

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 484
 Ways and Means

(Delegate Walker)

Budget and Taxation

Income Tax - Corporation Returns - Filing Date

This bill extends the filing date by one month by which a corporation must complete and file a State income tax return with the Comptroller. A corporation required to file for a taxable year must complete and file with the Comptroller by April 15, instead of March 15, of the year that follows the taxable year. If the corporate income tax is computed for a fiscal year, the filing due date is the fifteenth day of the fourth month after the end of the fiscal year, instead of the fifteenth day of the third month after the end of the fiscal year.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease by approximately \$5.6 million in FY 2017 as a result of altering the corporate income tax return filing due date. Transportation Trust Fund (TTF) revenues decrease by \$1.0 million, of which \$0.9 million goes to the State, and Higher Education Investment Fund (HEIF) revenues decrease by \$0.4 million in FY 2017. General fund expenditures increase by \$60,000 in FY 2017 to notify corporate income tax filers of the change in the filing due date.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$5.6)	\$0	\$0	\$0	\$0
SF Revenue	(\$1.4)	\$0	\$0	\$0	\$0
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$7.1)	\$0.0	\$0.0	\$0.0	\$0.0

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

Local Effect: Local highway user revenues decrease by \$98,000 in FY 2017. Expenditures are not affected.

Small Business Effect: Minimal. Beginning with tax year 2016, small businesses that file corporate income tax returns will benefit by having a month longer to file those returns and having the State filing due date generally match the federal filing due date.

Analysis

Current Law: A corporation required to file a State income tax return must complete and file that return with the Comptroller by the March 15 that follows that taxable year or, if income tax is computed for a fiscal year, by the fifteenth day of the third month after the end of the year. The Comptroller may grant an extension, for good cause, to a corporation to file a tax return for up to seven months.

Background: C corporations (corporations) must file a federal income tax return by March 15 following the close of the calendar year or the fifteenth day of the third month following the close of the fiscal year. Under the federal Surface Transportation and Veterans Health Care Choice Improvement Act of 2015, beginning for taxable years after December 31, 2015, corporations required to file federal corporate income tax returns must file by the April 15 that follows that taxable year or by the fifteenth day of the fourth month after the end of its tax year. However, for corporations with tax years ending on June 30, the filing deadline will remain at September 15 until years beginning after December 31, 2025, when it will become October 15. An automatic six-month extension will be available for corporations, except for calendar-year corporations through 2025, during which an automatic five-month extension until September 15 will generally apply.

For tax year 2015, Maryland and 20 other states follow the federal deadline while 16 states require corporations to file returns by April 15 of the calendar year or the fifteenth day of the fourth month after the close of the fiscal year.

State Revenues: The bill changes the date by which a corporation must file an income tax return. As a result, in the first fiscal year affected, fiscal 2017, returns that would have been filed by June 15, 2017 will now be filed by July 15, 2017, so those payments will be received in fiscal 2018 instead of fiscal 2017. For years after fiscal 2017, there is no net revenue impact because the additional revenues shifted into July of any fiscal year are offset by revenues that are shifted out of June. Since the bill only shifts the timing of receiving revenues, State revenues are not impacted over the long term.

The Comptroller's Office notes that \$7.0 million of corporate income tax revenues from filings are typically received in June. Based on this historical trend, general fund revenues decrease by \$5.6 million in fiscal 2017. TTF revenues decrease by \$1.0 million, of which \$0.9 million goes to the State, and HEIF revenues decrease by \$0.4 million in fiscal 2017.

State Expenditures: General fund expenditures increase by \$60,000 in fiscal 2017 to notify corporate income tax filers of the change in the due date.

Local Revenues: Local governments receive a portion of corporate income tax revenues to support the construction and maintenance of local roads and other transportation facilities. Under this bill, local highway user revenues decrease by \$98,000 in fiscal 2017.

Additional Comments: The Comptroller may grant an extension, for good cause, to a corporation for up to seven months. Under the bill, if the Comptroller grants a corporation a seven month extension, the corporate tax return is due on November 15 following the taxable year.

Additional Information

Prior Introductions: None.

Cross File: SB 288 (Senator Kasemeyer) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 8, 2016
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