

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

Senate Bill 70

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

Budget and Taxation

Ways and Means

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**Office of the Comptroller - Tax Withholding Returns - Accelerated Monthly Reporting**

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This departmental bill requires employers who withheld \$15,000 or more in withholding taxes in the previous calendar year and currently have less than \$700 in accumulated withholdings to remit withholding taxes to the Comptroller on a monthly basis until the Comptroller receives written notice that the employer is no longer liable to file withholdings or does not have any employees.

The bill takes effect January 1, 2006.

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**Fiscal Summary**

**State Effect:** Minimal increase in general fund revenues in FY 2006 and beyond due to increased interest earnings. No effect on expenditures.

**Local Effect:** None.

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

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**Analysis**

**Current Law:** Employers who withheld more than \$15,000 or more in the previous calendar year are required to remit withholding taxes within three business days

following any payroll that causes the employer's accumulated withholdings to exceed \$700. Otherwise, these employers must remit withholding taxes on a quarterly basis until they notify the Comptroller in writing that they are no longer liable to file or do not have any employees.

**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). In the last few sessions, several bills have been passed that have accelerated the requirements for remitting withholding taxes. Chapter 203 of 2003 required the largest employers to remit withholding taxes effectively after every payroll, rather than monthly as under prior law. Chapter 203 of 2003 also accelerated the due date for filing certain monthly and tax withholding returns from the last day to the fifteenth day of the month that follows the month in which the taxes were withheld. These changes are estimated to increase State tax revenues by approximately \$22 million in fiscal 2006. Chapter 23 of 2004 required employers to remit quarterly withholding returns on the fifteenth day following the quarter in which the taxes were withheld. This change is estimated to increase State tax revenues by approximately \$86,300 in fiscal 2006.

As a result of Chapter 203 of 2003, in limited cases some employers with similar amounts of withholdings might be required to remit withholdings earlier than others based on whether they withheld more than \$15,000 in the previous year. This bill proposes to reconcile this difference by requiring these employers who remitted more than \$15,000 to file at a minimum on a monthly basis.

**State Revenues:** General fund revenues would increase minimally in fiscal 2006 and beyond due to increased interest earnings. The increase in interest earnings will be minimal due to the limited amount of businesses, time, and money involved.

**Small Business Impact:** This bill would apply to a limited number of businesses that had at least \$15,000 in withholding in the previous year, which typically translates to a payroll exceeding \$200,000. Further, the interest income loss to any affected businesses would be minimal.

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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 31, 2005  
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