

Reve News



Winter 2005

Maryland Tax Information

William Donald Schaefer
Comptroller of Maryland

www.marylandtaxes.com

Comptroller's Comments



Well, the final tally for our collections from the holding company settlement is \$199 million – far exceeding the \$8 million the state legislature estimated would be collected. This is good news because it provides about \$143 million in additional general funds for Governor Ehrlich to spend in fiscal year 2005 and 2006. The law requires that the rest of the money collected must go to the state's transportation fund.

But there's some bad news too. We had to forgo more than \$306

million that we would have collected sooner or later. All but one of the taxpayers who were contesting their cases with us accepted the offer. That means that the settlement offer was far more generous than it had to be. If the purpose of the settlement was to collect revenue quickly, it would have been cheaper to borrow the money.

Since it's the holiday season, I'll try to consider this mixed bag from Santa to be a little more "half full" than "half empty." However, we are looking at other cases where holding companies are being used to shelter income illegally, and we will continue to be vigilant to weed out abusive tax avoidance schemes so that everyone pays his or her fair share.

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HOLDING COMPANY SETTLEMENT REAPS \$199 MILLION

The Comptroller of Maryland has received \$198.7 million from 443 corporations who applied for the state's settlement program offering favorable income tax treatment for eligible holding companies. The deadline was November 1. The respondents included 184 companies whose Maryland tax liabilities were either unknown or only suspected by the Comptroller before the four-month application process began on July 1.

After deducting the \$47.7 million required by Maryland law to be designated for the state's transportation trust fund and the \$8.3 million already anticipated and budgeted, \$142.7 million in new money is available for Governor Ehrlich to use to fund programs in fiscal years 2005 and 2006. Comptroller William Donald Schaefer, however, noted that the gain came with a price. The agency estimates that \$306.3 million more could have been collected if it weren't for the settlement.

In This Issue...

Comptroller Comments.....	Page 1
Holding Company Settlement	Page 1
Compliance Corner	Page 2
Costly Search Service Warning	Page 2
Court Watch	Page 3
New State Payroll Director	Page 3
Local Office Closed	Page 4

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Compliance Corner

Federal Tax Refund Offset Program

Maryland continues to participate in the federal program that allows states to offset federal tax refunds to satisfy delinquent state income tax liabilities. During the calendar year 2004, Maryland captured 34,314 refunds totaling just over \$22.2 million.

Taxpayers should be aware that if they have delinquent Maryland income tax liabilities, their federal refunds will be offset, even if they have active payment agreements. For more information, contact the Compliance Division at 410-974-2432 or 888-674-0016.

Nonresident Contractors

The Comptroller's Office reminds persons (including business entities) who enter into contracts to improve real property with nonresident general contractors for \$500,000 or more must withhold 3 percent of the total price, pending receipt of a Tax Clearance Certificate from the Comptroller. The same rule applies when using nonresident subcontractors for projects of \$50,000 or more under contracts where the improvements are \$500,000 or more. For more information, call 410-767-1942 or toll free 1-800-648-9638.

Individual Payment Agreements Offered Online

Taxpayers with income tax liability can set up payment plans online. The agreements are available for up to 12 months, but interest of 13 percent will be charged, making it important to select a plan that is as short as possible. If the taxpayer fails to commit to making regular payment, the Comptroller's Office can file a lien, attach assets, garnish wages

or take other legal action. To set up a payment plan online go to www.marylandtaxes.com.

Tax Compliance Verification

Before many licenses or permits may be renewed, the issuing authority is required to verify through the Comptroller's Office that the applicant has paid all undisputed taxes. The authority also must verify payment of unemployment insurance contributions to the Comptroller or the Secretary of Labor, Licensing and Regulation. In either case, the applicant may also be issued a license if he or she has provided for payment satisfactory to the unit responsible for collection.

Since July 1, 2003, the Comptroller has put a hold on the renewal of 30,560 licenses due to outstanding tax liabilities. Of those, 22,895 have been released for renewal, because of making payment or satisfactory arrangements. In a period of two years, 450,000 renewals are reviewed for compliance.

Unclaimed Property Online Reporting for Holders

Holders of unclaimed property can report and remit property online to the State Comptroller. This includes stocks, bonds, checking and savings accounts, contents of safe deposit boxes and insurance proceeds, but not real property. Unclaimed property holders may also use the online system for their direct debit.

Use of this 24 hour service requires Netscape Navigator 4.01 or higher or Microsoft Explorer 4.0 or higher. AOL users will need version AOL 6.0 or higher. To get a Maryland Holder number or for information, call 410-767-1700 or 1-800-782-7383 or e-mail upholder@comp.state.md.us.

Costly Search Service Warning

Maryland Comptroller William Donald Schaefer said his office has been contacted recently by consumers who have received unsolicited phone calls urging them to pay up to \$28 to a Louisiana company for information about unclaimed funds, while his agency and other state governments provide this information for free.

