

# **2-9-2022 Final - SB477 - Office of the Comptroller**

Uploaded by: Debora Gorman

Position: FAV

## TESTIMONY OF DEBORA GORMAN, DEPUTY DIRECTOR OF THE REVENUE ADMINISTRATION DIVISION

**Support - Senate Bill 477 - Office of the Comptroller - Legal Division and Private  
Letter Ruling Procedures**  
*Budget and Taxation Committee*  
*February 16, 2022*

Chairman Guzzone, Vice Chairman Rosapepe and members of the Committee, it is my pleasure to provide testimony in support of **Senate Bill 477 - Office of the Comptroller - Legal Division and Private Letter Ruling Procedures**. I would like to thank Senators Jim Rosapepe and Katie Fry Hester for sponsoring this important legislation, and the Committee for providing the opportunity for my testimony to be heard.

Private letter rulings are written statements issued to a taxpayer that interpret and apply tax laws to the taxpayer's represented set of facts. The Council on State Taxation has found Maryland in the minority of states that do not offer private letter rulings, and considers that a negative factor when rating a state's transparency in tax administration. The Maryland Chamber of Commerce has stated that the issuance of private letter rulings is essential to fair tax administration. Surrounding jurisdictions of Virginia, Pennsylvania, and the District of Columbia all offer private letter rulings, and national and regional taxpayers are eager for Maryland to provide that same level of service. Funding this program follows through on an important recommendation of the 2016 Report of the Maryland Economic Development and Business Climate Commission, (aka the Augustine Commission), which detailed measures to improve Maryland's business climate. While Chapter 582 of the 2016 legislative session provided the authorization for the Comptroller to implement a private letter ruling process, the agency has been unable to initiate the program without necessary funding.

This bill will provide the necessary funding and framework to establish a private letter ruling program within a Legal Division, giving businesses and other taxpayers the ability to receive binding tax guidance from the Comptroller's office based on their specific tax situations. The availability of private letter rulings provides businesses with greater certainty in tax planning so they may responsibly manage

their affairs. Online publication of redacted versions of the rulings provides instructional guidance for other taxpayers with similar questions.

Establishing a dedicated Legal Division within the Comptroller's Office conforms with best practices in tax administration. In addition to the private letter rulings and the current duties related to appeals, attorneys in the division will perform complex transactional tax work to meet the needs of the taxpayers and the State. This will include review of state and federal tax matters and expanding and updating the publication of online tax guidance in the form of technical administrative releases and non-technical tax alerts. This will increase the ease with which both individual and business taxpayers can find answers to their Maryland tax questions.

For all of these reasons, I respectfully request a favorable report on this bill.

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**2-16-2022 - SB477 - Office of the Comptroller - Le**

Uploaded by: Justin Hayes

Position: FAV

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**Private Letter Ruling Sponsor Testimony.docx (1).p**

Uploaded by: Katie Fry Hester

Position: FAV

**KATIE FRY HESTER**  
*Legislative District 9*  
Carroll and Howard Counties

Education, Health, and  
Environmental Affairs Committee

Chair, Joint Committee on  
Cybersecurity, Information Technology  
and Biotechnology



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**THE SENATE OF MARYLAND**  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of SB477 - Office of the Comptroller - Legal Division and Private Letter Ruling Procedures**

February 16, 2022

Chairman Guzzone, Vice-Chair Rosapepe, and members of the Budget and Taxation Committee, thank you for your consideration of SB477, to establish a Legal Division in the Office of the Comptroller to manage and respond to private letter ruling (PLR) requests per Recommendation 13 of the [Augustine Commission's report](#).

Hardworking Marylanders and small business owners occasionally make unintentional errors when filing their annual or quarterly tax reports to the Comptroller's office. Unfortunately, these errors often lead to penalties and fees that are magnitudes greater than the error itself – reaching as high as \$40M in 2015.

To prevent these avoidable mistakes and fines in the future, SB477 would establish a process identical to that of the IRS where Marylanders may solicit direct guidance from the Comptroller's office on handling specific, unusual, or simply complicated tax circumstances. In addition to this process, SB477 would require the Comptroller's office to maintain a repository where Marylanders may view previous rulings in order to avoid these common mistakes. Personally identifiable information, of course, would be redacted before PLRs are made publicly available, and after speaking with the Maryland Association of CPAs, I have drafted an amendment to remove the three-year sunset on rulings' public availability so that Marylanders can continue to access this information as long as it is relevant.

Our workers and business owners fully intend to pay their taxes correctly, and they deserve our support when faced with complicated tax situations. By improving the Comptroller's ability to prevent mistakes in the first place, we can simultaneously avoid unnecessary fines and reduce the hours spent auditing and prosecuting small mistakes. **For these reasons, I respectfully request a favorable report on SB477.**

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester".

