

SB271 Draft - Commercial Law - Disposition of Aban

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Peter Franchot
Comptroller

TESTIMONY OF COMPTROLLER PETER FRANCHOT

Support - Senate Bill 271 - Commercial Law - Disposition of Abandoned Property - Waiver of Penalties

Budget and Tax Committee

February 2, 2022

Chairman Guzzone, Vice Chairman Rosapepe and members of the Committee, it is my pleasure to provide testimony in support of **Senate Bill 271 - Commercial Law - Disposition of Abandoned Property - Waiver of Penalties**. I would like to thank Chairman Guzzone for sponsoring this important legislation on behalf of Comptroller's Office, and the Committee for providing the opportunity for my testimony to be heard.

The Comptroller's Office shares the performance of abandoned property audits with third-party vendors. It is the industry practice for these vendors not to collect the penalty on audits. The vendors have on-going relationships with the holders of abandoned property, such as banks and financial institutions, and these relationships are built, in part, on the simplicity and finality offered by the vendors to forgo penalty collection. Abandoned property revenue generated by these audits is remitted to the Comptroller upon conclusion of the audit and is then available to owners of abandoned property immediately.

The Comptroller would have to bring the functionality of collecting the penalty in-house. The associated costs, as well as the potential loss in revenue from the third-party vendors, would likely exceed the penalties collected. Further, the Comptroller sending a separate penalty assessment to the holder of abandoned property would also likely interfere with the relationship between the vendor and the holder, and, consequently, the relationship between the vendor and the State. This would impact the agency's ability to efficiently perform this function.

The Comptroller currently has discretion, under Tax General Article, 13-714, to waive penalties imposed for failure to pay other taxes collected by the Comptroller. However, it was identified by the Office of Legislative Audits that the Comptroller did not have the authority to waive penalties for the holders who failed to remit abandoned property. Senate Bill 271 would grant the Comptroller discretion to waive penalties for the holder of abandoned property in a manner consistent with the Comptroller's existing authority related to other types of collections. I respectfully request a favorable report for Senate Bill 271. Thank you for your time and consideration.

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Uploaded by: Justin Hayes

Position: FAV



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