

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1434
Ways and Means

(Delegate Boschert)

Budget and Taxation

Income Tax - Extensions for Filing Returns

This bill authorizes the Comptroller to extend the deadline for filing a corporate income tax return by one month, from six to seven months, if good cause exists. Taxes owed by corporations must still be paid at the time originally due.

The bill takes effect July 1, 2006 and applies to tax year 2006 and beyond.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues from interest payments resulting from extensions.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: The Comptroller may grant an extension, for good cause, to any taxpayer for up to six months, and for up to a year if an individual is outside of the United States. Taxes owed by individuals or corporations must still be paid at the time originally due.

Background: The Internal Revenue Service promulgated new regulations in late 2005 that allow taxpayers to request an automatic, six-month tax-filing extension for most common individual and business returns. As a result, beginning January 1, 2006, most individuals and businesses will be able to request a full six-month tax-filing extension,

without a reason or even a signature. The new procedures replace the existing two-step process under which noncorporate taxpayers could only get a six-month extension by first obtaining an extension, usually automatic, for part of that period and then requesting a discretionary extension for the remainder. A tax-filing extension does not extend the tax-payment deadline. Extension procedures will also be streamlined for business taxpayers, thus eliminating three existing forms. Under existing procedures, only corporations can request an automatic six-month tax-filing extension. The new regulations will also make this option available to most noncorporate business taxpayers, including partnerships and trusts. Special extensions of time are granted for all tax matters to certain other individuals such as U.S. military personnel.

Any extension of time to file is not an extension of time to pay any tax due.

Additional Information

Prior Introductions: This bill was introduced in the 2003 session as SB 493. It was amended to include individuals and received a favorable with amendments report from the Senate Budget and Taxation Committee and passed the Senate but was not reported from the House Ways and Means Committee.

Cross File: SB 484 (Senator Schrader, *et al.*) – Budget and Taxation.

Information Source(s): Comptroller's Office, Internal Revenue Service, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2006
ncs/hlb

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