

From the Desk of the Comptroller

As you know, Maryland is facing a \$1.9 billion shortfall in FY 2010 and saving money is critical to weathering the fiscal storm and maintaining essential services. This agency, along with the Governor and General Assembly, is doing its part to cut costs.

The Comptroller's Office has streamlined operations and pursued efficiencies where possible. One cutback may impact you and your clients this tax season. This year for paper return processing, we were only able to hire half the number of temporary employees for a significantly shorter period of time.

That means the typical two week turn around time for processing a paper return will likely be doubled to three to four weeks. While we are doing all we can to expeditiously process every return, including using permanent employees to open mail and in various areas of processing, taxpayers who file by paper may have to wait up to a month for a refund check.

To save taxpayers and preparers time this

year, we are encouraging everyone to electronically file. Besides being easy, fast and safe, e-filing saves the state significant monies in processing costs. In fact, each paper return costs nearly \$2 to process compared to only 38 cents for an electronically-filed return. Since the early 1990's, the state has saved more than \$14 million in processing costs.

E-filing offers many time-saving benefits to users. Taxpayers who electronically file a return and choose direct deposit can expect a refund in as little as 72 hours once we have received the return. E-filers who owe money and choose direct debit can get an additional two weeks to pay their debt.

As April 15 approaches, I encourage you to do your part in helping the state's economic recovery by e-filing. I am confident that this journey will not be long if we all pull together and work toward this common goal: restoring the economy of Maryland.

Peter Franchot



MITS Approved, Brings in Millions in Early Wins

In December, the Board of Public Works, consisting of Comptroller Franchot, Governor Martin O'Malley and Treasurer Nancy Kopp, voted unanimously to give the green light to implement the Comptroller's state-of-the-art Modern Integrated Tax System (MITS) which will ensure the state collects its fair share of tax revenues. It did so by approving an \$87 million software contract with Accenture to modernize the agency's tax collection system, hire additional auditors and attract and retain the most qualified tax collectors.

This significant investment will pay for itself

in the first two years and then be an ongoing source of important revenue for the state – particularly critical in these tight budget times. Over the next four years as the new technological upgrades are implemented, the state will receive back nearly \$200 million in previously uncollected tax revenue. It will then bring in \$80-\$100 million per year in perpetuity.

This is revenue that state can count on and budget for and is not subject to the economic twists and turns witnessed over the past few years. In just its first month of imple-

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\$\$\$ Revenues

Comptroller Franchot Urges Taxpayers to E-File Through YouTube

Comptroller Franchot recently launched a marketing campaign including a YouTube video, urging all Marylanders to file their taxes electronically this year to ensure they get their refunds within days as opposed to weeks. In these tight economic times, as families and business continue to tighten their belts to make ends meet, those monies could go a long way to paying off bills or building future savings.

Like many across the state, the Comptroller's Office has also instituted some cost savings measures that include cutting the number of temporary employees usually hired to help during tax season by half. These cuts, which are projected to save the state approximately \$450,000 this tax season, will not impact the efficiency of the agency; however, they will slow down the processing time for paper returns. Therefore, e-filing is the quickest way for taxpayers to file this tax season.

Along with saving taxpayers time, e-filing also saves the state of Maryland money, as it costs \$1.98 to process a paper return compared to 38 cents for an e-filed return. This adds up to approximately a \$1.60 savings per return. Since the Comptroller's Office began accepting e-filed returns in the early 1990's, electronic filing has saved the state roughly \$14 million.

In addition to the Comptroller's YouTube ad, which attracted over 20,000 hits in its first two weeks online, the



The Comptroller's E-file ad can be seen at the following link:
<http://www.youtube.com/watch?v=HvbRj-XdhRc>

agency is advertising its efile message in local newspapers and at government buildings throughout the state.

With the Comptroller's increased public outreach over the past two years, the number of electronic returns has risen. For tax year 2007, the Comptroller's Office processed more than 1.5 million returns electronically, up almost 200,000 from the 1.3 million received in tax year 2006. To date for tax year 2008, the office has already downloaded 722,808 electronic returns. This compares to 653,892 downloaded this same time last year.