Senator Katie Fry Hester  
Carroll and Howard Counties



# **SB 477\_MDCC\_Office of the Comptroller - Legal Divi**

Uploaded by: Maddy Voytek

Position: FWA



**MARYLAND**  
Chamber of Commerce

**LEGISLATIVE POSITION:**

**Favorable with Amendment**

**Senate Bill 477**

**Office of the Comptroller – Legal Division and Private Letter Ruling Procedures**

**Senate Budget & Taxation Committee**

**Wednesday, January 16, 2022**

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

SB 477 establishes a Legal Division within the Comptroller's Office to provide expanded and detailed tax guidance and other duties relating to private letter rulings (PLR). A private letter ruling is a written determination from the Comptroller's Office on how certain tax laws and regulations are applied. These letters are incredibly helpful and provide real value for business owners when determining what taxes apply to their business.

Small businesses are the backbone of Maryland's economy and provide much needed employment opportunities and philanthropy to the communities they serve. SB 477 provides these businesses with an avenue to obtain clarity on Maryland's ever changing tax system and ensures that the Comptroller's office has qualified staff to execute this function.

However, The Maryland Chamber of Commerce asks that the 3-year automatic expiration of all ruling letters be struck from the bill. This is not in line with Federal Internal Revenue Service PLR rules, nor with most other states. Many of these issues remain the same after three years and this mandatory expiration would require small businesses to reapply for the private letter ruling, wasting both the businesses and legal division's time. Instead, the letter should only expire if the facts change, the underlying law has changed, or a court decision about the underlying law has been issued that changes the state's conclusion.

The Maryland Chamber of Commerce respectfully requests a **favorable report with amendments** on **SB 477**.

MDCHAMBER.ORG

60 West Street, Suite 100, Annapolis 21401 | 410-269-0642

**SB 477 MACPA Written Testimony - FAVORABLE with am**

Uploaded by: MB Halpern

Position: FWA



Feb. 15, 2022

The Honorable Guy Guzzone, Chair  
Budget and Taxation Committee  
Miller Senate Office Building  
Annapolis, Md. 21401

Re: SB 477, “Office of the Comptroller - Legal Division and Private Letter Ruling Procedures” -  
**Favorable with amendment**

Dear Chairman Guzzone and members of the Committee,

The Maryland Association of Certified Public Accountants (MACPA), founded in 1901, has nearly 9,000 members who work in public accounting, industry, government and education. Our members serve thousands of individual and business clients throughout the state.

The MACPA and our members wholeheartedly support SB 477, with one small requested amendment outlined below – removal of the automatic three-year expiration of letter rulings.

Private letter rulings (PLRs) allow taxpayers to get binding answers from the Comptroller’s Office to their tax questions. In turn, the taxpayers can then pay the right amount of tax at the right time, rather than years later after an audit or litigation. Several dozen other states’ departments of revenue currently have a similar process in place. By establishing a Legal Division in the Office of the Comptroller and creating the PLR process, Maryland is taking a strong step in the fair and transparent administration of state tax laws. We have been looking forward to a Maryland PLR process for a long time.

In its January 2016 report on tax issues, the Maryland Economic Development and Business Climate Commission (otherwise known as the Augustine Commission) recommended that the state institute a private letter ruling process. SB 843, enacted in 2016, included a provision that required the Comptroller to implement a private letter ruling process to provide additional guidance to taxpayers; SB843 also instructed the Comptroller’s Office to request additional resources in the Comptroller’s budget, if necessary, but those budget requests have not been approved in any year, much to the disappointment of our CPA membership.

SB 477 is a strong step in the right direction to fill this void by establishing a Legal Division in the Office of the Comptroller to perform duties related to PLRs. MACPA supports SB 477 and requests the following amendment:

New section 13-1A-03(B) states that a PLR would be binding on the Comptroller for only a three-year period. This is not in line with Federal Internal Revenue Service PLR rules, nor

with most other states. We have identified only one of the several dozen other states' PLR procedures that has such a time limitation: Missouri. There are many aspects of Maryland tax law that do not change in a three-year period; an automatic expiration of a ruling would require taxpayers to re-apply for a new ruling, thus putting the taxpayers through the time and expense of reapplying and requiring the Comptroller's Office to spend the time to address the new ruling where no changes have occurred. We request that the three-year expiration period be stricken from the bill, so that the Comptroller's ruling remains in effect until such time as one of the other events listed in the Bill occurs, such as a change in facts, law change, court ruling, etc.

We offer this additional thought: For the new division to fulfill the bill's mandate to "provide expanded and detailed tax guidance to taxpayers," it is vital for the Comptroller's Office to have a staff of experienced tax attorneys and CPAs who bring the proper expertise and knowledge to providing guidance to taxpayers in PLRs. The process requires not just any additional staff, but the right level and experience in the personnel who perform this function. This involves a properly funded budget in the Office to allow the Director of the Legal Division to hire and retain qualified personnel at competitive salary levels. In addition to the enactment of SB 477, we look forward to the Governor and the General Assembly providing that adequate funding.

SB 477 with the proposed amendment will help establish a PLR process that will bring in the right amount of tax money more currently when taxpayers have received the requested guidance, will save the expense of state audits, and may limit the expense of post-audit litigation for both the state and the taxpayers. We appreciate your consideration and request the amendment followed by a favorable report.

Should you have any questions, please contact Mary Beth Halpern at the MACPA at [marybeth@macpa.org](mailto:marybeth@macpa.org) or 443-632-2330.

Sincerely,

**MACPA State Tax Committee**

cc: Nick Manis, Manis Canning & Associates