

Reve News



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Maryland Tax Information

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Comptroller of Maryland

www.marylandtaxes.com

Comptroller's Comments



Electronic Tax Filing Needs a Boost

To say I'm disappointed is putting it mildly.

On these pages last fall, I issued a challenge to tax preparers to boost the number of tax returns they file electronically this tax season over last year by 50 percent—an attainable and reasonable goal. Guess what the growth has been among preparers so far? Sadly, the answer is only about 10 percent—less than half the growth rate for those who file from their home computers.

You can understand my disappointment. Unless there is a huge influx of e-filed returns by the end of the tax season, I have to believe that we will fall far short of my goal.

More than half of Maryland's 2.8 million taxpayers uses a professional to prepare their tax returns, but the strongest growth in electronic filing is among individuals who do it themselves. Why is this the case? It certainly can't be because preparers don't have the resources. Price shouldn't be a consideration since only 7.5 percent of those who said they didn't file electronically last year cited the additional cost as a factor. Perhaps preparers haven't done a good enough job of educating their clients on the advantages of e-filing their tax return.

Consider it this way—it's good customer service and good business practice to make sure tax preparers urge their clients to e-file their returns, especially as the tax season

continued on page 4

Gift Cards Need Regulation

Comptroller William Donald Schaefer testified in support of proposed legislation that would regulate the use of gift cards in Maryland. Certificates can expire or lose value in a short period of time, a restriction often not noticed by customers. Schaefer also asked Attorney General J. Joseph Curran, Jr. to take a leadership role in this and Curran has indicated support.

According to reports, gift certificates were the number one choice of givers this holiday season, surpassing even cash and clothing. The increased popularity has raised concern among consumers, who find that their gift certificates expired in a very short period of time or would lose value.

Schaefer, personally, discovered this problem, when he received a gift card for a local grocery store and on attempting to use it, found that half of its value was lost since the card was purchased. "I can think of no reason for short expiration dates and fees on gift certificates for which consumers have paid face value," said Schaefer.

While there may be business justification for expiration dates and other limitations on discount coupons, rebates and similar promotions, Schaefer does not think these should apply to gift cards. Some members of Maryland's legislature agree and Senate Bill 8, introduced by Sen. Kathy Klausmeier, would prohibit a person from selling a gift certificate that contains an expiration date of less than five years or service fee unless specified conditions were met.

In This Issue...

Comptroller Comments	Page 1
Gift Cards Need Regulation	Page 1
Scofflaws "Caught in Web"	Page 2
Liquor License Renewals Monitored	Page 2
Less Paper, Less Cost	Page 2
Changes for 2005 Tax Returns	Page 2
Top Preparers for Seniors	Page 3
Intercepts Total \$22 Million	Page 3
Court Watch	Page 3
Unclaimed Property Update	Page 4

SCOFFLAWS “CAUGHT IN WEB” OWE \$6.3 MILLION

The latest “Caught in the Web” page lists 50 new names of individuals and businesses owing \$6.3 million in unpaid taxes, penalties and interest. Since it began in 2000, the initiative has garnered almost \$13 million from 350 delinquent taxpayers.

The action to list a taxpayer on the Web site is taken only after the Comptroller’s Office notifies the delinquent taxpayer by mail, listing the charges incurred for taxes, interest and penalties. Should the taxpayer fail to pay or enter into a payment plan, the agency can then:

- File a lien
- Attach assets, including bank accounts
- Intercept state and federal tax refunds
- Garnish wages
- File an estimated assessment for taxes due in unreported periods
- Issue a summons to appear at a hearing to revoke a sales tax license or initiate other legal processes
- Hold up state payments if the taxpayer does business with the state
- Prevent renewal of state business licenses

“Caught in the Web” was created to retrieve overdue taxes from those owing the largest amounts. A brochure, “Delinquent Tax Collections and You,” explains how to resolve a delinquent tax matter. It can be downloaded from the Comptroller’s Web site at www.marylandtaxes.com.

Liquor License Renewals Monitored

The Comptroller of Maryland will work with local liquor boards during the license renewal period to collect outstanding sales, withholding, and admissions and amusement taxes.

Retailers of alcoholic beverages are required to renew their licenses annually by April 30. Delinquent retailers can expect to have their license renewals delayed by the local liquor board, pending a release issued by the Comptroller’s Office. Last year over \$2.6 million was collected in delinquent taxes, because of this effort.

Retailers who owe delinquent taxes and do not have payment plans should call the collections section at 410-767-1649 or at 1-888-614-6337.

LESS PAPER, MEANS LESS COST

This year, less than half the number of tax booklets were mailed in Maryland as were last year. That’s because increasing numbers of people are filing electronically, reducing to 300,000 those who file paper returns. The 56 percent cutback saved the state nearly \$100,000 in printing and mailing costs. Electronic filing has jumped 20 percent so far this year. Those filing electronically and choosing direct deposit can have refunds into bank accounts within 48 hours after processing.

Nearly 161,000 resident taxpayers who qualify to file their federal tax return by phone will receive a Maryland TeleFile tax booklet—instead of the traditional state tax booklet.

