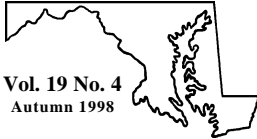


## Maryland



Maryland tax information ● ROBERT L. SWANN ● State Comptroller

# Swann named comptroller after death of Louis L. Goldstein

Robert L. Swann was sworn in as the 31st comptroller of Maryland at a ceremony in the State House in Annapolis on July 14. Governor Parris Glendening appointed Mr. Swann to succeed long-time comptroller Louis L. Goldstein, who died on July 3.

Comptroller Swann, a 37-year veteran of the Comptroller's Office, joined the agency in 1961 as an investigator with the Alcohol & Tobacco Tax Division. He worked as an auditor and assistant to Comptroller Goldstein before being appointed assistant state comptroller in 1974. In that capacity, he managed the comptroller's staff, served as the principal staff member for Board of Public Works issues, and acted as the comptroller's liaison to the Maryland General Assembly.

After a comprehensive agency reorganization in 1994, Comptroller Goldstein appointed Mr. Swann as one of two deputy comptrollers. As deputy comptroller, Mr. Swann oversaw the

*(Please turn to page 4)*

## ***Inside***

- Local tax rate changes
- Registers of wills automation project
- Tribute to Louis Goldstein

# Changes in tax forms may increase demand for preparers

Next tax filing season, tax preparers in Maryland may find themselves as hot a commodity as software engineers in Silicon Valley, thanks to changes in state and local income tax forms, especially those caused by state income tax reduction and the new refundable earned income credit.

The cut in the maximum state tax rate to 4.875% and the increase in the personal exemption to \$1,750 are simple to calculate. The complexity will come with the local tax calculation, because under the tax reduction act, the state tax cut does not flow through to the local income tax. This "hold harmless" provision means that the local tax is no longer calculated as a simple percentage of the state tax liability, with the percentage being the local tax rate. Instead, the local rate is applied to what the tax

liability would have been without the state tax reduction.

Because of the additional calculations required, the one-sided Form 503 has been eliminated. All resident taxpayers must use Maryland Form 502, except for those who file the special refund request Form 123. Taxpayers will use lines 28-38 to recalculate their income, exemptions, and tax as a basis for the local tax calculation.

Many Marylanders will let computer software do the extra work by filing electronically from their personal computers (available for the first time this year to taxpayers who filed a 1997 Maryland return), while others will turn to their local tax professionals for the first time. The new *refundable* state earned income credit will also increase the

*(Please turn to page 7)*

## ***FYI*** Commitment to excellence will continue

Louis L. Goldstein's 39-year tenure as state comptroller was marked by a steadfast commitment to innovative and excellent service and to the financial integrity of state government. Maryland's Triple A General Obligation bond rating, our 18 consecutive Certificates of Achievement for Excellence in Financial Reporting, and our many firsts in using technology to better serve Maryland's citizens and business community reflect his dedication to excellence in every endeavor.

We will continue that tradition of excellence with our veteran management team and skilled staff. We'll keep finding new ways to make technology a bridge, and not a barrier, between government and the people we serve. For example, taxpayers will be able to file their 1998 Maryland state and local income tax returns from their own personal computers. We'll continue to make our services more convenient, offering direct deposit of Maryland refund checks to all taxpayers in 1999. And we'll always listen to your suggestions as we look for even better ways to get the job done.

Robert L. Swann

Comptroller of Maryland

# Briefly noted



## Phone numbers to change in Annapolis complex

Telephone numbers in the Annapolis complex of the State Comptroller's Office will be changing, starting at the end of September, when a new telephone system is phased in. 1998 income tax booklets will contain the new numbers, which should be in effect by the start of the tax season. Toll-free numbers - including 1-800- MD TAXES - *will not be changed*. The Forms-by-Fax number - 410-974-FAXX (3299) - will also stay the same. The next issue of *ReveNews* will feature a detailed list of the new numbers, with effective dates.

## State closes fiscal year 1998 in the black

Maryland closed fiscal year 1998 on June 30, 1998, with an undesignated General Fund balance of \$117,096,709. A law enacted by the 1998 session of the General Assembly requires the governor to appropriate all surplus revenue that exceeds \$10 million into the Revenue Stabilization Account of the state's reserve fund.

