Background:** The State offered a tax amnesty period in September and October of 1987 applied to the same taxes to which the bill applies as well as the boat excise tax. A total of \$36.6 million was collected, with \$20 million distributed to the general fund.

**State Fiscal Effect:** Exhibit 1 illustrates the collections from the fiscal 1988 amnesty period.

**Exhibit 1  
FY 1988 Tax Amnesty Collections**

<u>Tax Type</u>	<u>Amnesty Collections</u>	<u>FY 1988 Total Collections</u>	<u>Percent of Total Collections</u>
Personal Income Tax (including withholdings)	\$16,901,578	\$3,620,455,286	0.5%
Corporate Income Tax	\$8,966,217	\$258,352,937	3.5%
Sales and Use Tax	\$7,543,734	\$1,423,668,639	0.5%
Admissions and Amusement Tax	\$70,996	\$23,993,132	0.3%

*Source: Office of the Comptroller*

Assuming that collections from the bill's proposed amnesty period would be in the same proportions as the fiscal 1988 amnesty period, the projected fiscal 2002 amnesty collections are shown in Exhibit 2. The Comptroller advises that some portion of the money collected during the amnesty program would have been collected through routine compliance activities before, during, and after the amnesty period.

**Exhibit 2  
Projected FY 2002 Amnesty Collections**

<u>Tax Type</u>	<u>Estimated FY 2002 Collections</u>	<u>Percent of Total Collections</u>	<u>Estimated FY 2002 Amnesty Collections</u>
Personal Income Tax (including withholdings)	\$8,504,695,000	0.5%	\$39,702,953
Corporate Income Tax	\$448,111,000	3.5%	\$15,551,828
Sales and Use Tax	\$2,776,342,000	0.5%	\$14,711,278
Admissions and Amusement Tax	\$57,541,680	0.3%	\$170,267
<b>Total</b>			<b>\$70,136,326</b>

*Source: Office of the Comptroller*

Tax revenues that are collected by the Comptroller are required by law to be distributed to county governments, municipal governments, special tax districts, as well as the Transportation Trust Fund for taxes owed before any distributions are made to the general fund. The bill requires that funds collected during the amnesty period *that would otherwise be distributed to the general fund* are to be distributed in the manner pursuant to the bill.

As a result, of the \$70.1 million that is estimated to be collected during the amnesty period a portion would be distributed pursuant to current law and the remainder would be distributed pursuant to the bill. These distributions would be made as follows:

*Pre-General Fund Distributions*

- County/municipal governments – \$14.9 million
- Transportation Trust Fund - \$3.9 million

The bill requires that revenues received by local governments during the amnesty period be used for primary and secondary purposes only.

*Distributions Pursuant to HB 828*

- \$2 million to the Comptroller for expenditures related to publicity for the amnesty program and increased administrative personnel;
- \$30 million to the general fund;
- \$8 million to a special fund to be distributed to the following county boards of education and the New Baltimore City Board of School Commissioners in fiscal 2002, distributed as follows:

1. Allegany County –	\$720,392
2. Baltimore City –	\$2,600,197
3. Caroline County –	\$842,680
4. Cecil County –	\$372,421
5. Dorchester County –	\$484,843
6. Garrett County –	\$842,738
7. Prince George’s County –	\$1,131,706
8. Somerset County –	\$464,205
9. Wicomico County –	\$540,818

- \$10 million to the Low Interest Revolving Loan Account of the Volunteer Company Assistance Fund to provide funding for capital projects for volunteer fire companies and facilities.

- Any additional revenues that exceed the distributions required by the bill would be placed in the Maryland Tax Amnesty Fund that could be used for future purposes as determined by the General Assembly. Assuming that \$70.1 million is collected during the amnesty program, approximately \$1 million could be distributed to the fund.

**Local Revenues:** Local government revenues from the amnesty program would be approximately \$14.9 million as a result of the required distribution of tax revenues that are collected. This includes the local income and admissions and amusement taxes collected by the State and the local share of corporate income taxes supporting the Transportation Trust Fund.

The bill requires that the revenues received from the amnesty program must be used for primary and secondary education purposes.

In addition, the boards of education in the following counties would receive an additional \$8 million from the special fund for public education as set forth above.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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