

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

House Bill 390

Ways and Means

(Delegate Reilly, *et al.*)

Budget and Taxation

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**Maryland Income Tax Refunds - Warrant Intercept Program - Statewide**

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This bill authorizes all counties to participate in the warrant intercept program if the Sheriff of the county notifies the Comptroller that the county intends to participate in the program. An official of the federal, State, or local government charged with serving a criminal arrest warrant may certify to the Comptroller that an individual has an outstanding warrant and request that the Comptroller withhold the individual's income tax refund. The bill also (1) repeals the current prohibition on intercepting a refund if the taxpayer is an active duty member of the U.S. Armed Forces and (2) requires the Governor's Office of Crime Control and Prevention (GOCCP) to study the program and make recommendations to ensure the program does not disparately impact individuals on racial grounds.

The bill terminates September 30, 2019.

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**Fiscal Summary**

**State Effect:** State revenues may increase in FY 2017 through 2020 due to the Comptroller intercepting the income tax refunds of specified individuals with outstanding warrants. General fund expenditures may increase in FY 2017 through 2020 due to implementation costs at the Comptroller's Office and GOCCP.

**Local Effect:** Local income tax revenues may increase in FY 2017 through 2020. County expenditures may increase in FY 2017 through 2020 in order to implement the bill. In addition, county warrant service expenditures may decrease in FY 2017 through 2020.

**Small Business Effect:** None.

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## **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 three years of the Anne Arundel County program, the Comptroller's Office reported that it had intercepted in each year an average of \$318,700 in State and local refunds from 460 individuals. Of the amount held, about 71% 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 and 6% in the following year. In the 2015 annual report the Comptroller notes that the extension of the program to Washington County is complete but that the program's implementation in Baltimore City is not fully operational. In 2015 the Comptroller intercepted a minimal number of refunds from Baltimore City and intercepted \$41,800 in refunds from 70 individuals from Washington County. 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).

**State Fiscal Effect:** The bill authorizes all counties to participate in the warrant intercept program if the Sheriff of the county notifies the Comptroller that the county intends to participate in the program. The Comptroller's Office estimates that there were about 200,000 outstanding warrants statewide, of which 133,000 were from counties that currently do not participate in the program. 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 Anne Arundel County and Washington County programs, general fund revenues may increase by \$259,300 in fiscal 2017 if all counties participate. Revenue impacts are less in fiscal 2019 and fiscal 2020 as individuals satisfy warrants and the Comptroller's Office releases income tax refunds. To the extent fewer counties participate, general fund revenues will be less than estimated.

General fund expenditures may increase by \$107,200 in fiscal 2017, assuming all counties participate in the program and the Comptroller implements the extension of the program by January 1, 2017. This estimate reflects the cost of hiring three revenue specialists at the Comptroller's Office. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salaries and Fringe Benefits	\$93,204
Operating Expenses	<u>13,992</u>
<b>Total FY 2017 Expenditures</b>	<b>\$107,196</b>

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent fewer counties participate, general fund expenditures will be less than estimated.

The bill also requires GOCCP to study the program and make recommendations to ensure that the program does not disparately impact individuals on racial grounds. GOCCP must report its findings by December 31 of each year to the Governor and General Assembly. Accordingly, general fund expenditures may increase in fiscal 2017 through 2020 due to implementation costs at GOCCP.

**Local Fiscal Effect:** Local income tax revenues will increase in counties that participate in the program. If all counties participate, local income tax revenues increase by \$163,700 in fiscal 2017. County expenditures may increase in fiscal 2017 through 2020 in order to implement the bill. In addition, county warrant service expenditures may decrease in fiscal 2017 through 2020.

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## Additional Information

**Prior Introductions:** As amended by the Senate Budget and Taxation Committee, SB 653 of 2014 proposed to authorize all counties and Baltimore City to participate in the warrant intercept program. SB 653 received a favorable with amendments report from the Senate

Budget and Taxation Committee, passed the Senate, and received a hearing in the House Ways and Means Committee, but no further action was taken.

**Cross File:** SB 425 (Senator Reilly) - Budget and Taxation.

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

**Fiscal Note History:** First Reader - February 12, 2016  
min/jrb Revised - House Third Reader - May 17, 2016

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