## New web address

The Comptroller's Office Internet address has been changed to the more descriptive and easy-to-remember

[www.marylandtaxes.com](http://www.marylandtaxes.com). You'll continue to find tax forms, instructions, brochures, and other useful information at the new address. But, if you've already bookmarked our site, don't worry, because the old web address will still work.

## Financial reporting award - 18 in a row

Maryland has received the "gold medal" for top performance in government financial reporting from the Government Finance Officers Association of the United States and Canada for the 18th consecutive year. The GFOA awarded the Certificate of Achievement for Excellence in Financial Reporting to Maryland's fiscal year 1997 Comprehensive Annual Financial Report, prepared by the State Comptroller's Office. According to GFOA, the certificate is "the highest form of recognition for state and local governments and demonstrates a constructive spirit of full disclosure."

The fiscal year 1997 report is available on the comptroller's website at [www.marylandtaxes.com](http://www.marylandtaxes.com).

## \$250 million in AAA bonds sell for 4.5678%

On July 8, the Maryland Board of Public Works sold \$250,000,000 in General Obligation bonds for a low interest bid of 4.5678%. The board received four bids on the Triple A rated bonds, with a syndicate headed by Goldman Sachs submitting the low bid.

The Triple A rating has saved the state more than \$147 million in interest costs since 1971, compared to the next highest Double A rating. Maryland is one of only eight states in the nation to retain the coveted Triple A rating from all of the major bond rating agencies.

Governor Glendening and Treasurer Dixon noted that the sale was the first in 40 years without the late Louis L. Goldstein casting his vote as state comptroller.

## Delinquent tax interest rate set for 1999

For calendar year 1999, the interest rate for delinquent taxes will be 13%, the same rate as in 1998 and the lowest rate allowed by law. The annual rate of interest paid on refunds for 1999, where interest is required by law to be paid, will be 8%, an increase from the 7% rate for 1998.

## \$10.8 million in unclaimed funds returned

During fiscal year 1998, the Comptroller's Office returned more than \$10.8 million in unclaimed funds for almost 9,000 individuals and businesses. Financial institutions, insurance companies, and corporations must report bank accounts, contents of safe deposit boxes, wages, insurance benefits, security deposits, stock dividends, and other funds to the Comptroller's Office if they remain unclaimed for five years or more.

To reach another 25,000 apparent owners of unclaimed property, the state is working with the Internal Revenue Service, which will match social security numbers to its updated address base and send the state's notices to owners' last known addresses. The unclaimed property information is not used for any federal tax purposes.

Other unclaimed property outreach programs include joint efforts with Delaware, Pennsylvania, and Washington, D.C., at area malls and fairs.

## Buttleggers nabbed

In three separate incidents in July, agents from the comptroller's Investigative Services Unit confiscated 1,828 cartons of cigarettes not bearing Maryland tax stamps. In each of two seizures at the Fort McHenry toll plaza in Baltimore and one on I-95 in Laurel in Prince George's County, agents found hundreds of cartons of Virginia-stamped cigarettes.

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## LOUIS L. GOLDSTEIN

### MARYLAND STATE COMPTROLLER 1913 - 1998

Louis L. Goldstein, comptroller of Maryland and the longest serving state official in Maryland history, died July 3, 1998, after a 60-year career in public service. The comptroller, known throughout the state as much for his signature "God Bless You All Real Good" greeting and his love of Maryland history as for his financial acumen, was 85 years old.

The Louis Goldstein political legend started in 1938, when the 25-year-old law school graduate launched a successful grass roots campaign for a Maryland House of Delegates seat representing his native Calvert County.

Four years later, the 29-year-old legislator enlisted as a private in the Marine Corps in 1942, shortly after the attack on Pearl Harbor.

After the war, he ran for the state Senate, and his victory in the election of 1946 was the start of a twelve-year senate career which included four years as majority floor leader and four years as Senate president.

