

**Department of Legislative Services**  
 Maryland General Assembly  
 2009 Session

**FISCAL AND POLICY NOTE**

House Bill 812

(Delegate Heller, *et al.*) (Chair, Joint Committee on the  
 Management of Public Funds)

Ways and Means

**Data Warehouse - Agency Data Sharing**

This bill authorizes the Comptroller to request license, permit, and registration information from State agencies, as well as assistance from these agencies, to enforce the tax laws of the State. State agencies must provide this information in a specified manner that is most beneficial to tax administration. The Comptroller is not authorized to require any State agency to collect new, supplemental, or additional information.

The bill takes effect July 1, 2009.

**Fiscal Summary**

**State Effect:** State revenues may increase by \$17.5 million in FY 2010 and by \$30.5 million in FY 2012 from enhanced tax compliance capabilities. Any additional expenditures for State agencies are expected to be minimal and absorbable within existing budgeted resources.

(\$ in millions)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF/SF Rev.	\$17.5	\$25.0	\$30.5	\$30.5	\$30.5
Expenditure	0	0	0	0	0
Net Effect	\$17.5	\$25.0	\$30.5	\$30.5	\$30.5

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

**Local Effect:** Potential increase in local income tax revenues in future years resulting from enhanced tax compliance. Local expenditures are not affected.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** State agencies from which information is requested must transmit the relevant information electronically to the Comptroller's Office data warehouse in a mutually agreed format, schedule, and in a time and manner that is most beneficial to tax administration.

**Current Law/Background:** The Joint Committee on the Management of Public Funds 2008 Interim report discusses several initiatives undertaken by the Comptroller to improve tax administration and compliance:

- **Tax Collection and Enforcement:** In response to significant declines in State revenues, the Comptroller is stepping up tax enforcement to collect money the State is owed. The Comptroller's Office entered into a partnership with the U.S. Department of Treasury that has yielded \$21 million to State coffers by allowing Maryland to intercept federal vendor payments to satisfy State income tax liabilities. The Comptroller has also cracked down on Delaware holding companies and other tax avoidance strategies, with recent legal victories in Maryland Tax Court against certain retailers. A successful effort to disallow the captive Real Estate Investment Trusts deduction has already led to a \$10.8 million settlement with a major corporation.
- **Field Enforcement:** The Comptroller reports that nearly 165,000 packs of untaxed cigarettes and more than \$265,000 worth of illegal wine, distilled liquor, and beer has been kept off of the streets. The Comptroller has also partnered with law enforcement agencies across the State to investigate and enforce the State's updated video gaming ban. This included extensive audits in Southern Maryland and working with the Baltimore City Police Department. Since September 2008, the Comptroller's Office and the Baltimore City Police Department have seized a total of 30 video gaming machines and more than \$70,000 from eight businesses after observing illegal activity during routine inspections.
- **Modernized Integrated Tax System (MITS):** MITS is a state-of-the-art tax collection system that will replace a 20-year-old computer system currently being used by the Comptroller's Office. The advanced data warehousing capabilities of this new system, combined with strategic investments in new auditors and tax collection agents, will enable the Comptroller's Office to capture hundreds of millions in unpaid taxes over the next several years. The contract for MITS was approved by the Board of Public Works on December 3, 2008 for \$87 million with a minority business enterprise rate of 27%.

- **Data Warehouse Agency – Data Sharing:** This requires all State agencies to provide information from its databases to the Comptroller’s Office upon request. Information requested may include addresses, assets, employer information, bank information, professional licenses held, and other miscellaneous information. The data warehouse is intended to allow the Comptroller’s Office to perform analyses to better target audit and collection efforts. The data sharing component was stated to be an integral part of MITS.

**State Revenues:** This bill implements the data warehouse component of MITS by authorizing the Comptroller to request necessary data from various State agencies. MITS would house records for all tax types, negating the need to search multiple systems for one taxpayer. The system will also have a data warehouse component and data analysis capability allowing the office to target tax collection efforts more efficiently. Development and full implementation of the system is expected to take up to four years. The data warehouse will allow the Comptroller’s Office to run matching programs with data from the federal government and other State agencies to identify under-reporters and nonfilers.

Assuming a reasonable level of cooperation with various State agencies from which data would be provided, the Comptroller’s Office estimates that the data warehouse component of MITS will generate \$17.5 million in fiscal 2010 and \$30.5 million beginning in fiscal 2013, when it is fully phased-in.

**State Expenditures:** The Comptroller’s Office indicates that the implementation of the data warehouse would have no effect on its operations. As noted, the data warehouse is a component of MITS; it requires no further expenditures, but rather the data necessary to function at an optimal level.

Several State agencies surveyed, including the Department of Natural Resources, the Department of State Police, the Department of Transportation, the Department of Health and Mental Hygiene, the State Board of Nursing, and the Maryland Insurance Administration, indicated that they may realize increased expenditures, mainly associated with computer programming or data entry, in order to comply with the bill.

However, Legislative Services advises that the bill does not require any agency to provide information that it does not currently collect. In addition, since this is a multi-year project, the Comptroller’s Office has indicated that staff will work with other State agencies to assist in defining file layouts, means of data transfer, and other technical issues. Therefore, because it is not anticipated that State agencies would need to do anything differently with regards to data collection, it is assumed that expenditures associated with data sharing are minimal.

**Local Revenues:** To the extent that the data warehouse component of MITS results in increased local income tax collections, local government revenues will increase.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 249 (Senator Jones, *et al.*) (Chair, Joint Committee on the Management of Public Funds) - Budget and Taxation.

**Information Source(s):** Comptroller's Office; State Department of Assessments and Taxation; Baltimore City Community College; Board of Public Works; Department of Natural Resources; Maryland State Department of Education; Maryland Department of the Environment; Maryland Higher Education Commission; Department of Health and Mental Hygiene; Maryland Insurance Administration; Department of Labor, Licensing, and Regulation; Department of State Police; Morgan State University; Maryland Department of Transportation; University System of Maryland; Department of Legislative Services

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