

Free Electronic Filing Seminars

In preparation for the 2005 tax-filing season, the Comptroller of Maryland, in cooperation with the Internal Revenue Service, the District of Columbia Office of Tax Revenue and the Delaware Division of Revenue have scheduled a series of free seminars for tax preparers interested in learning how

electronic filing can benefit their businesses.

The seminars are meant for both new and previous participants and cover electronic filing initiatives and technical updates concerning the Federal/State e-file program. Some topics to be discussed include federal business e-file, the elec-

tronic federal tax payment system, the federal tax deposit penalty refund program, earned income tax credit, tax updates, and state electronic filing information and updates.

IRS will answer questions and provide assistance for those needing to complete the Electronic Return Originator application process. Representatives from the IRS and Maryland will be available at every location. In addition, representatives from the District of Columbia will be at the Baltimore, Frederick, Beltsville and Arnold locations, and from the Delaware Division of Revenue at the Arnold and Salisbury locations.

The seminars are open to all tax practitioners. **All participants must pre-register** by sending an email to efil@comp.state.md.us indicating your name, address, phone number, and the session you wish to attend. A confirmation will be returned by email. Sessions begin at 8:30 a.m. and end at 4:00 p.m.

Locations and dates are listed on page 3.

Comptroller's Comments

Mandating Electronic Tax Filing?



Several states have seen tremendous growth—over 100% in California alone—in the number of personal income tax returns filed electronically by professional tax preparers during this past year's tax season. Unfortunately Maryland isn't one of them. The main reason for the increase in those states—Alabama, California, Michigan, Minnesota, Oklahoma and Wisconsin—is that they have enacted legislation or adopted regulations mandating the use of electronic filing, or e-filing, by paid preparers. Virginia and Connecticut are about to join their ranks.

Should Maryland follow suit? The answer, I believe, rests with the tax professional community, which has the power to increase e-filing without the need for mandates. The state's tax preparers are in a unique position to influence the rapid expansion of e-filing in Maryland and bring us closer to a paperless system, but the time to act is now.

Over the last several years, we have seen steady growth in the number of personal income tax returns filed electronically, but recently the rate of increase has begun to slow down. The increase dropped from 35% growth in 2002, to 20% in 2003 and to 13% this year.

This slowing trend can be reversed with the help of Maryland's tax preparers, who last year accounted for two-thirds of all e-filed tax returns. As a group, or individually, the state's tax preparers should set a goal to increase the number of returns they file electronically this

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Holding Company Settlement Period Ends November 1

Senate Bill 187, enacted as Chapter 557, Laws of Maryland (2004) authorizes special settlements and taxpayer benefits for taxpayers subject to assessment on the basis of issues that were ruled on by the Maryland Court of Appeals in the *SYL* and *Crown Cork & Seal* decisions, 375 Md. 78, 825 A.2d 399 (2003). The settlement covers royalties, interest or other intangible income such as management fees, capital gains or fees for management foresight received from an affiliated company under common control, where the payor of the income acted in Maryland on behalf of the income recipient.

Companies seeking the benefits of a settlement by filing returns for the holding company must report, and pay tax on, the full apportioned income of the holding company, taking only deductions or subtraction modifications authorized by law. Senate Bill 187 does not allow any new deductions; claiming unauthorized deductions will likely cause rejection of the settlement application. Full disclosure and payment is required of all affiliated corporations, regardless of where the companies are incorporated.

The settlement covers tax years January 1, 1995, through tax years ending on or before December 31, 2003. The settlement period began July 1, 2004, and ends November 1, 2004.

If taxes covered by the settlement for all tax years beginning on and after January 1, 1995, through all tax years ending on or before December 31, 2003, plus interest at the rate of 6.5 percent per annum, are paid on or before November 1, 2004, then no claim for these taxes will be enforced for prior years. All penalty charges and the remainder of statutory interest charges will be abated.

For additional information regarding the settlement, visit the Comptroller's website www.marylandtaxes.com. The principle contact for the program is Mary Wood Manager, Business Tax Audits, who may be reached at either (410) 767-4882 or 1-800-492-1752 or by e-mail at hcs@comp.state.md.us. If your case is in the Maryland Tax Court, you can contact the assistant attorney general handling your case at (410) 260-7808.

Changes in Unclaimed Property Program

As a result of legislation enacted by the 2004 Maryland General Assembly (Section 17-312), holders of abandoned (unclaimed) property are required to pay or deliver this property to the Comptroller of Maryland at the time the report is filed. The effective date of this change was July 1, 2004.

