

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 194

(Chair, Economic Matters Committee)(By Request -
Departmental - Labor, Licensing and Regulation)

Economic Matters

Finance

State Board of Individual Tax Preparers - Requirement to Register - Exemptions

This departmental bill specifies that an existing exemption from registration as an individual tax preparer for certain employees or assistants does not apply to an individual who signs a tax return as a preparer.

Fiscal Summary

State Effect: The bill likely does not materially affect State finances or operations, as discussed below.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: The Department of Labor, Licensing, and Regulation (DLLR) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: Unless otherwise exempt, an individual must register with the State Board of Individual Tax Preparers before providing, attempting to provide, or offering to provide individual tax preparation services in the State. Exempt individuals include licensed accountants, lawyers, and individuals serving as employees or assistants to registered individual tax preparers or other exempt individuals.

The board may impose a civil penalty of up to \$5,000 on a person who violates any provision of the Maryland Individual Tax Preparers Act. A person who has previously

been assessed a civil penalty by the board and who again violates any provision of the Act is guilty of a misdemeanor and is subject to a maximum penalty of a \$500 fine and/or six months imprisonment. Violation of the Act is also an unfair or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA's civil and criminal penalty provisions.

Background: DLLR advises that during its joint enforcement efforts with the Comptroller over the past two years, investigations have revealed that many individuals who principally interact with taxpayers and prepare the returns also submit the returns with their own Preparer Tax Identification Number. These returns are submitted with little or no supervision by their employers. Despite their substantial involvement in the tax return preparation process, these individuals are exempt from registering with the board under current law because they are employees performing duties assigned by a registrant or an otherwise exempt individual.

Approximately 3,400 individuals are registered with the board.

State Effect: DLLR advises that it does not expect additional individuals to register with the board as tax preparers due to the bill. Rather, it expects registered tax preparers (or otherwise authorized individuals) to sign and submit the tax returns instead of their employees or assistants. To the extent that this is the case, special fund revenues for the Individual Tax Preparers Fund are unaffected. However, if additional individuals register as tax preparers, special fund revenues increase by \$100 for each registration and \$65 for each registration exam. Registrations must be renewed every two years at a cost of \$100. Existing penalty provisions are not anticipated to materially affect general fund revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 24, 2018
mm/mcr Third Reader - February 13, 2018

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES
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TITLE OF BILL: State Board of Individual Tax Preparers--Exempt Individuals

BILL NUMBER: HB 194

PREPARED BY: Dennis L. Gring
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Board of Individual Tax Preparers

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

This proposal would affect individual tax preparers and operators of tax preparation services. The registration of all paid tax return preparers who file returns under their Preparer Tax Identification Numbers (PTINs) would be required despite employment status or job duties. The impact on other businesses would be minimal.

Impact on Local Government

The proposed legislation would have no impact on local government.