

**E00A**  
**Comptroller of Maryland**

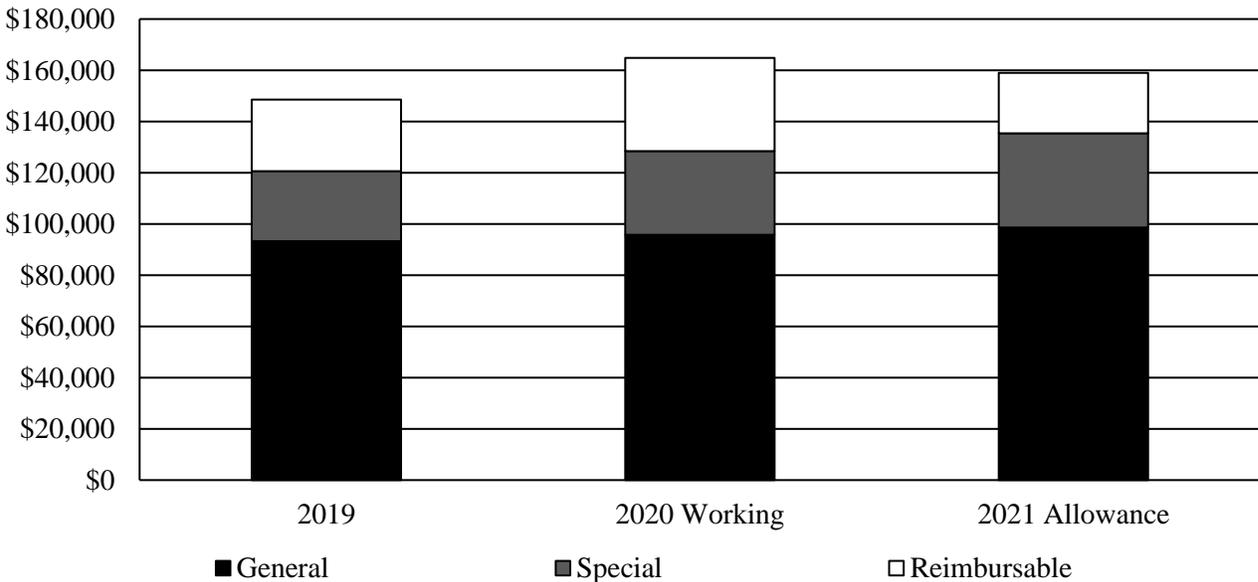
**Program Description**

The Comptroller of Maryland is the State’s chief fiscal officer and is responsible for collecting tax revenue and enforcing compliance with the State’s tax laws. The Comptroller of Maryland provides general supervision of the State’s fiscal matters and also sits on the Board of Public Works. The two largest divisions within the agency are the Revenue Administration Division and the Compliance Division, which are responsible for processing and distributing tax revenues and ensuring compliance with Maryland’s tax laws. The Compliance Division is also responsible for holding and distributing unclaimed property. The agency also includes the State’s General Accounting Division, the Bureau of Revenue Estimates (BRE), the Field Enforcement Division (FED), and the Central Payroll Bureau.

***Operating Budget Summary***

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**Fiscal 2021 Budget Decreases \$5.8 Million or 3.5% to \$159 Million**  
**(\$ in Thousands)**



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- The adjusted fiscal 2021 allowance decreases by \$5.8 million, or 3.5%, from the adjusted fiscal 2020 working appropriation, mainly due to funding for the Integrated Tax System (ITS) major information technology (IT) project.

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## **Fiscal 2020**

The fiscal 2020 working appropriation increased by \$18 million from the fiscal 2020 legislative appropriation, mainly due to funding for the ITS project. Reimbursable funding of \$13 million from the Department of Information Technology (DoIT) Major IT Development Fund was allocated to the project following the 2019 legislative session, and an additional \$2 million in special funds for the project were added through a budget amendment.

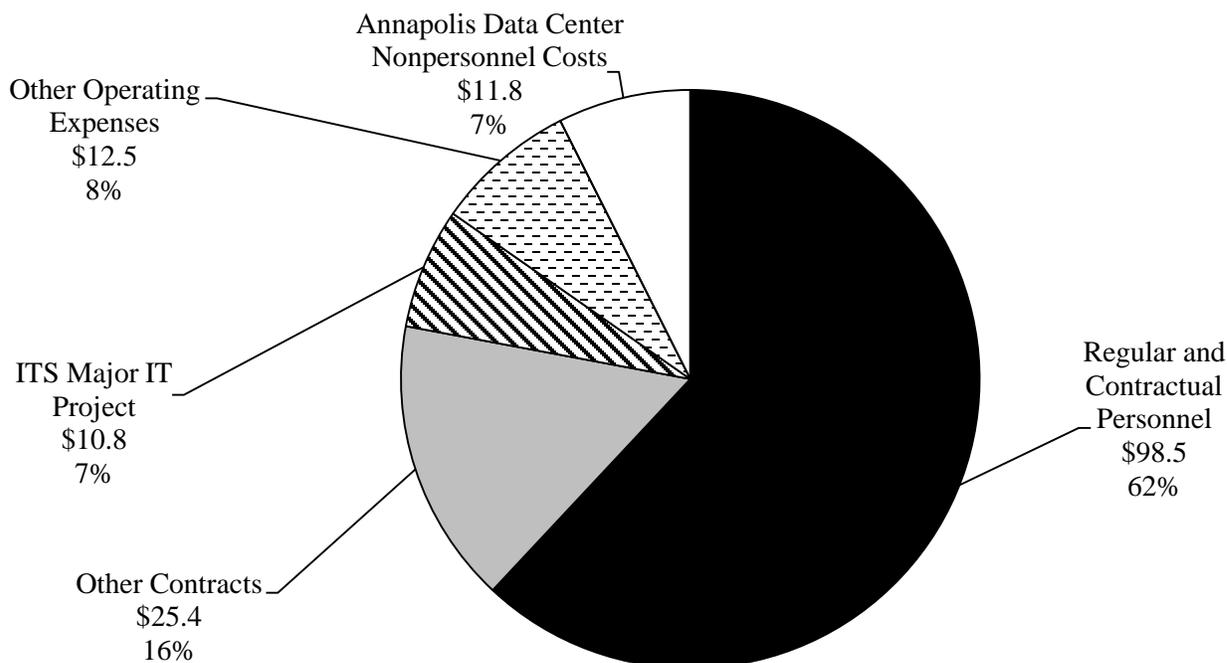
The fiscal 2021 budget plan includes a planned reversion of \$455,946 of general funds in the fiscal 2020 working appropriation. These reversions relate to funding restricted by the legislature, which the Governor did not release: \$255,946 for implementing a Private Letter Ruling process; and \$200,000 for the Cash Campaign for Maryland program.