Reports and remittances for corporations, financial institutions, and non-insurance filers for the period ending June 30, 2004, are due October 31, 2004; and for insurance companies for the period ending December 31, 2004, April 30, 2005.

All unclaimed property holders with more than 25 accounts to report are requested to file electronically using the NAUPA format by e-mail to upholder@comp.state.md.us, or by mailing a disk or CD to Unclaimed Property Unit, 301 W. Preston St., Baltimore, Md. 21201-2385. Information regarding the NAUPA format is available at www.unclaimed.org or by calling the unit at 410-767-1700 or 1-800-782-7383.

Those with 25 or fewer accounts should also file their reports electronically using the Comptroller's Web site (www.marylandtaxes.com). The purpose of the web application is to eliminate the need to file hardcopy reports and will be available on-line, October 6, 2004.

Comptroller of Maryland

Phone Numbers for Tax Professionals

Tax Pros Help Line	410-260-7424
Electronic Filing Problems	410-260-7753
Opening a New Business	410-767-1313
.....	or 800-492-1751
Filing Extensions	410-260-7829
.....	or 800-260-3664
Telefiling "Zero" Returns	410-260-7225

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Electronic Filing Seminars Locations and Dates

Arnold, Md.

Monday, October 4, 2004
Anne Arundel
Community College
Cade Building
Fine Arts Multi-Purpose Room
101 College Parkway
Arnold, MD 21012

Beltsville, Md.

Wednesday, October 6, 2004
USDA Agricultural Research Center
Building 003 Auditorium
10300 Baltimore Avenue
Beltsville, MD 20705

Salisbury, Md.

Friday, October 8, 2004
Salisbury State University
Worster Room-Commons Building
1101 Camden Avenue
Salisbury, MD 21801

Hagerstown, Md.

Tuesday, October 12, 2004
Hagerstown Community College
11400 Robinwood Drive
Hagerstown, MD 21742

Baltimore, Md.

Thursday, October 14, 2004
Harbor Hospital Life Resource Center
2990 S Hanover Street
Baltimore, MD 21225

Frederick, Md.

Friday, October 15, 2004
Frederick County Courthouse
2nd Floor Jury Assembly Room
100 W Patrick Street
Frederick, MD 21701

Baltimore, Md.

Saturday, October 23, 2004
Harbor Hospital Life Resource Center
2990 S Hanover Street
Baltimore, MD 21225

All sessions, 8:30 a.m. - 4:00 p.m.

Contact information:

410-260-7617

efil@comp.state.md.us

Withholding Required When Using Nonresident Contractors

Individuals and businesses who enter into contracts of \$500,000 or more to improve real property with nonresident general contractors are required to withhold three percent of the price on completion of the contract, pending receipt of a Tax Clearance Certificate from the Comptroller. In addition, the same withholding is required of anyone doing business with a nonresident subcontractor where the total price of the subcontract is \$50,000 on a general contract of \$500,000 or more. For more information contact Compliance Office of the Comptroller, 410-767-1942, or toll free at 1-888-648-9638.

Tax Compliance Verification

Before many state licenses or permits may be renewed, the issuing authority is required to verify with the Comptroller's Office that the applicant has paid all undisputed taxes. This went into effect July 1, 2003, and also requires that renewal applicants must have paid unemployment insurance contributions to the Comptroller or the Secretary of Labor, Licensing and Regulation, or have provided for payment satisfactory to the unit responsible for collection.

Tax compliance verification applies to individual occupational

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licenses, as well as to many of the licenses and permits needed to operate a business in Maryland. Of renewals that the Comptroller has verified to date, 27,080 individuals and businesses had liabilities. Of those, 17,987 have been released for renewal because of paying in full or making satisfactory arrangements. Over a two-year cycle about 450,000 license renewals are expected to be reviewed for tax compliance.

ReveNews..

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coming tax season. How about 50%? It's good for the clients, it's good for business, it's good for the state and it's do-able.

Most taxpayers have found e-filing to be fast, easy and accurate, with the biggest benefit of all that they get their refunds deposited in their bank accounts within 48 hours after it is processed. That certainly beats the outdated system of snail mail and hand processing tax forms, which can delay refunds for weeks.

Balance due taxpayers benefit as well from the error-free returns

processing which electronic filing brings, the ability to schedule payment on the due date, and acknowledgement of filing. Clients are more satisfied, which benefits the preparer and the state lowers its costs through this more efficient system, which is possibly the most important result – it saves taxpayers money because it cheaper to file electronically than by paper. It's just plain common sense, and common sense should not have to be mandated.



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Comptroller of Maryland

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