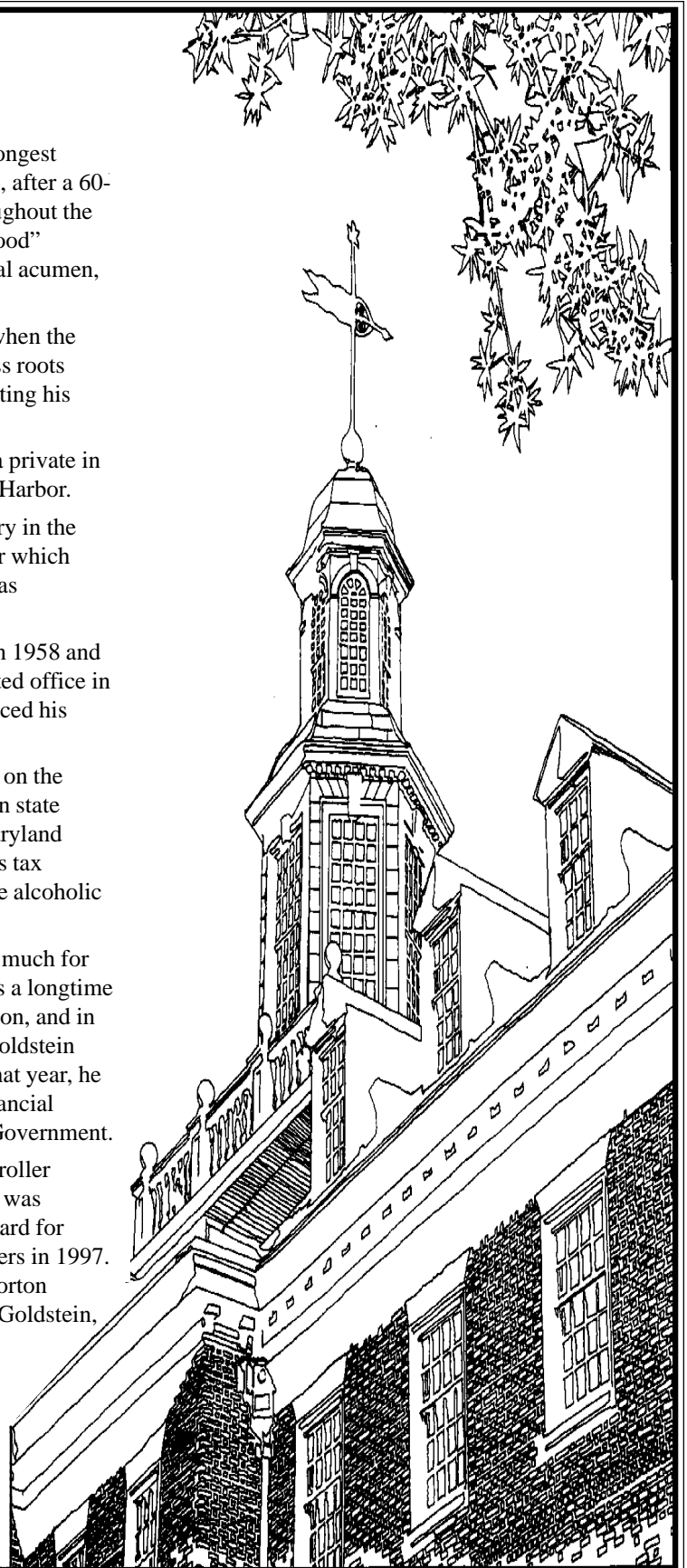
Louis Goldstein won his first election as comptroller in 1958 and served almost ten terms, setting a record for statewide elected office in Maryland and, apparently, nationwide. He had just announced his candidacy for an 11th term as state comptroller.

As Maryland's 30th comptroller, Mr. Goldstein served on the Board of Public Works, the highest administrative agency in state government, with the governor and state treasurer. The Maryland comptroller is nearly unique nationally because he serves as tax collector, chief accountant, and paymaster, administers state alcoholic beverages laws, and operates the state's largest data center.

As comptroller, Louis Goldstein gained recognition as much for his financial acumen as for his colorful personality. He was a longtime member of the Maryland Public Finance Officers Association, and in 1989, MPFOA honored him by establishing the Louis L. Goldstein Award for Excellence in Public Financial Management. That year, he also won the Donald L. Scantlebury Award of the Joint Financial Management Improvement Program of the United States Government.