## **Fiscal 2021 Overview of Agency Spending**

The total adjusted fiscal 2021 allowance for the Comptroller of Maryland is \$159 million. As shown in **Exhibit 1**, 62% or \$98.5 million, of the budget covers regular and contractual personnel expenses. These funds support 1,112.90 regular positions and 31.25 contractual full-time equivalents (FTE). The Revenue Administration Division and the Compliance Division are the two largest divisions of the agency, with 379.60 and 372.70 regular FTE positions, respectively.

The Comptroller's operating expenses are 38% of the budget and primarily consist of contracts, which include funding for the ITS major IT project, the Annapolis Data Center (ADC) and Comptroller IT services not related to the ITS project. ITS project special funds total \$10.8 million, or 7%, of the budget. Nonpersonnel operating expenses for ADC total \$11.8 million. Other agency operating expenses total \$12.5 million. Among these, the largest categories are communications expenses (predominantly postage) at \$7.2 million; supplies and materials at \$2.2 million; and fixed charges, which includes rent paid to the Department of General Services, at \$2.3 million.

**Exhibit 1**  
**Overview of Agency Spending**  
**Fiscal 2021 Allowance**  
**(\$ in Millions)**



IT: information technology  
ITS: Integrated Tax System

Note: Includes general salary increases and proposed Budget Reconciliation and Financing Act reduction.

Source: Governor’s Proposed Budget

**Proposed Budget Change**

As shown in **Exhibit 2**, the total adjusted fiscal 2021 allowance decreases by a total of \$5.8 million, or 3.5%, from the adjusted fiscal 2020 working appropriation. This decrease is due primarily to the funding stream for the ITS major IT project. The project includes a significant portion of reimbursable funds from the DoIT Major Information Technology Development Project Fund, which are not allocated to the Comptroller’s budget until after the legislative session has been completed and an appropriation to the fund has been set. Therefore, the 2021 allowance only reflects special funds for the project and shows a \$9.9 million reduction in funding, from \$20.7 million in fiscal 2020 to \$10.8 million in fiscal 2021. The fiscal 2021 budget includes \$16.1 million in general fund support for the ITS project from DoIT.

**Exhibit 2**  
**Proposed Budget**  
**Comptroller of Maryland**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>General Fund</b>	<b>Special Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
Fiscal 2019 Actual	\$93,229	\$27,383	\$27,973	\$148,585
Fiscal 2020 Working Appropriation	95,728	32,710	36,385	164,823
Fiscal 2021 Allowance	<u>98,649</u>	<u>36,782</u>	<u>23,601</u>	<u>159,032</u>
Fiscal 2020-2021 Amount Change	\$2,920	\$4,073	-\$12,785	-\$5,792
Fiscal 2020-2021 Percent Change	3.1%	12.5%	-35.1%	-3.5%

**Where It Goes:**

**Personnel Expenses**

	<b>Change</b>
Additional assistance (temporary personnel as opposed to using a contract) around tax season .	\$1,216
Employee and retiree health insurance .....	971
Fiscal 2021 2% general salary increase, effective January 1, 2021 .....	741
Employee retirement and pension system contributions .....	440
Fiscal 2021 costs of January 1, 2020 1% general salary increase.....	281
Turnover adjustments .....	210
Reclassification.....	176
SLEOLA 4% increase and increments .....	139
Other fringe benefit adjustments.....	15
Regular earnings .....	-117

**Other Changes**

Applications software licensing and maintenance for ADC and Comptroller’s Office.....	1,460
Cost allocations, including DoIT services allocation .....	865
Contractual fiscal services .....	510
Contractual personnel, including the addition of 4.75 contractual FTE positions.....	249
Other .....	151
Systems software licensing and maintenance for ADC and Comptroller’s Office.....	-484
Outside consulting services (not ITS related).....	-660
Outside programming services for ADC and Comptroller’s Office .....	-774
Contractual office assistance .....	-1,222
Funding for the ITS major IT project .....	-9,959

**Total** **-\$5,792**

ADC: Annapolis Data Center

DoIT: Department of Information Technology

FTE: full-time equivalent

IT: information technology

ITS: Integrated Tax System

SLEOLA: State Law Enforcement Officers Labor Alliance

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

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Excluding ITS project funding, the budget increases by 2.9%, or \$4.2 million, in the fiscal 2021 allowance over the fiscal 2020 working appropriation. The largest increase to the budget is for personnel expenses. Regular personnel expenses grow by \$4.1 million, and contractual personnel expenses grow by \$249,000, which includes the addition of 4.75 contractual FTE positions. Other notable increases to the fiscal 2021 allowance include \$1.5 million for the licensing and maintenance of various applications software used by ADC and the Comptroller’s Office (non-ITS related); \$865,000 for cost allocations (primarily for DoIT services); and \$510,000 for contractual fiscal services, which includes the commission paid for unclaimed property audits as well as banking services.

