

From the Desk of the
Comptroller



For the past year, we have seen our state and nation, our neighbors and friends, struggle in these uncertain economic times. Like families across Maryland, government too, has had to tighten its belt while continuing to provide fundamental services.

As we begin to see signs of improvements in the economy, I continue to urge restraint and caution to my fellow public servants. Our economy remains volatile and some, including myself, have recognized the need to change the way we do businesses as we enter the age of austerity. Though I remain cautiously optimistic that Maryland will rebound sooner than most states, we must look for ways to do more with less and operate with the utmost efficiency. That is why I'm proud of the accomplishments of my office in the last 12 months including:

- Providing excellent customer service through the use of technologies to return

money to citizens, protect taxpayers and make tax filing easier;

- Working diligently to ensure every tax dollar is collected fairly among individuals and businesses;
- Protecting state dollars by opposing wasteful and indiscriminate spending as a member of the Board of Public Works;
- Expanding economic opportunities for small businesses and advocating for women and minority-owned firms;

As the state's chief fiscal officer, I pledge to continue streamlining our agency's operations and oppose imprudent spending. I believe every individual and business should pay its fair share, and those that do, should be rewarded. Maryland remains fiscally strong, and I, as Comptroller, will secure Maryland's finances to create a stronger state for generations to come.

Aggressive Compliance Efforts Yield More Than \$1.4B

Over the last four years, the Comptroller's Office has returned more than \$750 million in delinquent and deficient taxes from businesses to Maryland coffers; while, the agency has also collected more than \$620 million in personal income tax from individuals owing the state.

"When I took office as Comptroller, I promised that one of my top priorities

would be to ensure that we use every tool at our disposal and modernize the current compliance system to collect monies owed the state, especially in these tough economic times," said Comptroller Franchot. "I am committed to making sure everyone pays their fair share, whether an individual, small business or large corporation."

"Compliance Efforts" continued on Page 4

REVENUES

Comptroller Franchot Recognizes Superior Fiscal Management through School Maintenance

In an effort to highlight the importance of school maintenance on the state's bottom line, Comptroller Franchot is visiting schools across Maryland with superior preservation practices. Traveling from Charlestown in Cecil County to Flintstone in Allegany County, the Comptroller is recognizing maintenance crews, school principals, superintendents and students for their upkeep of our state's existing schools. He is thanking school officials for their efforts to safeguard taxpayer dollars by extending the useful life of educational institutions. Additionally, studies show that student performance is related to the environment where

they learn. The Comptroller will continue to travel the state recognizing schools for money saving initiatives and superior maintenance.

To further mark this important practice, the Comptroller has created a Silver Hammer award for schools with improved maintenance. Superintendents in all 24 jurisdictions are invited to nominate a school in their district that has shown the greatest improvement over the last year. Awards will be distributed this Spring. To learn more about the Silver Hammer program, visit http://www.marylandtaxes.com/comptroller/initiatives/School_Maintenance.asp.

MIT'S Returns \$65M in Two Years

Comptroller Peter Franchot recently announced that the state's new Modernized Integrated Tax System (MITS) has netted nearly \$65 million in back taxes since it was approved for funding two years ago. The focal point of his efforts to modernize the agency's resources, MITS is a state-of-the-art data warehousing and tax collection system intended to capture nearly \$200 million in revenue owed the state in its initial four-year implementation phase.

"Through the implementation of MITS, my office has made impressive strides to ensure that Maryland is collecting tax revenues to which the state is entitled," said Comptroller Franchot. "We expected that once fully implemented, MITS would bring in tens of millions annually and it has done just that and more, serving as a cornerstone for returning Maryland to a sound fiscal standing."

Following the phase-in period, the tax system is expected to generate \$80 to \$100 million per year in perpetuity. Employed only two years ago as an \$87 million investment to the state, MITS has exceeded expectations and nearly paid for itself already.

"It has been one of my top priorities to ensure that my office is using every tool at our disposal and creating new innovative partnerships to collect monies that are owed the state."

-Comptroller Peter Franchot

2010 Federal-State Tax Institutes

Sponsored by IRS and the Comptroller's Revenue Administration Division, the annual tax institutes consist of a series of workshops explaining new developments in federal and state tax law and other reporting requirements for tax preparers and practitioners.

