

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 First Reader

Senate Bill 292 (Senator Bates, *et al.*)  
 Budget and Taxation

Tax Assessments - Appeals Procedures - Application for Revision or Claim for Refund

This bill increases from 30 to 60 days the time period after a notice of a specified tax assessment is mailed within which a person or governmental unit may apply for a revision of the assessment or submit a claim for a refund if the assessment is paid.

The bill takes effect July 1, 2016.

Fiscal Summary

**State Effect:** General fund expenditures increase by approximately \$526,600 in FY 2017. Future year expenditures reflect annualization and inflation. Revenues are not affected.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	526,600	659,300	685,000	711,800	739,800
Net Effect	(\$526,600)	(\$659,300)	(\$685,000)	(\$711,800)	(\$739,800)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

Analysis

**Current Law:** All taxes administered by the Comptroller, including the admissions and amusement tax, alcoholic beverage tax, boxing and wrestling tax, income tax, motor carrier

tax, motor fuel tax, public service company franchise tax, financial institution franchise tax, sales and use tax, and tobacco tax, are subject to an appeals process.

Within 30 days after the date on which a tax assessment notice is mailed, a person or governmental unit may submit to the tax collector an application for revision of the assessment or, if the assessment is paid, a claim for refund. If a person or governmental unit fails to submit an application for revision or claim for refund within the time allowed, the assessment becomes final.

Upon receiving the application, the Comptroller (or designee) must promptly hold an informal hearing and act on the application. In addition, the Comptroller may assess any additional tax, penalty, and interest due. A notice of final determination must then be mailed to the person or governmental unit.

**State Fiscal Effect:** The bill increases the time period within which a taxpayer may file a tax assessment appeal or claim for refund from 30 days to 60 days. The Comptroller’s Office estimates that this may increase the annual number of timely appeals by approximately 20% to 25%, or an additional 600 to 800 appeals. The Comptroller’s Office reports that it will need additional staff to accommodate these additional appeals.

As a result, general fund expenditures increase by \$526,600 in fiscal 2017, which accounts for the bill’s July 1, 2016 effective date and a 90-day start-up delay. This estimate reflects the cost of hiring two tax consultants, two assistant attorneys general, one executive associate, one revenue administrator, one office secretary, and one office processing clerk to hear, process, and administer the additional appeals anticipated from extending the deadline. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

Positions	8
Salaries and Fringe Benefits	\$488,097
Operating Expenses	<u>38,516</u>
<b>Total FY 2017 State Expenditures</b>	<b>\$526,613</b>

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

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office, State Department of Assessments and Taxation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2016  
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