The largest decrease to the budget is a \$1.2 million reduction in office assistance, which is now accounted for under the “additional assistance” category of regular personnel expenses, which sees a corresponding increase due to the hiring of temporary employees directly instead of using a contractual service. Other large decreases include reductions of \$774,000 for outside programming services for ADC and Comptroller IT services, \$660,000 for outside consulting services, and \$484,000 for licensing and maintenance of various systems software used by ADC and the Comptroller’s Office.

### **Budget Reconciliation and Financing Act of 2020**

The Budget Reconciliation and Financing Act of 2020 includes a provision repealing the requirement that the Comptroller publish the names and addresses of individuals entitled to abandoned property in newspapers and instead directs them to a searchable database on the Comptroller’s website. There is a contingent reduction of \$320,000 in special funds associated with this change.

### ***Personnel Data***

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	<b><u>FY 19</u></b> <b><u>Actual</u></b>	<b><u>FY 20</u></b> <b><u>Working</u></b>	<b><u>FY 21</u></b> <b><u>Allowance</u></b>	<b><u>FY 20-21</u></b> <b><u>Change</u></b>
Regular Positions	1,112.90	1,112.90	1,112.90	0.00
Contractual FTEs	<u>53.81</u>	<u>26.50</u>	<u>31.25</u>	<u>4.75</u>
<b>Total Personnel</b>	<b>1,166.71</b>	<b>1,139.40</b>	<b>1,144.15</b>	<b>4.75</b>

#### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	51.64	4.64%
Positions and Percentage Vacant as of 12/31/19	109.50	9.84%
Vacancies Above Turnover	57.86	

- There were 109.5 vacant positions at the end of 2019, or 9.84%, of total positions, which is similar to the number of vacancies reported last year. This is more than double the number of vacancies necessary to meet the turnover expectation.

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- There is an increase of 4.75 contractual FTE positions in the fiscal 2021 allowance. The increase consists of a 0.5 FTE position for the General Accounting Division, a 0.75 FTE position for BRE, 1 FTE position for the Revenue Administration Division, 2 FTE positions for FED, and a 0.5 FTE position for the Central Payroll Bureau.

## ***Key Observations***

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### **1. Implementation of the Alcohol and Tobacco Commission**

Chapter 12 of 2019 established the Alcohol and Tobacco Commission (ATC) and specified that the current duties related to the regulation of alcoholic beverages and tobacco products currently held by FED within the Comptroller of Maryland shall be transferred to ATC and that the transfer and establishment of ATC take place by July 1, 2020.

Chapter 12 incorporated recommendations made by the Task Force to Study State Alcohol Regulation, Enforcement, Safety, and Public Health, which met four times during the 2018 interim. The task force was required to examine whether the current authority over regulating the State's alcoholic beverages industry and enforcing associated laws is the most appropriate to ensure the safety and welfare of Maryland residents or whether those tasks should be assigned to another State agency or to a new one created specifically to carry out those tasks. The task force developed 23 recommendations, including the recommendation to transfer regulatory duties related to alcohol, tobacco, and motor fuel to a new separate agency.

FED of the Comptroller of Maryland is currently responsible for the regulation of the alcoholic beverages and tobacco products industries as well as other areas, including motor fuel, through the issuance of licenses to manufacturers and wholesalers and through the investigation of violations of State revenue laws pertaining to these industries. Investigations conducted by FED may include inspecting and searching buildings and storage facilities, measurement of quantity and quality of products, and issuing summonses for witnesses. Evidence collected through FED investigations may result in arrest or criminal citation for possession of contraband alcoholic beverages or tobacco products. Additional detail on regulation of alcoholic beverages, tobacco products, and motor fuel by FED can be found in Key Observation 4 of this analysis.

The transfer of components of FED to the new ATC will have notable impacts on the Comptroller's budget, including a reduction of approximately \$3.2 million in general fund expenditures due to the transfer of personnel. Chapter 12 retained the authority over regulation of the motor fuel industry with the Comptroller, and regulation of only alcohol and tobacco was moved to ATC. Therefore, it is estimated that current FED staff will be divided between the two agencies, with 33 FED staff currently responsible for motor fuel regulation remaining, and the other 27 FED staff primarily responsible for alcohol and tobacco regulation being transferred to ATC.

According to the fiscal note for Chapter 12, there could also be several notable new costs associated with establishing ATC, including hiring additional staff and procuring a document management and licensing system. It is estimated that ATC will need to hire at least 8 additional positions initially due to the need for its own administrative staff and a new public health specialist. Specifically, these new positions will include 2 IT specialists, 2 human resources specialists, 1 administrative and finance specialist, 1 communications specialist, 1 assistant Attorney General, and 1 public health liaison.