Anyone can check the agency's unclaimed property records for free by visiting www.marylandtaxes.com or by calling 410-767-1700 or toll-free at 1-800-782-7383. The agency has records on approximately 503,000 accounts worth more than \$217 million.

In addition, the Comptroller's Office advertises tens of thousands of names of owners of unclaimed funds every spring and fall in local newspapers. The most recent ad, which appeared in 40 newspapers during October, featured 40,000 names linked to accounts worth more than \$17.8 million. The advertising attracted responses from more than 9,100 individuals, including more than 5,700 who found they had money coming to them. Overall, in fiscal year 2004, the agency returned \$18.2 million in unclaimed funds to 16,809 owners.

The office also searches for owners of unclaimed property by matching files with IRS and the Maryland Department of Motor Vehicles, and by setting up computers at such events as the Maryland State Fair to allow people to check for funds. More than 740 people found \$410,000 in at this year's State Fair, with the largest single claim totaling nearly \$80,000.

Court Watch

TAX SCAMMER FOUND GUILTY OF FELONY THEFT

Attorney General J. Joseph Curran, Jr. and State Comptroller William Donald Schaefer jointly announced that Mark Givens, 37, who formerly resided at 2009 Annapolis Road, Baltimore, was found guilty of felony theft and providing false information to the Comptroller, by the Honorable Joseph P. Manck, Circuit Court for Anne Arundel County. The convictions stem from Givens' filing of 169 fraudulent Maryland State income tax returns for tax years 2002 and 2003 in two separate incidents.

Givens, who has been incarcerated since his arrest in Harrisburg, PA on May 21, 2004, was sentenced to two concurrent 18 month sentences. He was also placed on five years supervised probation upon his release and ordered to pay over \$25,000 to the Comptroller's Office.

Between February and April 20, 2003, Givens filed 56 fraudulent Maryland state income tax returns for tax year 2002, requesting refunds totaling \$14,970, of which he received \$5,087 in stolen refund monies with 42 of the 56 returns intercepted by the Comptroller. He filed the electronic tax returns from city and county public library branches using the Comptroller's internet ifile program, using fictitious taxpayer and W2 information. All of the stolen refund monies were direct deposited in a Provident Bank account in his name.

While pending trial on the charges stemming from the 56 false returns, Givens began filing additional fraudulent state income tax returns this past January for tax year 2003. He filed 113 fraudulent

electronic ifile state income tax returns for which he received \$23,151 in stolen refund monies, using the same scheme that he employed in the first case. The Comptroller intercepted another \$11,565 in refund monies.

In the second incident, Givens directed that the stolen refund monies be electronically transferred into 25 online internet debit/credit card accounts with Netspend, an internet financial institution. The accounts were opened with fictitious names, and many were the same as he used on the fraudulent returns in the first case, such as Richard Scurry, Ronald Allen, Dana Alexander, Austin Powers and Benedict Arnold. Out of 25 accounts that he opened, 19 of the account holders shared the same date of birth, 2/13/74. Many of the 25 separate account holders shared a common street address. The case was referred by the Comptroller's Office, and investigated and prosecuted by the Maryland State Police and the Office of the Attorney General, Criminal Investigations Division.

INDICTED FOR FILING FRAUDULENT TAX RETURNS

Attorney General J. Joseph Curran, Jr. and State Comptroller William Donald Schaefer jointly announced the indictments of Nicole J. Martin, 28, Sabrina A. Martin, 30, Lachelle T. Lee, 28, and Eugenia Barbara Williams, 36, for conspiracy, theft and identity fraud. The charges, which were filed by the Anne Arundel County Grand Jury on August 20, 2004, allege that the defendants filed 13 fraudulent Maryland state income tax returns for the 2002 tax year in the names of other people. Nicole Martin is

alleged to have filed an additional single fraudulent Maryland state income tax Return for the 2001 tax year in her own name. A total of \$13,592 in refunds is alleged to have been stolen by the conspirators.

The case was referred to the Office of the Attorney General by the Comptroller's Office. It was investigated by the Maryland State Police and is being prosecuted by the Criminal Investigations Division of the Office of the Attorney General.

New State Payroll Director

Comptroller William Donald Schaefer has appointed Robert Murphy of Cambridge, Maryland, as director of the Central Payroll Bureau. Murphy has served as deputy director since 2001 and replaces Ellen Coffin, who retired November 30, 2004, after 32 years of service. The bureau manages the payroll for 100,000 employees of the legislative, judicial and executive branches of state government as well as the University of Maryland system.

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LOCAL OFFICE CLOSED

The Comptroller's field office in Prince Frederick has closed to save tax dollars and concentrate in-person tax assistance efforts in the agency's remaining 12 taxpayer service locations. The three employees affected by the closings will be reassigned to other offices.

"With the expansion of our online services, we've seen a decline in the number of visitors at this location," Comptroller William Donald Schaefer said. "Taxpayers who file electronically are doing their part to save the state money so it's important for us to cut costs as well." Calvert County taxpayers who need in-person assistance may visit the agency's offices in Annapolis, Waldorf and Upper Marlboro.

**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**

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