

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 634

(Delegates Wims and Mireku-North)

Ways and Means

Income Tax - Income Tax Reconciliation Program - Established (Maryland Fair Taxation for Justice-Involved Individuals Act)

This bill establishes an Income Tax Reconciliation Program administered by the Comptroller to allow justice-involved individuals who are unable to file a State income tax return while incarcerated to establish installment payment plans and receive a waiver of accrued interest and penalties for tax years 2025 through 2029, as specified. The Comptroller must collaborate with the Department of Public Safety and Correctional Services to develop a related awareness campaign and adopt program regulations, which may include income eligibility limits. The Comptroller must report to the General Assembly on the impact of the program by December 1, 2026, and each December 1 thereafter. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: General fund revenues decrease by an indeterminate amount beginning in FY 2026 due to forgone interest and penalty collections. General fund expenditures for the Comptroller’s Office may increase beginning in FY 2026.

Local Effect: Local revenues decrease by an indeterminate amount beginning in FY 2026 due to forgone interest and penalty collections. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Bill Summary: “Justice-involved individual” means an individual who is convicted of or pleads guilty to a crime and is currently serving or, within the immediately preceding

2 years, has been released after serving a term of imprisonment of 6 months to 10 years in a State or federal correctional facility.

For tax years 2025 through 2029, a justice-involved individual who receives a notice of assessment of income tax due for a tax year during which the individual is incarcerated may apply to the Comptroller for an installment payment plan. If the Comptroller determines that the justice-involved individual is eligible for the program, the Comptroller must establish an installment payment plan that allows the individual to pay the unpaid income tax over a period of up to 10 years and waive any interest and penalties that accrue on the unpaid income tax due.

Current Law: In general, interest is assessed on overdue income tax at a statutorily specified rate (9.0% for calendar year 2023 and beyond) or a rate equal to 3 percentage points above the average prime rate during the preceding fiscal year – whichever is greater. Failure to pay income tax when due is also subject to a penalty of up to 10.0% of the unpaid tax. A tax collector may waive interest or penalties on unpaid tax for reasonable cause.

State/Local Revenues: State general fund revenues and local income tax revenues decrease by indeterminate amounts beginning in fiscal 2026 due to forgone interest and penalty collections on overdue income tax. At this time, it is unknown how many individuals will potentially be eligible and apply for installment plans under the bill, the amount of their unpaid income tax, and the length of resulting installment plans; thus, the precise effect on State and local revenues cannot be reliably estimated at this time.

State Expenditures: The Comptroller's Office advises that it requires two additional full-time Compliance Division staff to administer the program, with related general fund expenditures of \$112,000 in fiscal 2026 and \$145,000 in fiscal 2030. The Department of Legislative Services (DLS) is unable to independently verify the Comptroller's estimate at this time and notes that it is unclear how many individuals will ultimately be eligible for and apply to participate in the program. DLS further notes that the program applies only to overdue income tax for tax years 2025 through 2029. However, to the extent that the Comptroller's Office requires additional administrative resources to implement the bill, general fund expenditures increase beginning in fiscal 2026.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 295 (Senator McCray) - Budget and Taxation.

Information Source(s): Comptroller's Office; Department of Public Safety and Correctional Services; Department of Legislative Services

Fiscal Note History: First Reader - February 2, 2025
js/hlb

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