The Federation of Tax Administrators awarded Comptroller Goldstein its Lifetime Achievement Award in 1996, and he was honored by the establishment of the Louis L. Goldstein Award for Leadership by the National Association of State Comptrollers in 1997. Mr. Goldstein was married for 48 years to the late Hazel Horton Goldstein and had three children, Philip Goldstein, Louisa Goldstein, and Margaret Janney. He lived at Oakland Hall, Prince Frederick, Maryland.

IN 1984, THE STATE TREASURY BUILDING WAS RENAMED AND DEDICATED IN HONOR OF STATE COMPTROLLER LOUIS L. GOLDSTEIN, MARYLAND'S LONGEST SERVING STATEWIDE ELECTED OFFICIAL.



# Tax changes, updates highlighted for preparers

## Federal-state tax institutes

**Want to know what's new?** Get a jump on the big changes in Maryland's forms and in the local income tax calculations caused by state tax reduction by attending the 24th annual federal-state tax institutes.

**Who?** These institutes are for tax professionals interested in earning eight Continuing Professional Education credit hours from the Maryland Board of Public Accountancy by learning about federal and state tax changes.

**What?** The institutes focus on the upcoming income tax filing season. The Maryland program will cover the impact of tax law changes, as well as the latest regulations, administrative releases, and changes in Maryland forms. The \$150 registration fee includes the sessions, a valuable reference manual, a catered lunch, and a certificate of attendance.

### When and where?

November 5	Salisbury	Salisbury State University
November 12	Frederick	Holiday Inn
November 24	Baltimore	Holiday Inn, Inner Harbor
December 5	College Park	University of Md., Center of Adult Education
December 10	Rockville	University of Md., Shady Grove Center

**How?** For more information, call the University of Maryland University College, Center for Professional Development, at 301-985-7644. To register by phone, call 301-985-7171. Registrations can be faxed to 301-985-7887.

## Electronic filing seminars

Tax preparers who offer electronic filing should plan to attend one of the electronic filing seminars sponsored by the IRS and the State Comptroller's Office. The sessions will cover the latest developments in electronic filing. Once again this year, the Comptroller's Office will pay all fees associated with transmitting electronic returns through the state's contractor.

The two-hour seminars are free, and preregistration is not required. For more information on electronic filing seminars, please call Luc Guinand at 410-974-3754. The seminars will be held on the following dates:

October 19, 10:00 a.m.	Beltsville	USDA Agricultural Research Center, Bldg. 003
October 20, 11:00 a.m.	Salisbury	State Multiservice Center Conference Room
October 22, 10:00 a.m.	Baltimore	University of Baltimore, Langsdale Auditorium
October 23, 11:00 a.m.	Hagerstown	Rm. 104, Hagerstown Center of F.S.U.



## Swann named comptroller

(continued from page 1)

agency's data processing, general accounting, payroll, and budget functions.

Mr. Swann is a widely recognized expert in state government. Governor William Donald Schaefer appointed him to the Governor's Task Force to

Study the Agricultural Land Preservation Foundation in 1991 and the Governor's Task Force on School Construction in 1992. In 1980, Governor Harry Hughes appointed Mr. Swann to the Governor's Task Force on State Procurement Regulations and the State Use Industries Board.

The new comptroller also represented Comptroller Goldstein on the Maryland Agricultural Land Preservation Foundation and the

Maryland Wholesale Food Market Authority. Mr. Swann also served as president and member of the board of directors for the Jefferson Patterson Park and Museum, as well as a member of the park's Technical Planning Committee.

Comptroller Swann was born near Lower Marlboro, Calvert County, Maryland, on December 4, 1935, and now lives with his wife, the former Dorothy DeBoy in St. Leonard Shores, Calvert County, Maryland. They have one daughter, Michelle, and a granddaughter, Crystal.

## New for the tax filing season

### File from your personal computer

For the first time, taxpayers will be able to file their Maryland state and local tax returns online, directly from their personal computers. Taxpayers who filed a 1997 Maryland return will be able to use approved off-the-shelf commercial software or the software developers' websites to file their 1998 Maryland returns. PC filers must also complete and submit a new signature form, Form 502OL, with accompanying W-2s to the state. Form 502OL will be available on the comptroller's website. We'll provide more details on PC filing in the next issue of *ReveNews*.

