

Business tax tip #10

Delinquent Tax Collections and You

How are taxpayers notified of overdue business taxes?

As soon as a new liability develops, the Maryland Comptroller's Office mails a Statement of Account to taxpayers who have incurred charges for overdue taxes, interest and penalties. The statement is also used as a notice of failure to file a required return.

How long do I have to pay the balance due shown on a statement of account?

Since a statement of account balance represents an amount that should have already been paid, you should pay it immediately.

How are late charges calculated?

A late sales and use, admissions and amusement or tire fee return is subject to a 10 percent penalty and interest at a rate of not less than 1 percent per month. A late withholding return is subject to an initial 5 percent penalty, followed by an additional 10 percent after 30 days, plus interest. Taxpayers who file a late sales and use tax or tire fee return may not claim the collection discount. If you do not file a missing return after the notice, an estimated assessment may be levied and additional penalty applied.

Does the state impose bad check charges?

Yes. In addition to all other charges described above, a \$30 service charge is applied to dishonored checks.

What should I do if I didn't receive a return?

First, file a return in letter form, making sure that you include your account number, the tax type you are reporting and the period for which the report is being filed. Next, notify our **Taxpayer Service Section** of the problem so we can ensure that you begin to receive your returns. Do not use a statement of account payment stub as a return.

Do I have to file a return even if I owe no taxes for the period?

Yes. If you have no tax to report, you must file by calling 410-260-7225 by the due date. Otherwise, you will receive a notice of delinquency.

What are the most common errors taxpayers make on returns?

The most common errors are:

Selecting the return for the wrong period from the booklet of returns.
Miscalculating the discount on sales and use tax and tire fee returns.
Claiming more than the allowable refund on line 9 of sales and use tax returns.

What should I do if I have any questions about my statement of account?

Please check to see if the statement of account contains any of the errors noted in the previous answer. Next, call the number printed on the statement of account without delay. Do not assume that the problem will take care of itself.

Are statements of account for audit assessments handled any differently?

Yes. If your only liability is an assessment as a result of an audit of your books and records and the assessment is subject to appeal or in the hearing process, the liability is not treated as overdue.

What will happen if I do not pay overdue taxes or file missing returns as soon as I get my statement of account?

A representative of our Collection Section will contact you by telephone to make arrangements to clear up the tax problem. Our representatives expect that you will make a specific commitment to bring your account up-to-date and that you will keep that commitment.

What if I don't make or keep a commitment?

Typically, the Comptroller's Office will take one or more of the following actions:

- File a lien.
- Attach assets.
- File an estimated assessment for taxes due in unreported periods.
- Issue summons for a sales and use tax license revocation hearing, or institute other legal processes.
- Hold up state and federal payments if the taxpayer does business with the state or federal government.
- Prevent renewal of state business licenses.

Your account name and amount of liability could also end up listed on our **"Caught in the Web"** list as a delinquent taxpayer.

What is the effect of filing a lien?

A tax lien is filed in the circuit court where a taxpayer does business or owns property. A tax lien has the effect of recording a court judgment and is notice to other creditors of the priority of the state's claim. A lien that is not promptly settled can seriously damage a taxpayer's credit.

If an estimated assessment is filed against me, what should I do?

To preserve your appeal rights, you must request a revision of the assessment within 30 days from the date of its mailing. If you do not request a revision within 30 days, the assessment becomes final.

What is a license revocation hearing?

Vendors must have a sales and use tax license to make taxable sales. Most vendors need the license to stay in business. A licensed vendor who persists in collecting the sales and use tax from customers but not remitting it to the Comptroller may be summoned to a hearing to show cause why the license should not be revoked. If a vendor fails to appear for the hearing or fails to make arrangements to clear up back taxes, the license will be revoked. License revocations are enforced through local liquor boards, civil court orders or criminal process.

Does the Comptroller's Office ever seize assets to satisfy tax liabilities?

Yes. Once a lien has been filed, an attachment can be issued requesting the sheriff to seize a delinquent taxpayer's assets. The Comptroller's Office regularly requests the seizures of bank accounts. Liquor licenses, cash on premises, equipment, vehicles, inventory and real property may also be seized.

Can payment due me from the state and federal governments be used to offset my tax liability?

Yes. Any money the state or federal government owes you for goods or services or as a personal or corporation income tax refund will be applied to unpaid tax balances or held pending the filing of missing returns.

If I operate as a corporation, can I avoid personal liability for taxes?

No. The president, a vice president, the treasurer and any other officer owning 20 percent of the corporation's stock is personally liable for the corporation's unpaid sales and use taxes, penalties and interest. Any officer of the corporation who exercises direct control over its fiscal management is personally liable for withholding and admissions and amusement taxes, penalties and interest.

Can taxes be avoided through bankruptcy proceedings?

State taxes are not discharged in bankruptcy. If a bankrupt business does not have enough assets to pay state taxes, the owners and specified corporate officers are personally responsible for the taxes.

Can you offer any other advice?

For a business in financial difficulty, the decision not to pay state taxes can make a bad situation much worse. The additional costs and penalties imposed upon tax delinquents are severe, and the powers of the state to make collections are substantial. If you do fall behind, please contact our Taxpayer Service Section immediately. That is your best chance to resolve any problems.