The 2010 institutes are as follows:

Monday, November 1, 2010

Krystal Q Reception Hall & Catering
9630 Technology Drive,
Easton, Md. 21601

Tuesday, November 9, 2010

Martin's Crosswinds
7400 Greenway Center
Drive, Greenbelt, Md. 20770

**Wednesday, November 3,
2010**

Holiday Inn
5400 Holiday Drive,
Frederick, Md. 21073

Tuesday, November 16, 2010

Martin's West
6817 Dogwood Road,
Baltimore, Md. 21244

For information, please call 410-260-6142, Monday - Friday, 7:30 a.m. - 4 p.m. or contact the agency by e-mail at radtaxinstitute@comp.state.md.us.

Federal Partnerships Brings In More Than \$163 Million to Maryland

Innovative Initiatives Capture Millions of Dollars Owed the State

Comptroller Peter Franchot recently announced that more than \$163 million has been returned to Maryland's coffers as a result of innovative partnerships with federal government agencies. The first-in-the-nation Federal Vendor Offset Program and the Federal Income Tax Refund Intercept Program are partnerships between Maryland and the federal government to collect back taxes and other monies owed the state from tax scofflaws.

"It has been one of my top priorities to ensure that my office is using every tool at our disposal and creating new innovative partnerships to collect monies that are owed the state," said Comptroller Franchot. "I was very proud that Maryland was the first state in the country to join the Federal Vendor Offset program and that we have aggressively pursued the Income Tax Refund Intercept Program."

The Federal Vendor Offset Program allows Maryland to intercept federal vendor payments to satisfy tax and

other financial liabilities of the state. In total, more than \$51 million has been collected through this program over the past three years. In addition to this rewarding program, the Comptroller's Office participates in the Federal Income Tax Refund Intercept Program which intercepts federal income tax refunds to satisfy individual state income tax liabilities. Since 2008, the program has returned over \$111 million in back taxes to Maryland.

"During tough economic times, income generating programs such as these are vital," said Franchot. "They also reward taxpayers who do the right thing by not allowing those who would cheat the state to get away with it. These are not new taxes, but taxes rightfully owed the state. We are also proving to tax scofflaws that they can run but they can't hide."

While not federal partnerships, Maryland also has state reciprocal agreements with Connecticut, Delaware, New Jersey and New York.

Dr. Roland Unger, General Accounting Division Director Passes Away

Long-standing Assistant Director Thomas Bibeault to serve as Interim Director



The Comptroller's Office lost a key member of its executive management team in October with the death of Dr. Roland L. Unger, head of the agency's General Accounting Division.

Although Dr. Unger had only been with the Comptroller's Office since June 2009, he became an integral part of the team, making many efficiency improvements resulting in significant savings for the state. He was beloved by his employees for his easy going nature and compassion.

"It saddens me to see someone with Dr. Unger's talent and experience have to go so soon," said Comptroller Franchot. "He will truly be missed and remembered as a widely respected professional in the accounting world as well as for his dedication and outstanding leadership."

Before joining the agency, Dr. Unger served as the city of Westminster's director of finance managing a \$40 million budget. Prior to that post, Dr. Unger was the chief financial officer for the Maryland Supplemental Retirement Plans supervising \$2 billion in assets for 66,000 employee participants. He also served as a Certified Public Accountant in his own firm and others. Before entering the financial world, Dr. Unger protected the citizens of Baltimore City and county as a SWAT team leader and foot patrol officer.

He is survived by his wife Ann and their four children Christian, Christine, Jonathan and Sarah.

Thomas Bibeault, assistant director of administration and office systems and development, will serve as interim division director.

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The Comptroller's Office has made a hard-line effort to aggressively crack down on large corporations using tax avoidance strategies such as "captive" Real Estate Investment Trusts and Delaware Holding Company ploys, generating more than \$110 million in money owed the state.

"The majority of Maryland businesses and residents abide by the tax laws and play by the rules. Therefore, we will not allow a few bad apples to gain an unfair advantage by using schemes and other measures to intentionally avoid paying their tax liabilities," added Comptroller Franchot.

Fiscal Year 2010 Closeout Numbers Released

The Comptroller's office released the final closeout numbers for Fiscal Year 2010, while emphasizing the need for caution during these turbulent economic times. General Fund revenues totaled nearly \$12.6 billion in the fiscal year, which was \$183.7 million above the official state forecast. Reflecting the ongoing impact of the national recession, the state's baseline revenue collections declined by 3.7%, the third worst performance in more than 40 years.

After final transfers and revenues were counted, the state of Maryland closed the fiscal year with a fund balance of \$344 million.



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