

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 841 (Eastern Shore Delegation)
 Ways and Means

Maryland Income Tax Refunds - Eastern Shore Counties - Warrant Intercept Program

This bill expands the warrant intercept program to the Eastern Shore counties. 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 Eastern Shore residents or have an outstanding warrant from an Eastern Shore law enforcement agency.

Fiscal Summary

State Effect: State revenues increase by \$78,700 in FY 2016 due to the Comptroller intercepting the income tax refunds of specified individuals with outstanding warrants. General fund expenditures increase by \$49,400 in FY 2016 due to implementation costs at the Comptroller’s Office. Future year estimates reflect annualization and estimated intercepts.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$78,700	\$37,900	\$16,100	\$8,000	\$3,200
GF Expenditure	\$49,400	\$61,600	\$64,500	\$67,600	\$70,800
Net Effect	\$29,300	(\$23,700)	(\$48,400)	(\$59,600)	(\$67,600)

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

Local Effect: Local income tax revenues increase by \$53,000 in FY 2016 and by \$2,200 in FY 2020. No effect on expenditures.

Small Business Effect: None.

Analysis

Current Law: The warrant intercept program 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 or have an outstanding warrant from Anne Arundel County, Washington County, or Baltimore City. The Anne Arundel County warrant intercept program terminates September 30, 2018, and the Washington County and Baltimore City programs terminate September 30, 2019.

Background: Chapter 451 of 2012 established the warrant intercept program for 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. Chapter 590 of 2014 extended the program to Washington County, and Chapter 594 of 2014 extended the program to Baltimore City.

The Comptroller's Office is required to annually report specified information about the program. In the first two reports, which applied only to Anne Arundel County, the Comptroller's Office reported that it had intercepted in each year an average of \$315,100 in State and local refunds from 420 individuals. Of the amount held, about 75% of the refunds were released within the same year as the individuals satisfied the outstanding warrants. An additional 12% of the refunds were released in the next year. The Comptroller's Office notes that a significant portion of the outstanding warrants cannot be linked to the tax system because of missing identifying information (principally Social Security numbers). The report anticipates that the program will expand to Baltimore City and Washington County in calendar 2015. The Comptroller's Office estimated that there were about 200,000 outstanding warrants statewide, of which 22,240 were from the nine Eastern Shore counties.

State Fiscal Effect: The bill extends the warrant intercept program to the nine Eastern Shore counties – Caroline, Cecil, Dorchester, Kent, Queen Anne's, Somerset, Talbot, Wicomico, and Worcester. 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 the amount of refunds held in the first two years of the Anne Arundel County program, general fund revenues increase

by \$78,700 in fiscal 2016, as shown in **Exhibit 1**. Revenue increases are less in future years as individuals satisfy warrants and the Comptroller's Office releases income tax refunds.

Exhibit 1
Fiscal Impact of Legislation
Fiscal 2016-2020

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenues					
Income Taxes Withheld	\$78,700	\$37,900	\$16,100	\$8,000	\$3,200
Expenditures					
Comptroller's Office	49,400	61,600	64,500	67,600	70,800
Net Impact	\$29,300	(\$23,700)	(\$48,400)	(\$59,600)	(\$67,600)

General fund expenditures increase by \$49,400 in fiscal 2016, which accounts for the bill's October 1, 2015 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	\$44,649
Operating Expenses	<u>4,724</u>
Total FY 2016 Expenditures	\$49,373

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

Local Fiscal Effect: Based on the program implementation in Anne Arundel County, it is assumed that any additional costs to implement the program can be absorbed within existing budgeted resources. Local income tax revenues increase by \$53,000 in fiscal 2016, \$25,500 in fiscal 2017, \$10,800 in fiscal 2018, \$5,400 in fiscal 2019, and \$2,200 in fiscal 2020. Most of these revenues are for the Eastern Shore counties.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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min/jrb

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