### Direct deposit for all

In 1999, all resident taxpayers will be able to choose the convenient option 33,902 electronic filers chose in 1998 - of having their state income tax refund directly deposited into their bank accounts. That option, offered for the first time last year to taxpayers who filed electronically through a qualified tax preparer, accounted for 16.5% of refunds generated by electronically filed returns. For the upcoming filing season, direct deposit of refunds will be available for paper filed returns of resident taxpayers, PC filed returns of resident taxpayers, and returns filed electronically through a qualified preparer.

### Electronic filing update

While preparers will still need to have taxpayers sign the Form 502EL signature form, they'll no longer need to mail those forms and W-2s to the state. Instead, they need to keep these documents available for audits for three years.

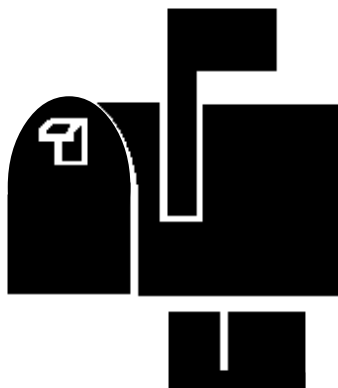
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## When you order forms

Order forms mailed at the beginning of September offered tax preparers several paper saving, space saving, and tax-dollar saving ways to receive all of the 1998 Maryland income tax forms and instructions they'll need for the upcoming filing season:

**Free CD ROM** - This year's CD will contain Maryland tax forms for tax years 1998, 1997, and 1996. Last year 50% of preparers ordering forms ordered the free CD, which gave them all the forms and instructions they needed without tying up valuable storage space.

**Package X** - Like the CD ROM, the reproducible Package X contains all of our 1998 forms and instructions, eliminating the need for tax booklets and allowing preparers to order fewer, if any, individual forms.



**World Wide Web** - visit us at [www.marylandtaxes.com](http://www.marylandtaxes.com) for tax forms, instructions, a special section for tax preparers, and more.

**Forms-by-Fax** - You can use our Forms-by-Fax system to receive forms and publications 24 hours a day, seven days a week by calling 410-974-FAXX (3299).

## Three counties reduce income tax rates



### Talbot County change effective immediately

Elected officials in three Maryland counties have lowered their local income tax rates, with one change effective for the current tax year and two for tax year 1999.

Talbot County reduced its local income tax rate for the current 1998 tax year from 40% to 35%. This change is effective immediately for the entire 1998 tax year and will be reflected on 1998 state and local income tax returns, due April 15, 1999.

Allegany County has lowered its local income tax rate for tax year 1999 from 58% to 56%. Howard County reduced its tax year 1999 rate from 50% to 48%. These changes don't take effect until January 1, 1999.

These local tax rates are set by local elected officials. The taxes are collected by the state comptroller, who returns the revenue to the 23 counties and Baltimore City. Employers withholding taxes and Marylanders who make quarterly estimated payments should remember that withholding is based on where employees live, not on where they work.

### ReveNews.....

is a quarterly publication of the Maryland Comptroller's Office, printed in Annapolis, Maryland. Inquiries concerning *ReveNews* or requests for this publication in an alternate format can be directed to the Public Affairs Office, Box 466, Goldstein Treasury Building, Annapolis, Maryland 21404-0466, 410-974-5995 (voice) or 410-974-3157 (TDD). Editor: Gail Parran [gparran@comp.state.md.us](mailto:gparran@comp.state.md.us)

# The courts decide...



## Income tax

**Withholding tax fraud.** The former owner of Avanti's Restaurant in Laurel was convicted in Anne Arundel County Circuit Court on June 26, 1998, for failure to pay more than \$30,000 in Maryland income tax withholding (see *ReveNews*, Vol. 19, No. 2, Spring 1998). Nicholas V. Sambuco was found guilty of two counts of failure to pay income tax he had withheld from 1993 through 1995. Evidence presented at the trial showed that in the two years before he sold his restaurant on February 1, 1995, Mr. Sambuco paid only about a third of what he should have paid in state income tax withholding. On September 2, Mr. Sambuco was sentenced to two six-month terms in the Anne Arundel County detention center, to run concurrently, and

fined \$1,000. The jail time was suspended. Mr. Sambuco was placed on five years probation, three years supervised, ordered to perform 100 hours of community service, and ordered to pay restitution of money owed to the state.