'MITS' Update *Continued from Page 1*

mentation, MITS has already recaptured over \$3 million in delinquent taxes and identified over 11,000 Marylanders who mistakenly claimed a federally-allowed deduction on their state income tax returns, with over 6,000 taxpayers to date sending payments back to the state.

During this session of the General Assembly, the Comptroller is supporting legislation which would provide funding for a data warehouse, the final component necessary to implement MITS. This data warehouse would allow the agency to collect vital taxpayer informa-

tion that already exists within agencies throughout state government, cross-reference this information with the existing taxpayer database, and identify cases of non-filing, non-reporting or under-reporting of taxable income, or other potential irregularities that warrant further examination. This effort, once fully complete, is an on-going example of how the Comptroller's Office is working to steer Maryland through these rocky economic times in a fiscally responsible manner.

MITS
MODERN INTEGRATED TAX SYSTEM

Comptroller Franchot Surprises Low-Income Families with Checks

Seeking to provide a ray of sunshine in these turbulent economic times, Comptroller Franchot recently mailed refund checks to taxpayers who qualified for the state's Earned Income Tax Credit (EITC), but failed to claim it on their 2007 tax returns. For tax year 2007, nearly 200,000 of the two million personal income tax returns processed by the Comptroller's Office claimed the Earned Income Tax Credit, totaling over \$81 million. However, many Marylanders still did not know to take advantage of this program. In total, the Comptroller's Office sent out 2,339 checks equaling \$572,746 in January.

Maryland taxpayers who qualify for the federal EITC and claim it on their federal return may be entitled to a state EITC equal to 50 percent of the federal credit. The state credit will either reduce or eliminate the amount of the state tax liability. However, if the credit exceeds the money owed the state, the taxpayer may be eligible to receive a refund of 25 percent of the federal EITC less the state tax liability.

The Comptroller's Office requested records from the IRS including Maryland individuals

and families who received the federal EITC, but did not claim it on their state return. After reviewing each of the 5,353 returns identified by the IRS, the agency determined if and how much of a credit was due each respective taxpayer. Those eligible for a refund were then sent checks.

For tax year 2008, the earned income credit is allowed to Maryland taxpayers whose earned and adjusted gross income is:

- Less than \$12,880 (\$15,880 for married filing jointly), you have no children and you are 25-64 years of age.
- Less than \$33,995 (\$36,995 for married filing jointly) and you maintained a home for a child for at least six months of the year.
- Less than \$38,646 (\$41,646 for married filing jointly) and you have two or more children.

For more information regarding the Earned Income Tax Credit and the Refundable Earned Income Credit, please visit www.marylandtaxes.com or call 1-800-MD-TAXES.

Agency Reorganization: Motor Fuel, Alcohol, Tobacco Tax Regulatory Division

Following the recent departure of director Thad Russell, the responsibilities of the Motor Fuel, Alcohol and Tobacco Tax (MATT) Regulatory Division have been reorganized. The functions of the entity were split between two pre-existing divisions within the agency: Revenue Administration Division (RAD) and Field Enforcement Division (FED). MATT personnel whose jobs center on regulatory functions have been reassigned to FED; while, those whose responsibilities pertain to tax issues, systems control, accounting and reporting sections have been moved into RAD.

MATT was originally comprised of the professionals trained to administer motor fuel, alcohol and tobacco regulations and business licensing functions for the Comptroller's Office to secure voluntary compliance, maximize collection of all revenues owed the state, and provide equitable treatment for Maryland businesses and individuals.

For more information on motor fuel, alcohol and tobacco tax regulations and procedures, visit http://compnet.comp.state.md.us/MATT_Regulatory_Division/General_Information.

\$\$\$ Revenues

Corporate Information Reporting

The Comptroller's Office recently notified over 15,000 corporations that they have not filed a corporate information report as required by law. If a business received a "Notice of Failure to File" and is not a member of a corporate group, then no penalties will be assessed if they file for an exemption.

To do so, taxpayers can access our corporate reporting system at www.marylandtaxes.com under the "Corporate Information Reporting" section on the homepage of the Web site.

Once accessed, taxpayers should go to the "File for an Exemption" box and enter the FEIN and reason for the exemption and click on "Submit." A receipt with a confirmation number will then be sent back which should be saved for record for future reference.

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