MSATP
MARYLAND SOCIETY OF ACCOUNTING AND TAX PROFESSIONALS

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January 28, 2025

Honorable Members of the House Ways and Means Committee
Maryland General Assembly
11 Bladen Street
Annapolis, MD 21401

RE: House Bill 183 - Income Tax - Resident Definition Modification

Dear Chair and Members of the Committee:

The Maryland Society of Accounting and Tax Professionals, Inc. (MSATP) represents the voices of over 2,000 tax and accounting professional members. Our members, who are tax and accounting professionals, serve over 700,000 Maryland residents. We must strongly oppose House Bill 183, which would reduce the residency threshold from six months to three months for Maryland income tax purposes.

This dramatic change in residency requirements would create significant problems for tax administration, burden taxpayers with complex compliance requirements, and potentially harm Maryland's economic competitiveness. Our opposition stems from several critical concerns that our members have identified through their direct experience with taxpayers and businesses.

The proposed change would create substantial administrative burdens in tax preparation and compliance. Residency determinations would become more complex, requiring extensive documentation for shorter periods. Verifying brief residency periods would pose significant challenges for both tax preparers and state administrators. The three-month threshold would also create complicated multi-state tax scenarios that would be difficult to resolve under existing tax frameworks.

This shorter threshold raises serious practical issues that would affect both taxpayers and tax professionals. It would create potential conflicts with other states' residency requirements and increase the likelihood of double taxation scenarios. Calculating credits for taxes paid to other states would become more complicated, and temporary residents would face burdensome record-keeping requirements. These challenges would significantly increase the complexity of tax preparation and compliance.

The economic impact of this legislation could be substantial. By creating a more stringent residency requirement, Maryland risks deterring temporary workers from accepting assignments in the state and discouraging business relocations. Seasonal industries, which rely heavily on temporary workforce movements, would face particular challenges. This could ultimately reduce Maryland's competitiveness in attracting mobile workforce talent and businesses.

The administrative impact on state resources would be considerable. The state would need to enhance verification requirements, conduct more complex audits, and likely face resource strains in tax administration. Tracking short-term residency would require new systems and procedures, while partial-year calculations would become more complex. Multi-state allocation issues would multiply, and taxpayers would face increased audit exposure.

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Instead of this proposed change, we recommend maintaining the current six-month threshold while improving existing residency verification methods and enhancing compliance tools. The focus should be on better enforcement of existing standards rather than creating new, more complex requirements. This legislation would particularly affect seasonal businesses, professional service firms, healthcare workers, and those with mobile workforces, creating unnecessary complications in their tax situations.

For these reasons, MSATP strongly opposes House Bill 183. We believe the current six-month threshold provides a reasonable balance between fair taxation and practical administration, while the proposed three-month threshold would create undue burdens and complexity that would harm Maryland's economic interests and tax administration efficiency.

We appreciate the opportunity to provide this testimony and are available to answer any questions about the practical implications of this proposed change.

Respectfully submitted,

Giavante' Hawkins

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