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To: Budget and Taxation Committee

From: The Maryland Society of Accounting and Tax Professionals, Inc.

Re: SB661 By: The Speaker (By Request – Office of the Comptroller

Contact Person: Giavante Hawkins, Executive Director

Position: SUPPORT

Unemployment Insurance – Tax Parity for Delayed Payment of Benefits

The MD Society of Accounting and Tax Professionals has 2,000 CPA's and Professional Tax members, representing over 700,000 Maryland residents. The MD Society of Accounting and Tax Professionals supports bill SB661.

The purpose of the RELIEF Act was to provide economic relief to individuals and businesses affected by the COVID-19 pandemic. The delays at the MD Department of Labor were outside of the control of the individuals receiving unemployment benefits, and it is unfair to penalize these individuals by requiring them to pay taxes on benefits that were earned in a previous tax year but not received until the following year. Suppose these individuals who received unemployment benefits are required to pay taxes on those benefits for a tax year in which they did not receive the benefits. In that case, this could offset some or all of the relief provided by the act, particularly for individuals who were in dire financial straits due to the pandemic.

A rebate program to refund the taxes paid on unemployment benefits received in 2022 would bring these individuals into parity with other taxpayers whose benefits were both earned and paid during the time frame envisioned by the RELIEF Act. This would help to ensure that all individuals receiving unemployment benefits are treated fairly and receive the intended relief from the act.

We applaud the Maryland legislature for acknowledging how the above-referenced performance affected Maryland residents. While we believe the solution proposed herein does not make whole those who were adversely affected during a difficult time we find the proposed solution a creative way to attempt to right a wrong.

Therefore, we urge a FAVORABLE report on SB661