Additionally, ATC will require a comprehensive document management and licensing database system to accept applications, maintain records on licensees, and generally enforce its regulatory duties related to alcohol and tobacco. General fund expenditures of \$4 million are assumed in order to design and implement the new system as well as \$40,000 annually in future years to maintain the system. Other costs for moving and startup expenses depend largely upon whether ATC initially remains at the same location as the Comptroller's offices and if the space currently used by FED to hold seized property and evidence can be shared by both organizations or if new facilities and office space need to be procured.

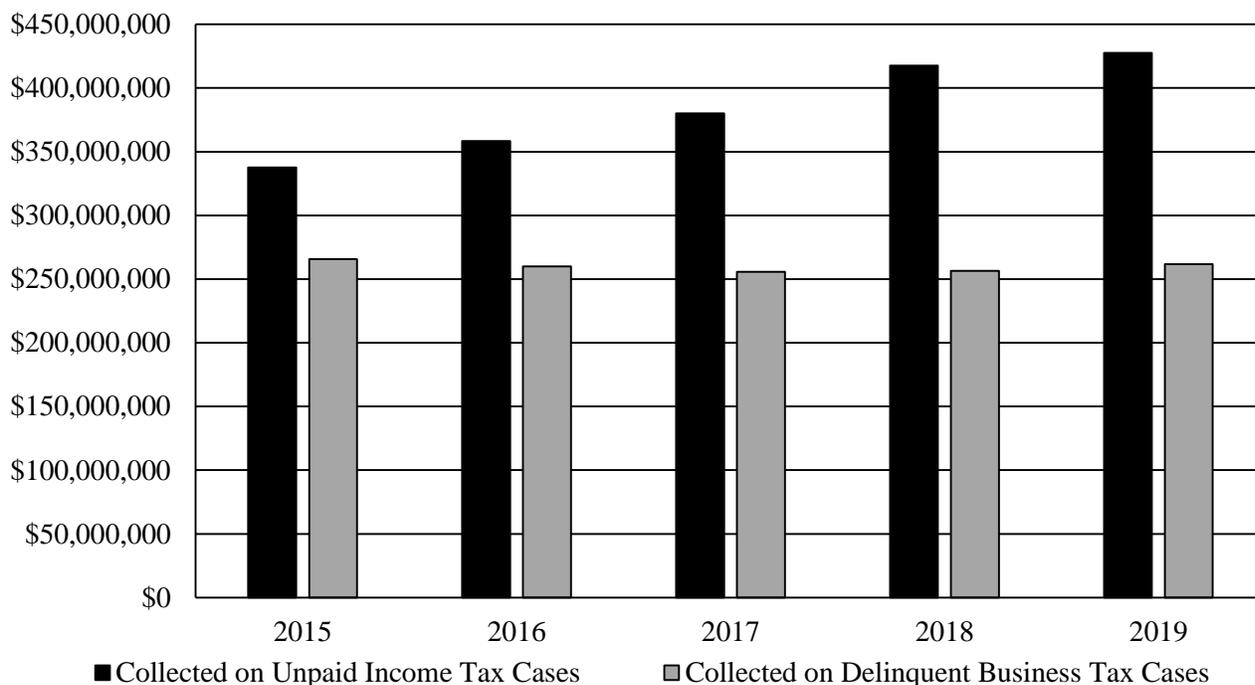
The Department of Budget and Management (DBM) has created a new budget code for ATC in the fiscal 2021 budget. This budget contains a placeholder of 3 regular positions and a general fund appropriation of \$881,397. This appropriation is entirely separate from the Comptroller's fiscal 2021 budget, which currently reflects no changes related to the establishment of ATC. Language is included in Section 19 of the budget bill providing for the authority to transfer positions and funding from the Comptroller of Maryland to ATC by the Governor through an approved budget amendment.

Chapter 565 of 2019 (the fiscal 2020 Budget Bill) withheld funding pending the Comptroller's Office and DBM submitting quarterly reports throughout fiscal 2020 requesting specific information and updating the budget committees on actions taken to implement Chapter 12. The first report submitted on October 1, 2019, was required to list and describe detailed activities taken toward establishing ATC. However, the report consisted only of a list of already noted disagreements with various provisions of Chapter 12. The report stated that over 170 hours had been spent to date on work related to establishing ATC but did not provide any specific information about this work. Therefore, the withheld funding was not released at that time. The second quarterly status report was due January 1, 2020, but has not been submitted.

## **2. Delinquent Business Tax and Unpaid Income Tax Dollars Collected**

The Comptroller of Maryland is responsible for collecting taxes from individuals and businesses in Maryland. **Exhibit 3** shows the total dollars collected from delinquent business tax cases and unpaid individual income tax cases. While the majority of individuals and businesses voluntarily pay their annual tax bills on time, there are cases in which the Comptroller must exercise a variety of tools to properly assess and collect tax revenue from unpaid and delinquent income tax and business taxes. One of these tools, the Data Warehouse, uses compliance matching techniques to find patterns within tax returns that may indicate that the return may need further review. The Comptroller also may enter into payment agreements; certify cases to the Internal Revenue Service for offset; and file liens, wage garnishments; and bank attachments. Since fiscal 2015, there has been a steady increase in the collection of unpaid income taxes. In fiscal 2019, the Comptroller of Maryland collected a total of \$427,542,088 from unpaid income tax cases and \$261,719,048 from delinquent business tax cases.

