

# Reve News



Spring 2004

Maryland Tax Information

**William Donald Schaefer**  
Comptroller of Maryland

[www.marylandtaxes.com](http://www.marylandtaxes.com)

## Two Companies Drop Holding Co. Dispute

Comptroller William Donald Schaefer announced the satisfactory conclusion of lengthy litigation with two Delaware holding companies that had contested \$3 million in unpaid taxes, interest and penalties.

The agency ended a seven-year battle with SYL, Inc., over \$1 mil-

lion and, in February, another seven years of litigation with Crown Cork and Seal (Delaware) Company concluded a dispute over \$2 million in unpaid tax, interest and penalty.

“Reaching these settlements proves that we have the right to collect taxes from holding companies,”

said Schaefer. “Any company who thinks otherwise should be ready for a legal battle.” Court dates have been scheduled for the holding companies of Toys ‘R’ Us and Sherwin Williams.

In December the comptroller offered a one-time settlement to the other Delaware holding companies involving more than \$78.6 million in taxes, advising them to pay the full tax owed, interest and a 2 percent penalty to avoid the hefty 25 percent normally imposed. The comptroller also extended the settlement offer to all other similar holding companies that are scheduled to be audited, as well as those not yet discovered.

To date, nearly \$14 million has been collected from 18 holding companies. A number of businesses are still in negotiations with the agency and more money is expected to come into the state.

### *Comptroller's Comments*

#### Leveling the playing field



The first job of the Maryland Comptroller is to collect taxes, but a close second goes to making sure the playing field for paying taxes is level. Those who pay their taxes should not have to shoulder the burden for others who do not. Therefore, in recent years, we've increased our efforts to catch people and businesses, who try to avoid paying their fair share.

One of the biggest actions we've taken in this area has been against the Delaware holding companies. These companies exist in unattended offices in Delaware where they do nothing except facilitate the creation of large tax deductions for their operating parents.

Recently, after seven years in court, my office won its case against two corporations. It seemed like the right time to offer the other holding companies a deal, so we offered a reduction in penalties from 25 percent to 2 percent if they agreed to pay up. As of now, we've recovered \$13.7 million in back taxes from 18 holding companies. In the meantime, my office is continuing to negotiate with several others.

Another program to catch tax evaders, called “Caught in the Web,” is an online list of delinquent individuals and businesses. This effort has netted \$8.9 million from 182 of the state's largest tax delinquents since June 2000. We recently added 50 new names of companies and individuals who owe a total of \$6.4 million in overdue taxes, penalties and interest.

These are just a few of the many efforts that the Comptroller of Maryland is supporting to ensure that everyone pays their fair share. I would very much appreciate any thoughts you may have on these topics.

William Donald Schaefer  
Comptroller of Maryland

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## State Vendors Now Required to Receive Payments Electronically

The state now requires all contractors to be registered to receive payments by electronic funds transfer (EFT) before any contract exceeding \$200,000 is approved for them by the Maryland Board of Public Works. Implemented March 1, the new requirement is expected to affect more than 500 contracts that the board awards every year to purchase goods and services for the state.

Vendors that are af-

ected by the new EFT requirement must register with the Comptroller's General Accounting Division. Registration forms can be downloaded at <http://compnet.comp.state.md.us/gad>. Vendors who cannot comply with the mandate must get an exemption from the agency before they will be awarded any state contract. For more information, contact the division by e-mail at [gad@comp.state.md.us](mailto:gad@comp.state.md.us) or by telephone at 410-260-7375 or 1-888-784-0144.

## Comptroller of Maryland Consolidates Two Divisions

Two units of the Comptroller's Office have been consolidated into a new Regulatory and Enforcement Division. The former Alcohol and Tobacco Tax Division and the Field Enforcement Division were merged to streamline regulation, enforcement and licensing functions that affect 117,000 Maryland businesses.

The newly constituted division employs approximately 70 people, with offices in Annapolis and a fuel testing laboratory in Jessup. Larry Tolliver of

Annapolis, director of the former enforcement division, is head of the new unit.

"Our agency enjoys a reputation for aggressively enforcing the law, protecting state tax revenue and helping to maintain a level playing field for law-abiding merchants," said Comptroller William Donald Schaefer. "I'm confident that this reorganized structure and its new management will build on that success, providing excellent and responsive service to both people and businesses alike."

## Online Estimated Tax Payments Now Accepted

The nearly 275,000 self-employed taxpayers and others who are not subject to income tax withholding can now file and pay their estimated Maryland income tax payments online. The service is free through the iFile service available on the Comptroller's Web site at [www.marylandtaxes.com](http://www.marylandtaxes.com).

These taxpayers can now pay their first quarterly tax due by direct

debit and have the amount withdrawn from their bank accounts until April 15, 2004. After April 15, taxpayers can schedule a direct debit payment up to the next due date.

Any taxpayer who selects this option must enter a bank routing number, account number, and the date when the Comptroller's Office will electronically debit the balance due.

## Electronic Filing for Seniors Soars This Year

Senior citizens outpaced younger taxpayers in filing state taxes electronically again this year. The comptroller's office has seen about 30,000 electronic filings so far this year from those 65

and over, 28 percent more than last year at this time.

Overall electronic filing is up 13% — 628,400 of the approximately one million Maryland tax returns filed to date have been done on-line.

### 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
Business Tax Payments	410-260-7601

# COMPLIANCE CORNER

## Nonfiler Notices

Notices began to go out in February to taxpayers with a Maryland address who filed 2002 federal but not state income tax returns. The notices ask taxpayers to explain why the state return was not filed. While there are many valid reasons why this might not have been done, the Comptroller has no way of knowing unless taxpayers advise the office.

