

Department of Legislative Services  
Maryland General Assembly  
2011 Session

FISCAL AND POLICY NOTE

Senate Bill 870

(Senator Astle)

Budget and Taxation

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Maryland Income Tax Refund - Anne Arundel County - Warrants

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This bill authorizes an official of the federal, State, or local government charged with serving a warrant to certify to the Comptroller that an individual who is either a Maryland resident or who receives income from Maryland has an outstanding warrant and to request that the Comptroller withhold the individual's income tax refund. For any individual for which a certification of an outstanding warrant is received, the Comptroller is required to withhold the individual's income tax refund and notify the individual of the certification of an outstanding warrant.

The bill applies only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County. The bill terminates September 30, 2012.

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Fiscal Summary

**State Effect:** State revenues will increase in FY 2012 due to the Comptroller intercepting the income tax refunds of specified individuals with outstanding warrants. State revenues will decrease beginning in FY 2013 to the extent individuals satisfy outstanding warrants and receive income tax refunds. Minimal general fund expenditure increase at the Comptroller's Office for notification expenses.

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary:** The bill authorizes an official of the federal, State, or local government charged with serving a warrant to certify to the Comptroller that an individual who is either a Maryland resident or who receives income from Maryland has an outstanding warrant and to request the Comptroller to withhold the income tax refund of the individual. This certification must include (1) the full name and address of the individual and any other known names of the individual; (2) the Social Security number or federal tax identification number; and (3) a statement that the warrant is outstanding. Warrants do not include body attachments issued for material witnesses.

For any individual for which a certification of an outstanding warrant is received, the Comptroller is required to withhold the individual's income tax refund and notify the individual of the certification of an outstanding warrant.

The bill applies only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County.

**Current Law:** The Comptroller's Office currently operates several tax compliance programs which intercept the tax refund of an individual, including (1) the tax clearance for business licenses, which applies to about 550,000 licensees and has recently generated a total of \$6.8 million in annual revenue; (2) the IRS vendor payment program, which generated \$11.4 million from 7,185 interceptions in calendar 2010; and (3) the IRS refund offset program, which generated \$39.4 million from 49,203 interceptions out of an estimated 2.2 million Maryland federal tax returns owed a refund in calendar 2010.

The State also operates several intercept programs to collect delinquent child support payments, including the interception of tax refunds, lottery prizes, and vendor payments. The Department of Human Resources (DHR) is authorized to certify under certain conditions unpaid child support debts of more than \$150 to the State Lottery Agency and the Comptroller's Office. The Comptroller's Office and State Lottery Agency are required to remit to DHR the payment or refund up to the amount of arrearage of an obligor certified as being in arrears. Licensed lottery agents may not pay a prize over \$600 if the holder of a winning lottery ticket has been certified as having a child support debt.

If the income tax refund of a joint return has been intercepted to satisfy a State or federal tax debt, past due child support, or other State debt owed by one spouse, the other spouse may file an injured spouse claim form. An injured spouse must have income and either had income tax withheld or made estimated payments. If the Comptroller's Office determines the injured spouse is due a refund, any portion of the joint refund due to the

injured spouse will be issued directly from the intercepting agency if the refund has already been intercepted.

**State Fiscal Effect:** The Comptroller's Office is required to withhold the income tax return of an individual who is certified as having an outstanding warrant. The Sheriff of Anne Arundel County advises that there are currently 8,302 outstanding warrants. Based on the requirements of the bill, the estimated number of individuals who file income tax returns and are owed refunds, the number of warrants that will be matched to an income tax refund, and other factors, the Comptroller's Office estimates that it will withhold the income tax refund for 2,690 tax returns. Based on the average tax refund, the Comptroller's Office estimates that the revenue amount from intercepted tax returns will total \$2.6 million in fiscal 2012. If 40% of individuals satisfy the warrant in the first fiscal year and 30% satisfy the warrant in the following fiscal year, State revenues are estimated to increase by \$1.9 million in fiscal 2012 and decrease by \$1.1 million in fiscal 2013.

Additional revenue impacts will occur to the extent the Comptroller's Office receives certification from the State Police or federal officials for warrants for Anne Arundel County residents.

The Comptroller's Office advises it will incur notification expenses of \$1,500 in fiscal 2012 in order to inform an individual that their refund is being withheld.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1214 (Delegates Schuh and Love) - Ways and Means.

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

**Fiscal Note History:** First Reader - March 15, 2011  
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