**Exhibit 3  
Delinquent and Unpaid Tax Dollars Collected  
Fiscal 2015-2019**

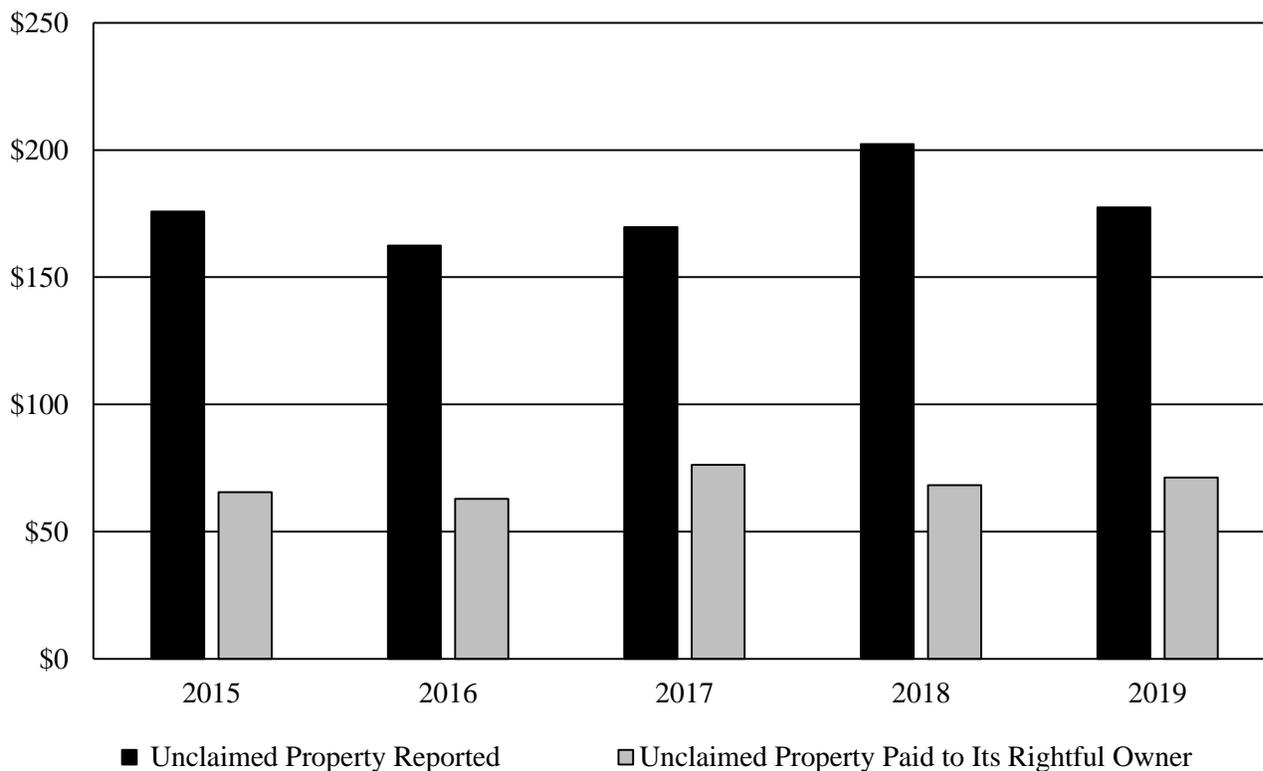


Source: Comptroller of Maryland

### 3. Unclaimed Property

The Comptroller of Maryland is responsible for holding and attempting to reunite lost or unclaimed property with its rightful owner. This property may include stocks, bonds, savings accounts, security deposits, contents of safe deposit boxes, insurance proceeds, and other valuables, which are reported as unclaimed by banks and financial institutions after three years. Real property is not included. **Exhibit 4** shows the total amount of unclaimed property reported and the total amount of unclaimed property that was paid to its rightful owner. Unclaimed property amounts reported fluctuate from year to year and decreased in fiscal 2019 to \$177.4 million. The amount of unclaimed property paid to its rightful owner slightly increased in fiscal 2019 to \$71 million.

**Exhibit 4**  
**Unclaimed Property Reported and Paid to Its Rightful Owner**  
**Fiscal 2015-2019**  
**(\$ in Millions)**

