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Office of Taxpayer Advocate Would Support More Equitable Tax Administration

Position Statement in Support of Senate Bill 660

Given before the Senate Budget and Taxation Committee

Fair administration of the state's tax laws is an important component of an effective and equitable tax system. **The Maryland Center on Economic Policy supports Senate Bill 660** because it would create an Office of the State Taxpayer Advocate to help ensure Marylanders can get effective and timely assistance with tax problems.

Filing taxes correctly can be challenging, particularly for those who can't afford to work with a tax preparer or pay for expensive tax filing software. It can also be challenging for Marylanders to get timely information about a delayed or missing tax refund, or to know how to work with the Comptroller's Office to set up a payment plan for a large tax bill. Creating and appropriately staffing an Office of the State Taxpayer Advocate would provide a clear path for Marylanders who need additional support addressing any of these types of tax problems.

Such an office could also monitor customer service or tax administration issues affecting Maryland families. For example, on the national level, taxpayers who receive the Earned Income Tax Credit are significantly more likely to be audited than high-income taxpayers.¹ The National Taxpayer Advocate was able to identify this as an issue and highlight it as something that Congress and the IRS should address.

Creating an Office of the State Taxpayer Advocate would improve customer service for taxpayers and ensure that low-income households, entrepreneurs, and others are able to resolve tax issues in a timely way. Having such an office is a best practice that is not only in place on the national level but in D.C. and other states as well.

For these reasons, the Maryland Center on Economic Policy respectfully requests that the Budget and Taxation Committee make a favorable report on Senate Bill 660.

Equity Impact Analysis: Senate Bill 660

Bill summary

This bill establishes an Office of the State Taxpayer Advocate within the Comptroller's Office and provides at least six staff members to assist Marylanders with timely resolutions to tax issues.

Background

More than 25 years ago, the IRS created the Office of the Taxpayer Advocate with the mission to assist taxpayers with resolving problems, identify areas where taxpayers regularly have problems in dealings with tax compliance, propose changes to the administrative practices to mitigate future problems, issue annual reports to identify what

was done to improve services, and – where possible – identify appropriate legislative changes to solve such problems.

Maryland currently does not have a similar office.

Equity Implications

An Office of the Taxpayer Advocate could particularly benefit low-income households, including people doing gig work or who are misclassified as independent contractors and may be more likely to make errors in tax filing or face tax bills they can't afford. The office could also potentially identify areas where current policies are harming certain groups of taxpayers. On the federal level, low-income taxpayers who claim the Earned Income Tax Credit are more than five times as likely to be audited as taxpayers in other income groups.ⁱⁱ

Due to various structural barriers to opportunity, Black and Latinx workers are far more likely than white workers to earn poverty-level wages and are therefore more likely to qualify for the EITC. While state and federal EITCs serve a larger number of white households than households in any other racial or ethnic group, they serve a larger proportion of people of color.

Impact

Senate Bill 660 would likely **improve racial and economic equity** in Maryland.

ⁱ TRAC IRS, IRS Audits Few Millionaires But Targeted Many Low-Income Families in 2022, January 2023, [https://trac.syr.edu/reports/706/#:~:text=The%20IRS%20audited%20626%2C204%20returns,1%2C000%20returns%20filed%20\(0.38%25\)](https://trac.syr.edu/reports/706/#:~:text=The%20IRS%20audited%20626%2C204%20returns,1%2C000%20returns%20filed%20(0.38%25).).

ⁱⁱ Trac IRS, 2023.