



Feb. 9, 2023

The Honorable Vanessa E. Atterbeary, Chair
Ways and Means Committee
House Office Building
Annapolis, Md. 21401

Re: HB 191, "*Income Tax — Payments of Fines, Penalties, and Other Amounts — Addition Modification*" — **UNFAVORABLE**

Dear Chair Atterbeary and members of the Committee:

The Maryland Association of CPAs is a membership organization with nearly 9,000 Certified Public Accountants throughout the state. We strongly advocate for a tax system based on principles of good tax policy, and support a framework in which Maryland tax laws conform with federal tax laws whenever possible.

A principle of sound tax policy is that tax systems should be as simple as possible. HB 191 proposes to decouple from the Internal Revenue Code (IRC) — that is, adopt different rules for Maryland taxpayers. Decoupling makes the state's tax structure more complex and difficult for taxpayers and tax practitioners, as well as the Comptroller's Office, which must track and enforce the code.

Under IRC 162(f), most penalties and fines are NOT deductible. Therefore, HB 191 will only create an addition modification, or "un-deduct" the few that *are* federally deductible because they meet the exceptions contained in the IRC.

MACPA supports efforts to reduce complexity in Maryland's tax law and curtail incremental complexity in the future. Therefore, we must respectfully request an unfavorable report for HB 191.

Thank you very much for the opportunity to offer these comments for your consideration. If you have any questions or if we can provide additional information, please contact Mary Beth Halpern of the MACPA at marybeth@macpa.org or (443) 632-2330.

Sincerely,

MACPA State Tax Committee

cc: Nick Manis, Manis Canning & Associates