CHANGES FOR 2005 TAX RETURNS

Maryland has three new check-offs for tax returns:

- **Increased pension exclusion.** Maryland’s maximum pension exclusion, which is available to qualifying taxpayers 65 or older, increased from \$19,900 to \$20,700 for tax year 2004.
 - **Increased refundable earned income tax credit.** The amount of Maryland’s refundable earned income tax credit that qualifying low-income taxpayers can claim has increased from 18% to 20%. The percentage is calculated on the amount of their federal earned income tax credit that exceeds their state tax liability. More than 190,500 returns filed last year included claims for \$68.1 million in this credit.
 - **New donation feature for Maryland Cancer Fund.** Taxpayers will have an opportunity to donate to the Maryland Cancer Fund on their Maryland tax forms this year, using a new tax checkoff on line 39 of long Form 502 (or line 15 of short Form 503). The fund supports grants for cancer research, prevention and treatment.
- Marylanders can continue to make contributions to the Chesapeake Bay and Endangered Species Fund and the Fair Campaign Financing Fund on the state tax forms. Donations are subtracted from the taxpayer’s refund or added to any additional tax owed.

Top Preparers for Seniors

Certificates of recognition were awarded to 24 commercial tax professionals who prepared the most electronic filings for taxpayers 65 and over in their local county and Baltimore City:

County	Tax Pro	Location	# of e-filings
Allegany	RHR-JWR	Lavale	122
Anne Arundel	H & R Block	Glen Burnie	347
Baltimore	Wise Financial Group	Baltimore	253
Baltimore City	Income Tax Center	Baltimore	266
Calvert	Kandace Denise Gagner	St. Leonard	55
Caroline	Cynthia Barnhart	Denton	44
Carroll	Hull Company Accountants	Westminster	307
Cecil	Maryland Samco	Elkton	31
Charles	Ruth Haney	Waldorf	68
Dorchester	Wilson & McGinnis PA	Cambridge	61
Frederick	Pace Enterprise	Middleton	155
Garrett	Taxco	Oakland	69
Harford	Charles Egender CPA	Bel Air	199
Howard	Slade & Company	Columbia	56
Kent	Salvina Taylor	Chestertown	131
Montgomery	H & R Block	Gaithersburg	535
Prince George's	H & R Block	Laurel	303
Queen Anne's	H & R Block	Chester	110
Saint Mary's	FIT Financial	Leonardtwn	97
Somerset	Chris Sterling	Crisfield	6
Talbot	Donald Short	Easton	28
Washington	Saunders Tax Service	Hagerstown	214
Wicomico	Bruce Robson	Salisbury	47
Worcester	Elizabeth Norris	Berlin	294

INTERCEPTS TOTAL \$22 MILLION

The Comptroller intercepted \$22.3 million in federal income tax refunds issued to 34,608 individuals who owed Maryland taxes last year. The intercept program is part of a cooperative effort with the U.S. Department of the Treasury's Financial Management Service and IRS.

The money, which pays off the liabilities, exceeded the \$20.9 million retrieved in 2003, an increase of 6.4 percent. Maryland's program is one of the most successful in the nation.

During 2004, the agency sent 77,000 certified letters to delinquent taxpayers, giving them 60 days to pay

up. The office then forwarded a list of the delinquent accounts to IRS, which notified the taxpayers that their federal refunds were being used to pay their state taxes.

Since the program started in 2000, it has retrieved more than 123,500 federal income tax refunds worth \$79 million.

Nationwide, 1.2 million federal refunds totaling \$604.9 million – along with \$33.6 million in advanced credit payments – have been intercepted by the 36 states and Washington, D.C.

Court Watch

\$5 MILLION DECISION AGAINST AT&T

Maryland Comptroller William Donald Schaefer praised the Maryland Tax Court's recent decision to affirm the Comptroller's \$5.1 million tax assessment against AT&T for the long distance phone company's failure to collect sales tax on its 900-number services.

AT&T had contested its obligation regarding the 5 percent sales tax on 900-number phone services from 1992 to 2001, based on its allegation that is a regulated "common carrier," which enjoys constitutional protection from state taxation.

The court, however, agreed with the Comptroller's claim that AT&T acted as both a vendor and an agent in transmitting the calls. The company was involved in nearly every step of the phone service transactions, including the initial contact with information providers, the review of advertising and message content, billing and dispute resolution services, as well as the transport of messages. AT&T's business presence in Maryland was underscored by payroll and property records. In addition, 900 services and other 900-type telecommunication services are defined as taxable under state law.

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Unclaimed Property Update

As a result of legislation enacted by the 2004 Maryland General Assembly, insurance companies filing abandoned property reports are required to pay or deliver to the administrator (Comptroller) all property at the time of filing. Reports for the period ending December 31, 2004, are due April 30, 2005. The effective date of this change was July 1, 2004.

Advertising for all unclaimed property will begin on Monday, April 11 and run through Friday, April 22, 2005. The advertisement will be a 48-page insert with approximately 57,000 names.

continued from page 1

winds down toward the April 15 deadline. The closer we get to the deadline the longer it takes to process paper returns, which are due refunds. In fact, it can take several weeks to issue a refund check if a return is filed on April 15. Not so with an e-filed return. No matter when a return is filed electronically, a taxpayer can expect to have a refund deposited in his or her bank account within 48 to 72 hours, even if it is filed on the last day of the tax season.

We need to do a much better job of moving taxpayers toward e-filing and help get the state out of the wasteful, time-consuming business of processing mountains of paper every tax season. Several states are seeing tremendous growth in the number of returns filed electronically, but that

has been due largely to mandates enacted by those states requiring preparers to e-file their clients' returns. Is this the path that Maryland should choose? Maybe, but it seems to me that we should depend more on market forces to drive the numbers up. There is still time, but the tax season deadline clock is ticking.



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