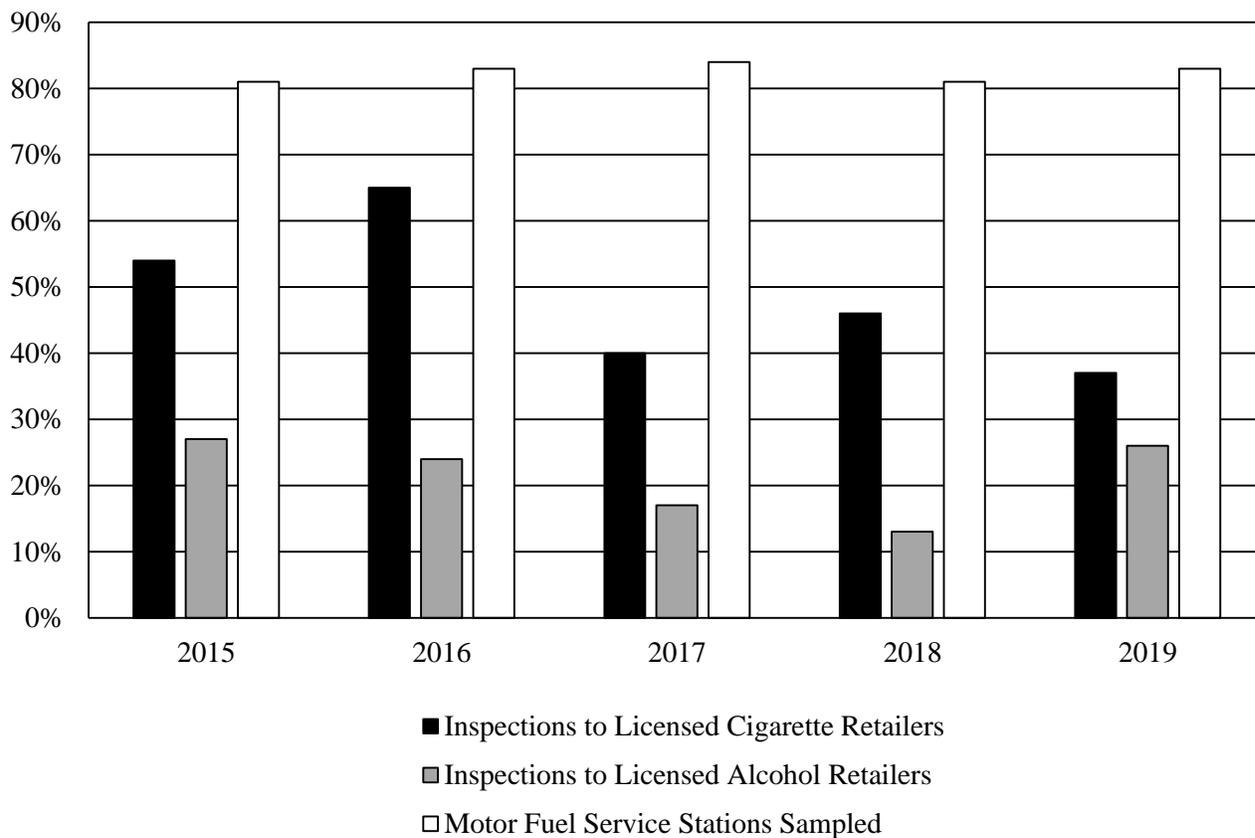


Source: Comptroller of Maryland

#### 4. Alcohol, Tobacco, and Motor Fuel Regulation

FED of the Comptroller of Maryland is currently responsible for enforcing the State’s revenue laws relating to alcoholic beverages, tobacco products, and motor fuel. FED ensures that retailers of alcoholic beverages and tobacco products are properly licensed and in compliance with regulations and conducts investigations and arrests violators to combat illegal smuggling of untaxed products. Additionally, inspectors monitor the transportation and storage of motor fuel, ensure quality standards through sampling and testing, and verify that retailers are complying with regulations governing pricing, labeling, and registration. As shown in **Exhibit 5**, in fiscal 2019, the Comptroller of Maryland sampled motor fuel from 83% of service stations and inspected 37% of licensed cigarette retailers and 26% of licensed alcohol retailers.

**Exhibit 5**  
**Alcohol, Tobacco, and Motor Fuel Inspections**  
**Fiscal 2015-2019**



Source: Comptroller of Maryland

## Operating Budget Recommended Actions

1. Add the following language:

Provided that 3 regular positions and \$165,300 in general funds and \$6,084 in special funds are reduced.

**Explanation:** This language deletes 3 vacant positions (PIN 046589, 003203, and 003460) and associated funding. These positions have been vacant for one year or longer.

- |  | <b><u>Amount<br/>Reduction</u></b> |
|--|------------------------------------|
| 2. Reduce special fund support for the Integrated Tax System Major Information Technology Project because of available fund balances due to greater project funding than costs in prior years. A corresponding reduction of \$2.0 million in general funds is made in the Department of Information Technology budget.                     | \$ 700,000 SF                      |
| 3. <b>Report on the Integrated Tax System:</b> The committees request quarterly reports on the current status, cost projections, and timeline for the Integrated Tax System (ITS) Major Information Technology Development Project. The report should include details on the use of fiscal 2021 funding and ITS project development costs. |                                    |

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on the ITS Project	Comptroller of Maryland	July 1, 2020 October 1, 2020 January 1, 2021 April 1, 2021
<b>Total Special Fund Reductions</b>		<b>\$ 700,000</b>

***Budget Reconciliation and Financing Act Recommended Actions***

1. Clarify statute to prevent the continued revenue transfer of funds by the Comptroller of Maryland from the State admissions and amusement tax on electronic bingo and electronic tip jars in Calvert County and instead budget these funds through the appropriation for Payments to Civil Divisions of the State, where they are currently budgeted by the Department of Budget and Management.

## Updates

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- **Comptroller’s Task Force on Electronic Smoking Devices:** A task force was created to examine the public health and safety implications of electronic smoking devices (ESD), citing a growing number of reports of serious illnesses, lung disease, and deaths that have been attributed to vaping, as well as the prevalence of vaping among youth. The first meeting was held on December 3, 2019, and included membership representing State and local government, public health institutions, public health and safety experts, businesses, industry representatives, and the education community. A total of four meetings were held through February 2020.

The main directives of the task force include gaining a better understanding of the types of products that are classified as ESDs and the distinctions between various products currently on the market, identifying the public health and safety implications of ESDs, understanding the commercial effects of product sales in Maryland, and recommending new laws to protect consumers and young people. A significant issue discussed throughout the meetings was the prevalence of vaping amount young adults. Significant discussion focused around how to educate teenagers about substance abuse and health issues related to vaping and how to stop the sale of ESDs to middle and high school students.

