

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 69

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

Budget and Taxation

Ways and Means

Comptroller - Tax Return Preparer - Filing Requirements and Penalties

This departmental bill requires an income tax return preparer who files a paper return on behalf of a taxpayer to: (1) sign the return after completion and before presentation to the taxpayer; and (2) include an identifying number on the tax form that identifies the preparer, the preparer's employer, or both, as required under the Internal Revenue Code.

The Comptroller's Office may impose a penalty of \$50 for failing to comply with either provision, if the failure to comply was due to willful neglect. The maximum penalty that may be imposed on any person for each provision cannot exceed \$25,000 in any calendar year.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues due to the bill's penalty provisions. Expenditures would not be affected.

Local Effect: None.

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

Analysis

Current Law: Income tax preparers are not required to sign income tax returns or provide an identifying number.

Background: The requirements imposed by this bill on tax preparers resemble those that are required for federal income tax returns. Section 6695 (b) of the Internal Revenue Code requires that tax preparers sign returns. Section 6109 (a) (4) requires that tax preparers include an identifying number. Identifying numbers include a Social Security number or Preparer Tax Identification Number (PTIN) and the Employer Identification Number (EIN) of the taxpayer's employer. Under federal law, failure to comply with either provision is punishable by a penalty of \$50, not to exceed \$25,000 for each of the violations.

State Fiscal Effect: The bill could potentially increase general fund revenues due to the bill's penalty provisions. It is unlikely that many penalties will be imposed, given the requirements currently mandated under federal law. State tax returns currently have a space for a tax preparer's signature and identifying number. The Comptroller's Office advises that most preparers currently provide the required information.

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, 2005
ncs/hlb

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