

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 69 (Chairman, Budget and Taxation Committee)  
 (By Request – Departmental – Comptroller)

Budget and Taxation

Ways and Means

**Income Tax - Time for Filing Quarterly Income Tax Withholding Returns**

This departmental bill alters the due date for filing income tax withholding returns for employers who collect less than \$700 per quarter in withholding taxes. The due date changes from the last day to the fifteenth day of the month that follows the calendar quarter in which the taxes were withheld.

The bill takes effect January 1, 2005.

**Fiscal Summary**

**State Effect:** General fund revenues could increase by approximately \$86,300 due to increased interest earnings.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	\$86,300	\$86,300	\$86,300	\$86,300	\$86,300
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$86,300	\$86,300	\$86,300	\$86,300	\$86,300

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

**Local Effect:** None.

**Small Business Effect:** The Comptroller’s Office has determined that the bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

## Analysis

**Current Law:** Employers who collect less than \$700 per quarter in withholding taxes must remit those funds to the Comptroller by the last day in the month that follows the calendar quarter in which that income tax is withheld.

**Background:** Based on the amount of taxes withheld, employers remit withholding taxes to the Comptroller monthly, quarterly, annually, or as accumulated (for the largest employers). Chapter 203 of 2003 altered the due date for filing certain monthly income tax withholding returns from the last day to the fifteenth day of the month that follows the month in which the taxes were withheld. Chapter 203 also required the largest employers (those who withheld \$15,000 or more in the previous calendar year) to remit withholding taxes effectively after every payroll, rather than monthly as under prior law. Last year's changes are estimated to increase State tax revenues by approximately \$21 million in fiscal 2005.

**State Fiscal Effect:** The Comptroller's Office advises that approximately 70,000 businesses filed quarterly returns in the third quarter of 2003. Assuming a typical quarterly withholding of \$500 from each employer in this group and an interest rate of 1.5%, State revenues would increase by approximately \$86,300.

**Small Business Effect:** This bill would apply exclusively to small business employers with total approximate annual payrolls of from \$4,800 to \$40,000. The Comptroller's Office estimates that the annual lost interest income to each such small business approximates \$1.23.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - January 26, 2004  
n/mdr Revised - Updated Information - January 28, 2004

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