The task force also received updates on several recent proposed or enacted laws at the federal and state level related to ESD’s. At the federal level, legislation was signed into law on December 20, 2019, that directed the U.S. Food and Drug Administration to raise the minimum legal age to purchase all tobacco products, including EDSs, from 18 to 21. Maryland’s own “Tobacco 21” law went into effect on October 1, 2019. Additionally, a partial ban on flavored ESD products went into effect on February 5, 2020. In the General Assembly of Maryland, proposed legislation during the current legislative session include bans on the sale of all flavored tobacco products, and a proposed new state excise tax on ESDs, which, unlike other tobacco products, are currently only subject to Maryland sales and use tax.

At the time of writing, the task force was deliberating on several recommendations but had not yet released a final report. However, the Comptroller recently announced he was using his authority as the state’s chief tobacco regulator to institute a statewide ban on disposable flavored e-cigarettes, which were not covered under the recent U.S. Food and Drug Administration ban on flavored ESD products. Additional information on ESDs is included in the Maryland Department of Health Prevention and Health Promotion Administration analysis.

- **Revenue Transfer to Calvert County:** Statute currently provides for funding from a portion of the State admissions and amusement tax on electronic bingo and electronic tip jars in Calvert County to the Boys and Girls Club of the Town of North Beach, the Town of North Beach, the Town of Chesapeake Beach, and the Calvert County Youth Recreational Opportunities Fund. In fiscal 2021, these grants total \$1.22 million in special funds. Prior to fiscal 2018, these funds were unbudgeted and distributed directly via revenue transfer by the Comptroller without an appropriation. Beginning in fiscal 2018, the funds were budgeted by DBM in Payments to Civil Divisions of the State. While DBM continues to budget these funds,

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the Comptroller continues to perform a revenue transfer of the funds, without using the appropriation. As a result, the fiscal 2019 closeout report from DBM shows the \$1.2 million appropriation of special funds as unencumbered, even though the funds have been provided to the statutory recipient. **DLS recommends that, in order to clarify this issue, statute should be amended to prevent the continued revenue transfer of these funds by the Comptroller and instead specify that the funds are budgeted through the DBM appropriation for Payments to Civil Divisions of the State.**

**Appendix 1**  
**2019 Joint Chairmen’s Report Responses from Agency**

The 2019 *Joint Chairmen’s Report* (JCR) requested that the Comptroller of Maryland prepare five reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Vacant Positions:*** A status report indicated that the number of vacant PINS as of July 1 was 100. As noted in the personnel data section of this document, the number of vacant positions has increased to 109.5 as of December 31, 2019. The report includes the job description for each vacant position as well as quarterly goals for filling these vacancies for each department and vacancy targets for fiscal 2020 and 2021. The agency identified the State’s low unemployment rate combined with noncompetitive salaries for key positions as the main barriers to filling these vacancies. Some steps that have been taken to reduce these vacancies include opening two remote contact centers to improve flexibility for employees, reviewing job classifications in areas with the highest rates of attrition for possible reclassification, and developing training initiatives, professional development opportunities, and employee outreach opportunities.
- ***Summary of Special Fund Accounts:*** A status report was submitted by the Comptroller’s General Accounting Division that consisted of a spreadsheet listing the account balances of each special fund account in the State. For each fund, the report listed the opening and closing fund balance and any revenue, transfer, and expenditure activity.
- ***Report on the Integrated Tax System (ITS) Project:*** A study was submitted in September 2019, along with a December 2019 update, on the current status, cost projections, timelines, and contractual obligations for the office’s ITS project. The project is currently in Phase 2, Release 1, which includes modules for alcohol tax and corporate income tax. Further discussion of this project can be found in **Appendix 4** of this analysis.
- ***Report on Partnership with University of Baltimore:*** A study was submitted providing an overview of the current partnership between the Comptroller of Maryland and the University of Baltimore that exists to train and recruit auditors. This collaboration has resulted in the development of a course on Maryland State and local taxes and increased recruitment efforts for potential candidates who have successfully completed this course. An internship/externship program is also currently in development.
- ***Status Reports on the Implementation of the Alcohol and Tobacco Commission:*** Quarterly status reports were required detailing the actions taken toward the implementation of Chapter 12 of 2019, which establishes the Alcohol and Tobacco Commission. Further discussion of this issue can be found in the Key Observations section of this analysis.

**Appendix 2**

**Audit Findings – Office of the Comptroller/Bureau of Revenue Estimates**

Audit Period for Last Audit:	March 4, 2015 – January 21, 2019
Issue Date:	August 2019
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

This audit did not disclose any findings.

**Appendix 3**  
**Audit Findings – Central Payroll Bureau**

Audit Period for Last Audit:	March 18, 2015 – January 6, 2019
Issue Date:	September 2019
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

This audit did not disclose any findings.

