

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

Support with Amendments – Senate Bill 477 – Office of the Comptroller – Legal Division and Private Letter Ruling Procedures

Ways and Means Committee

March 23, 2022

Chairman Atterbary, Vice Chairman Washington 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, with amendments**. I would like to thank Senator Katie Fry Hester and Senator Jim Rosapepe for sponsoring this important legislation, and the Committee for providing the opportunity for my testimony to be heard.

Specifically, the Comptroller's Office is in favor of the amendments HB0366/783326/1 adopted by this Committee to House Bill 366 on February 22, 2022 which require a person requesting a private letter ruling to advise the Comptroller if they are the subject of an ongoing tax matter, such as an audit or appeal, and adding to the reasons why the Comptroller may deny a request for good cause a denial if the issue is the subject of a statute, regulation, or court decision or if the issue involves the tax consequence of proposed federal, state, or local legislation.

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 with the amendments described above on this bill.

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