## Appeals

**Timeliness of appeal.** The Court of Appeals of Maryland, in reversing a lower court decision, has held that petitions for review of Maryland Tax Court decisions invoke the original jurisdiction rather than the appellate jurisdiction of the reviewing court and therefore that time requirements for the appeal may be waived. In *James Kim v. Comptroller of the Treasury*, the comptroller contended that the initial petition

for judicial review had been filed prematurely and that no petition had been filed timely. In its July 30, 1998, decision, the Court of Appeals distinguished between petitions for judicial review of administrative agency actions, such as those of the Maryland Tax Court, and appeals from court decisions. Because appeals from court decisions involve the appellate jurisdiction of the reviewing court, they are jurisdictional and may not be waived. However, because judicial review of administrative agency actions invokes the reviewing court's original jurisdiction, time requirements are viewed as statutes of limitations which may be waived. The Court of

(Please turn to page 7)

## Briefly noted

(continued from page 2)

In each case, the vehicle operator was arrested and charged with transportation and possession of untaxed cigarettes. The confiscated cigarettes represented a potential loss of \$6,580.80 in Maryland tobacco tax.

## National Nexus program director

Sheldon Laskin has been appointed as the new director of the National Nexus Program of the Multistate Tax Commission, effective July 13. Mr. Laskin had been a Maryland assistant attorney general assigned to the State Comptroller's Office. There, he was the lead attorney in developing and implementing an ongoing case to establish that an out-of-state furniture company has sufficient nexus with Maryland to require it to collect Maryland sales and use tax.

## Alcohol violations net fines

Alcoholic beverage suppliers and wholesalers who have offered illegal gratuities and deals to retailers have been hit with fines ranging from \$250 to \$15,000, as the Comptroller's Office continues to enforce violations of trade practices laws, guidelines, and regulations. The fines were paid in lieu of license/permit suspensions or revocations.

Examples of the violations include improper sales of beer on credit, providing free lodging and travel to retail licensees, and furnishing a retailer with advertising signs worth more than allowed by law. For information on Maryland trade practices regulations, you can call the Alcohol & Tobacco Tax Unit at 410-974-3314.

## Study of voluntary allowances

A law enacted by the 1998 session of the Maryland General Assembly suspended the temporary voluntary allow-

ance provision of Maryland's divorce-law from July 1, 1998, to October 1, 2000. The law also required the Comptroller's Office to study the effects of temporary voluntary allowances on pricing practices in the gasoline market. The Washington Maryland Dealer's Association (WMDA) Service Station Association will act as a clearing house for input from dealers. Information about non-uniform price adjustments or abnormal pricing situations should be sent to:

Roy Littlefield or Harry Murphy  
WMDA Service Station and  
Automotive Repair Association  
9420 Annapolis Road, Suite 307  
Lanham, MD 20706  
FAX: 301-306-0523  
Phone: 301-577-2875 or toll-free  
800-492-0329

## Federal tax on kerosene

Since July 1, 1998, the federal government has levied an excise tax of

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# Comptroller helps registers

(continued from page 8)

paper files, the computerized information can be viewed by one, ten, or 100 people at the same time. One or more PC terminals in every register's office provide improved public access to estate information.

Electronic security authorizations and multiple electronic copies safeguard information and assure that it's never lost.

The computer system holding all the information takes up as much floor space as two file cabinets and can store more than one million pieces of paper - the equivalent of 40 four-drawer file cabinets.

The Comptroller's Office will demonstrate the Register of Wills Application and Document Imaging System at the Maryland Technology Showcase at the Baltimore Convention Center, December 9-10, 1998.



## Changes in tax forms

(continued from page 1)

number of returns filed and most likely will also create new customers for tax professionals.

Tax practitioners can learn more about these and other state and local tax changes by attending one of the fed-state tax institutes scheduled this fall (see details on page 4). Preparers should note that any errors in electronically filed returns are quickly brought to the preparer's attention for immediate correction and resubmission - another incentive to participate in Maryland's electronic filing program during this challenging tax season.