**Appendix 4**  
**Major Information Technology Project**  
**Comptroller of Maryland**  
**Integrated Tax System**

<b>New/Ongoing:</b> Ongoing								
<b>Start Date:</b> Fiscal 2016					<b>Est. Completion Date:</b> Fiscal 2024			
<b>Implementation Strategy:</b> Waterfall								
<b>(\$ in Thousands)</b>	<b>Prior Year</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Remainder</b>	<b>Total</b>
<b>GF</b>	\$7,963	\$3,022	\$16,139	\$16,753	\$14,043	\$14,051		<b>\$71,970</b>
<b>SF</b>	18,342	5,348	10,759	11,169	9,362	9,367		<b>64,347</b>
<b>RF</b>	13,145	0	0	0	0	0		<b>13,145</b>
<b>Total</b>	<b>\$39,450</b>	<b>\$8,370</b>	<b>\$26,898</b>	<b>\$27,922</b>	<b>\$23,405</b>	<b>\$23,418</b>		<b>\$149,463</b>

- Project Summary:** The Integrated Tax System (ITS) project will replace the agency’s State of Maryland Tax (SMART) system, Computer Assisted Collection System (CACS) and other outdated tax processing systems and will integrate with a data warehouse to continue and expand revenue generating projects and provide enhanced reporting functionality. The integrated system will allow the Comptroller of Maryland to efficiently administer all taxes and fees required by law. Uniformity in processing across tax types will simplify compliance by taxpayers and allow for a more dynamic use of staff.
- Need:** The current SMART and CACS systems are approximately 25 years old and outdated. These two systems are also not integrated and, while they share information via data exchanges, they each maintain information in separate data sources. Some tax and fee types, as well as unclaimed property, are maintained outside of these systems due to technical limitations. Neither SMART nor CACS handles all tax types, and both systems process collections differently for different tax types. Although both systems have been substantially modified to support new and mandated processes, the degree to which they can continue to be modified is limited as they reach their technical limitations. Additionally, both systems do not update data in real time, and the design and technology supporting the legacy systems greatly limits and, in some cases, even prohibits the implementation of comprehensive security controls and mandated security requirements.
- Observations and Milestones:** The project is currently in Phase 2 (Iterative Releases), Release 1. This release is scheduled to be implemented by the end of calendar 2020 and includes Alcohol Tax and Corporate Income Tax components. Additionally, six of the nine design and configuration iterations, which included approximately 50% of the interface designs, as well as security reports have been completed. Joint testing for the first three iterations has also been completed. Notable future project milestones include rollout of the taxpayer portal, which is projected to begin in 2021, and structures for filing corporate, personal, estate, and fiduciary taxes, which are projected to be in place by 2022.

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- **Changes:** Additional funding that was not listed in last year’s Information Technology Project Request has been added in fiscal 2023 and 2024 for the continued development and rollout of the project. There have been no changes to the project scope or schedule.
- **Concerns:** There are inherent risks to the implementation of this project due to its size and technical complexity. Among these is the adaptation of stakeholders, including Maryland taxpayers, to such a comprehensive information technology modernization project replacing a system that has been in place for over 25 years. Additionally, there is a high risk that key staff assigned to the project may retire from State service.

**Appendix 5**  
**Object/Fund Difference Report**  
**Comptroller of Maryland**

<u>Object/Fund</u>	<u>FY 19</u> <u>Actual</u>	<u>FY 20</u> <u>Working</u> <u>Appropriation</u>	<u>FY 21</u> <u>Allowance</u>	<u>FY 20 - FY 21</u> <u>Amount Change</u>	<u>Percent</u> <u>Change</u>
<b>Positions</b>					
01 Regular	1,112.90	1,112.90	1,112.90	0.00	0%
02 Contractual	53.81	26.50	31.25	4.75	17.9%
<b>Total Positions</b>	<b>1,166.71</b>	<b>1,139.40</b>	<b>1,144.15</b>	<b>4.75</b>	<b>0.4%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 87,572,554	\$ 92,589,218	\$ 95,501,202	\$ 2,911,984	3.1%
02 Technical and Special Fees	2,343,967	1,355,146	1,604,268	249,122	18.4%
03 Communication	8,460,207	7,411,248	7,220,731	-190,517	-2.6%
04 Travel	430,903	413,894	432,368	18,474	4.5%
06 Fuel and Utilities	57,406	64,336	58,832	-5,504	-8.6%
07 Motor Vehicles	323,219	424,119	404,503	-19,616	-4.6%
08 Contractual Services	41,886,240	57,052,203	46,542,761	-10,509,442	-18.4%
09 Supplies and Materials	2,007,389	2,278,424	2,210,595	-67,829	-3.0%
10 Equipment – Replacement	1,945,342	1,162,950	1,435,527	272,577	23.4%
11 Equipment – Additional	1,285,150	84,100	108,400	24,300	28.9%
12 Grants, Subsidies, and Contributions	35,000	35,000	35,000	0	0%
13 Fixed Charges	2,029,403	2,079,989	2,267,878	187,889	9.0%
14 Land and Structures	208,466	47,000	87,150	40,150	85.4%
<b>Total Objects</b>	<b>\$ 148,585,246</b>	<b>\$ 164,997,627</b>	<b>\$ 157,909,215</b>	<b>-\$ 7,088,412</b>	<b>-4.3%</b>
<b>Funds</b>					
01 General Fund	\$ 93,229,370	\$ 95,982,859	\$ 97,598,876	\$ 1,616,017	1.7%
03 Special Fund	27,382,629	32,659,239	36,828,790	4,169,551	12.8%
09 Reimbursable Fund	27,973,247	36,355,529	23,481,549	-12,873,980	-35.4%
<b>Total Funds</b>	<b>\$ 148,585,246</b>	<b>\$ 164,997,627</b>	<b>\$ 157,909,215</b>	<b>-\$ 7,088,412</b>	<b>-4.3%</b>

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.