If a taxpayer does not respond, the Comptroller of Maryland issues an estimated tax assessment based on available information. Questions about these notices should be directed to 410-767-1966 or 800-648-9638.

## Offset Program

Maryland continues to benefit from a federal program that allows states to offset federal tax refunds to satisfy delinquent income tax liabilities. During calendar year 2003 Maryland captured 32,602 refunds totaling \$20.9 million. In 2003 the Comptroller sent notices and certified new debts weekly as liabilities were created which significantly increased the effectiveness of

the program. For more information, contact the Compliance Division at 410-974-2432 or 888-674-0016.

## Tax Wage Liens

The tax wage lien provisions of TG § 13-811 now apply to any tax administered by the Comptroller's Office, such as sales and use tax, admissions and amusement tax, where the owners or officers are held personally liable for the unpaid tax. Contact the Collections section at 410-649-0633 or toll free at 1-888-614-6337.

## Streamline Bank Attachment Process

As of October 1, 2003, financial institutions must now disclose information requested in writing by the Comptroller about funds held in a savings, time, demand or other deposit accounts held by the financial institution in the name of an individual whose property is subject to a tax lien.

The agency is now permitted to give notice of a tax lien to any financial institution that it believes holds property subject to a tax lien. Beginning November, the Comptroller began sending out 100 attachment notices a day to local banks and in January, attachment notices were sent to other financial institutions including credit unions.

For information on business taxes, call 410-649-0633 or toll

free 1-888-614-6337. For individual taxes, call 410-974-2432 or 1-888-674-0016.

## Tax Compliance Verification

Before many licenses or permits may be renewed, the issuing authority is required to verify that the applicant has paid all taxes and unemployment insurance to the Comptroller or the Secretary of Labor, Licensing and Regulation, or made an acceptable payment plan.

Over a two-year cycle, about 450,000 license renewals will be reviewed. Of those compared to date, 8,475 had known liabilities, half of which have been released for renewal by paying in full or making satisfactory arrangements.

## Unclaimed Property Claimed

The Comptroller's Office netted \$24,000 in February by auctioning off the contents of 168 unclaimed safe deposit boxes. The auction took place at the Baltimore Marriott Hunt Valley Inn.

Financial institutions, utilities, insurance companies, and other corporations are required to report to any bank accounts, security deposits, wages, insurance benefits and contents of safe deposit boxes that have been unclaimed after three years. The Comptroller's Office has the responsibility to liquidate the items in a manner that will bring the most revenue to the rightful owner or the heirs. There is no statute of limitation.

## 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 3 percent of the price on completion of the contract, pending receipt of a Certificate of No Tax Due from the Comptroller. In addition, the same is required of anyone doing business with a nonresident subcontractor where the total value of the improvement is \$50,000 on a contract of \$500,000 or more. For information contact Compliance, 410-767-1923 or toll free, 1-888-615-0369.

The agency has records on approximately 420,000 unclaimed property accounts worth more than \$205 million. Records can be checked online or by calling 410-767-1700 or 1-800-782-7383 from outside central Maryland. Look for the 32-page supplement listing the accounts in newspapers throughout the state at the end of March and early April.

## Admissions & Amusement Tax Update

The Comptroller's Office has received a number of calls from taxpayers questioning whether they still have an admissions and amusement tax obligation in light of the ruling in the Clyde's case. Unless a business is exactly like Clyde's, it is still required to remit admission & amusement taxes. Questions should be directed to 410-767-1511 in the Baltimore area or to 1-800-492-1752 elsewhere.

## ReveNews..

is a quarterly publication of the Comptroller of Maryland, printed in Annapolis, Maryland. Inquiries concerning *ReveNews* can be directed to the Office of Communications, Box 466, Annapolis, Maryland 21404-0466, 410-260-7210 (voice). TTY users call via Maryland Relay at 711 or 1-800-735-2258.

Editor: Vicki Lathom  
E-mail: vlathom@comp.state.md.us  
Assistant Editor: Jason Goodman  
Writers: Christine Duray, Michael Walsh

# Maryland Reports Revenue Estimates on Track

Maryland reports that its revenue projections are stable at \$9.97 billion and, in fact, will yield \$31 million more than expected in the next fiscal year. In addition, the current estimate for fiscal year 2005 is \$10.4 billion, up 4.3 percent over today. These increases are due to a continued climb in sales tax and in revenue from abandoned property.

"There are no surprises," said Comptroller William Donald Schaefer about the new Board of Revenue Estimates projections. "The numbers are on track with what we predicted last December. The tide is slowly turning but we must continue to be cautious about how we spend taxpayer's money."

The sales tax growth is attributed to the federal tax cuts and to a 14.5 percent increase in construction-related activities after Hurricane Isabel. The majority of the abandoned property increase is due to demutualization of several insurance agencies and to proceeds of unclaimed bonds to be turned over by the state treasurer's office.

Personal income tax revenue projections are down for FY 2004 and 2005, which officials attribute to uncertainties about income tax withholding. The forecast corporate income taxes is \$38 million lower for this year and next, partly due to carry-forward losses after the 9.9 percent decline in profits in 2001.

The board consists of Schaefer as chairman, State Treasurer Nancy K. Kopp, and Budget Secretary James C. DiPaula. The revised estimates do not include the \$13.7 million collected from Delaware holding companies settlements.

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Annapolis, Maryland 21404-0466  
P.O. Box 466  
Goldstein Treasury Building  
Comptroller of Maryland

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