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January 13, 2025

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

RE: House Bill 149 - Income Tax - Subtraction Modification - Child Support Payments

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 respectfully express our opposition to House Bill 149, which would create a subtraction modification for child support payments under Maryland income tax law.

While we understand the intent to provide relief to child support payers, this bill would create a problematic precedent in tax policy. Under long-established tax principles, child support payments are considered personal expenses. Creating a tax benefit for court-ordered personal obligations could lead to demands for similar treatment of other mandatory personal expenses.

The implementation raises serious administrative concerns. Verification of qualifying payments would be complex, and cross-state court orders would be difficult to validate. No clear mechanism exists to handle modified court orders, and partial payments and arrears create significant accounting challenges. Furthermore, timing issues between payment dates and tax years need resolution.

From a revenue impact perspective, the bill does not cap the subtraction amount and does not include a fiscal impact analysis. No offsetting revenue sources are identified, and state revenues could be significantly impacted. Our members have identified numerous technical issues related to documentation and compliance. Multiple payment methods complicate verification, and informal arrangements may be difficult to distinguish. Court order modifications create retroactive issues, and inter-state orders add additional layers of complexity.

The administrative burden would be substantial, requiring additional complexity in tax preparation, increased documentation requirements, and new verification procedures. Software systems would also need to be significantly updated, and standardized reporting systems would need to be developed. The risk of duplicate claims between parties and the difficulty of tracking partial payments present serious compliance challenges.



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We are also concerned about equity issues. The proposal would disproportionately benefit higher-income payers and create disparity with other mandatory payments. It may also affect custody negotiations and divorce settlements in unexpected ways.

Instead of this legislation, we suggest considering alternative approaches such as direct assistance programs for struggling parents, income-based child support guidelines reform, simplified payment processing systems, and enhanced enforcement mechanisms. These alternatives could provide more targeted and effective support while avoiding the complications of tax code modifications.

The implementation challenges would create significant burdens for tax preparers, state tax administrators, court systems, and child support enforcement agencies. The lack of standardized reporting systems and the difficulty of verifying qualifying payments across multiple jurisdictions would make administration particularly challenging.

For these reasons, MSATP cannot support House Bill 149 in its current form. We recommend further study of the administrative implications and consideration of alternative approaches to supporting parents who pay child support.

We appreciate the opportunity to provide this testimony and are available to answer any questions regarding the practical implications of this legislation.

Respectfully submitted,

Giavante' Hawkins
Maryland Society of Accounting and Tax Professionals