## New for the tax filing season

(continued from page 5)

### Extensions

Taxpayers who don't owe additional tax and request an extension of time to file their federal income tax returns won't need to request a separate Maryland exten-

sion. Taxpayers filing for extensions who owe additional tax must file Maryland Form 502E and include payment of the tax due.

### Focus

(continued from page 8)

*Comptroller's Office hearing procedures.* Basically, an informal hearing is a structured meeting between the taxpayer and a Comptroller's Office hearing officer to review all of the issues in dispute in an assessment or refund claim and to make a final determination.

Taxpayers have the right to bring a representative to the hearing and to call witnesses, and the tax tip explains how to do this. It also tells taxpayers what to expect at a hearing and about their right to appeal hearing decisions to the Maryland Tax Court.

For a copy of the free Maryland tax tip, *Comptroller's Office hearing procedures*, visit the comptroller's website at [www.marylandtaxes.com](http://www.marylandtaxes.com) or call our Forms-by-Fax system at 410-974-FAXX (3299), where the tip is item 3004 on Index 2. You can also visit any of the comptroller's 20 taxpayer service offices for a copy.

### The courts decide

(continued from page 6)

Appeals held that it is inappropriate to dismiss a premature petition and that the Circuit Court for Anne Arundel County should have allowed Kim to file a new petition or amend the existing one. Alternatively, the court held that the memorandum of law filed by Kim in support of the premature petition was sufficient to be treated as a timely petition for judicial review. The appeal of the Tax Court decision is now pending in the Anne Arundel County Circuit Court.

### Briefly

(continued from page 6)

\$.244 (24.4 cents) per gallon of undyed (clear) kerosene sold anywhere at retail or to end-users. Therefore, retailers who sell clear 1-K kerosene have seen a cost increase, which is passed on to the purchaser. There has been no change to the state tax status of kerosene. Undyed kerosene on which the state tax has not been paid cannot be used in any taxable use. Dyed kerosene cannot be used in any motor vehicle, and it cannot be used as a winter blend stock for undyed low sulfur diesel fuel; only undyed kerosene on which the tax has been paid can be used as a motor fuel blend stock.

### Alcohol bulletins available

Retail liquor license holders who need to know more about the new statewide caterer's license will find the answers in Maryland Alcohol & Tobacco Tax Bulletin AB-20. The new license was created by the 1998 session of the General Assembly, and the requirement is effective October 1, 1998.

Another new bulletin, AB-22, explains the new law concerning beer depletion allowances, which is also effective October 1, 1998.

Copies of bulletins AB-20 and AB-22 are available on the comptroller's website at [www.marylandtaxes.com](http://www.marylandtaxes.com), through our Forms-by-Fax system at 410-974-FAXX (3299), or by calling the Alcohol & Tobacco Tax Unit at 410-974-3314 in Central Maryland or 1-888-784-0145 toll-free from elsewhere.



## Comptroller helps registers streamline estate process

### *Process to be displayed at Tech Showcase*

If you've ever settled an estate, you know it's not easy. But the Application and Document Imaging System the Comptroller's Office implemented in the Register of Wills offices in the 23 counties and Baltimore City streamlines the process for government and the public alike.

The Comptroller's Office began working with the registers in 1994 to introduce personal computers and look for ways to automate the very paper-intensive process of opening and tracking an estate. The next step came in 1996, with a project to add electronic document management using the same imaging technology the Comptroller's Office uses to capture and store data on state and local income tax returns. Now, the computerized database and the imaging systems are linked to create an "electronic filing cabinet," cutting the time needed to both enter and retrieve information.

Instead of tracking estate information through file cabinets, ledgers, binders, and index cards, registers' employees access estate documents on a computer screen. Unlike

*(Please turn to page 7)*

## ***Focus on***

### ***A Maryland tax tip - Comptroller's Office hearing procedures***

You've been assessed additional tax. Or your refund has been denied. You definitely don't agree.

So what do you do now? As a taxpayer, you have a right to file an appeal and ask for an informal hearing in the Comptroller's Office to present your side of the story. What exactly does that mean?

You'll find the answers to that and other questions about hearing procedures in the Maryland tax tip,

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## **Fed-state tax institutes info inside**

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