

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 297

(The President)(By Request - Department of Legislative Services)

Education, Health, and Environmental Affairs

Economic Matters

State Board of Individual Tax Preparers - Sunset Extension and Program Evaluation

This bill extends the termination date for the State Board of Individual Tax Preparers by 10 years to July 1, 2026, and requires a preliminary evaluation of the board by December 15, 2023. The board must submit a report to the Senate Education, Health, and Environmental Affairs Committee and the House Economic Matters Committee by October 1, 2015. The report must (1) provide an update on the board's expenditures and special fund balance and (2) include any recommendations for legislative changes necessary to provide any additional authority the board needs to address complaints alleging the unregistered provision of individual tax preparation services.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Special fund revenues and expenditures for the State Board of Individual Tax Preparers are maintained beyond FY 2016. The Governor's proposed FY 2015 budget includes \$162,300 for board operations.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: Chapter 623 of 2008 (the Maryland Individual Tax Preparers Act) established the State Board of Individual Tax Preparers to protect the public from incompetent, unqualified, and corrupt tax preparers. The Act establishes standards for the field of tax preparation and requires an individual to be registered by the board before providing individual tax preparation services in the State. The Individual Tax Preparers Fund was also established to cover the costs associated with administration and enforcement of the Act.

Although enacted in 2008, Chapter 623 was not implemented until fiscal 2011 because the necessary staff and corresponding funds had not yet been authorized to create the board. Consequently, the board did not begin registering individuals until June 2011. Approximately 4,000 individuals are registered with the board.

Maryland Program Evaluation Act

The State Board of Individual Tax Preparers is 1 of approximately 70 regulatory entities and activities currently subject to periodic evaluation under the Maryland Program Evaluation Act. The Act establishes a process better known as “sunset review” as most entities evaluated are also subject to termination, including the board, which is scheduled to terminate July 1, 2016. The sunset review process traditionally begins with a preliminary evaluation conducted by the Department of Legislative Services (DLS) on behalf of the Legislative Policy Committee (LPC), although a few entities are subject to direct full evaluation. LPC decides whether to waive an agency from further (or full) evaluation. If waived, legislation to reauthorize the agency typically is enacted. Otherwise, a full evaluation usually is undertaken the following year.

A copy of the DLS preliminary sunset report on the State Board of Individual Tax Preparers can be found at <http://dls.state.md.us/Content.aspx?page=104>.

Preliminary Evaluation Findings and Recommendations

The board underwent a preliminary evaluation as part of sunset review in 2013, which recommended that the board be waived from further evaluation and that the board’s termination date be extended by 10 years to July 1, 2026. The bill implements the DLS recommendations as adopted by LPC. The preliminary report also raises a number of policy issues for consideration, including that the board is staffed by contractual full-time positions, federal regulatory requirements for tax return preparers, the board’s fund balance, and community outreach.

Additional Comments: The report highlights that current law leaves unregistered individuals who provide individual tax preparation services free from liability under the Act and recommends that the board work with the General Assembly and relevant stakeholders to clarify the scope of the board's power to administer civil sanctions against unregistered individuals. To that end, the Department of Labor, Licensing and Regulation has submitted legislation (Senate Bill 46 of 2014) that would authorize the board to impose a civil penalty of up to \$5,000 on a person who performs – or who represents to perform – individual tax preparation services in the State without being registered under the Maryland Individual Tax Preparers Act.

Additional Information

Prior Introductions: None.

Cross File: HB 254 (The Speaker)(By Request - Department of Legislative Services) - Economic Matters.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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