

Department of Legislative Services
 Maryland General Assembly
 2014 Session

FISCAL AND POLICY NOTE

House Bill 217
 Ways and Means

(Washington County Delegation)

Budget and Taxation

Maryland Income Tax Refund - Washington County - Warrants

This bill expands the Anne Arundel County warrant intercept program to Washington County. It authorizes an official of the federal, State, or local government charged with serving a criminal arrest warrant to certify to the Comptroller that an individual has an outstanding warrant and to request that the Comptroller withhold the individual’s income tax refund. The bill applies only to individuals who are residents of Washington County or have an outstanding warrant from Washington County. Under the bill, the Washington County program would terminate on September 30, 2019.

Fiscal Summary

State Effect: State revenues increase by \$27,000 in FY 2015 due to the Comptroller intercepting the income tax refunds of specified individuals with outstanding warrants. General fund expenditures increase by \$47,400 in FY 2015 due to implementation costs at the Comptroller’s Office. Future years reflect annualization and inflation.

(in dollars)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
GF Revenue	\$27,000	\$20,000	\$7,000	\$7,000	\$7,000
GF Expenditure	\$47,400	\$59,200	\$62,000	\$65,000	\$68,100
Net Effect	(\$20,400)	(\$39,200)	(\$55,000)	(\$58,000)	(\$61,100)

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

Local Effect: Local income tax revenues increase by \$18,200 in FY 2015 and by \$3,800 in FY 2019. Washington County warrant service expenditures may decrease beginning in FY 2015.

Small Business Effect: None.

Analysis

Current Law: Chapter 451 of 2012 established the Anne Arundel County warrant intercept program. It authorizes an official of the federal, State, or local government charged with serving a criminal arrest 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 Comptroller may not withhold a refund if the individual is an active duty member of the U.S. Armed Forces or files a joint income tax return.

The program applies only to individuals who are residents of Anne Arundel County or have an outstanding warrant from Anne Arundel County. Chapter 213 of 2013 extended the termination date of the Anne Arundel County warrant intercept program by five years to September 30, 2018.

Background: The Comptroller's Office reported in December 2013 that there were 8,109 outstanding warrants in Anne Arundel County. Of the outstanding warrants, 5,128 cannot be linked to the tax system because of missing identifying information (principally Social Security numbers). As of November 1, 2013, the Comptroller's Office has released a total of \$271,013 in refunds from 328 individuals whose warrants were satisfied. A total of 450 refunds totaling \$271,013 were being withheld from individuals with outstanding warrants. The Comptroller's Office estimated that there were about 200,000 outstanding warrants statewide, of which 2,300 were from Washington County.

State Fiscal Effect: The bill extends the Anne Arundel County warrant intercept program to Washington County. 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, general fund revenues will increase by \$27,000 in fiscal 2015, as shown in **Exhibit 1**. Revenue increases will be less in future years as individuals satisfy warrants and the Comptroller's Office releases the income tax return of the individual. It is assumed that 80% of individuals satisfy a warrant within three years, with the remaining amount retained by the Comptroller's Office.

Exhibit 1
Fiscal Impact of Legislation
Fiscal 2015-2019

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Revenues					
Income Taxes Withheld	\$27,000	\$20,000	\$7,000	\$7,000	\$7,000
Expenditures					
Comptroller's Office	47,400	59,200	62,000	65,000	68,100
Net Impact	(\$20,400)	(\$39,200)	(\$55,000)	(\$58,000)	(\$61,100)

General fund expenditures increase by \$47,400 in fiscal 2015, which accounts for the bill's October 1, 2014 effective date. This estimate reflects the cost of hiring one revenue specialist at the Comptroller's Office to implement the bill. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$42,641
Operating Expenses	<u>4,805</u>
Total FY 2015 Expenditures	\$47,446

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Local Fiscal Effect: Washington County advises that it can implement the bill with existing resources. Washington County expenditures related to the processing and serving of warrants may decrease.

Local income tax revenues will increase by \$18,200 in fiscal 2015, \$13,300 in fiscal 2016, and by \$3,800 annually in fiscal 2017 through 2019. Most of these revenues will be for Washington County.

Additional Information

Prior Introductions: None.

Cross File: SB 469 (Senator Shank, *et al.*) - Budget and Taxation.

Information Source(s): Washington County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2014
mm/jrb

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