

Electronic filing breaks record by March 6

Direct deposit yields refunds in 48 hours

More Maryland state and local income tax returns were filed electronically by March 6 than were filed for the entire 1997 filing season, as Marylanders chose to insure fast refunds and error-free returns.

By March 16, 172,266 tax returns were filed electronically, 16,142 more than were filed all of last year. One reason for the increase is the popularity of the new direct deposit option, available only to electronic filers. By March 16, the average direct deposit refund was \$670, compared with an average refund of \$462 for returns filed on paper, as taxpayers due larger refunds elected direct deposit as the quickest possible way to get their refunds.

Tax preparers should remind their clients that:

- The new direct deposit option, available only to electronic filers, will have refunds in taxpayers' bank accounts 48 hours after their returns are processed.

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Inside

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- Taxability of Roth IRA
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Online tax registration for new businesses

Maryland first in the nation

Maryland is the first state in the nation to allow new businesses to register for tax accounts online using a personal computer. The new service was inaugurated March 2, 1998.

"Thanks to a partnership between our office, Microsoft Corporation and Dynatech Integrated Systems of Columbia, Maryland, we've created an interactive feature on our website at www.comp.state.md.us where new businesses can complete Maryland's Combined Registration

Application online 24 hours a day, seven days a week - quickly and efficiently," said State Comptroller Louis L. Goldstein. "This is the first interactive multiple business tax application in the nation."

The online Combined Registration Application allows businesses to use one application to establish accounts for sales and use tax, employer withholding, unemployment insurance, admissions and amusement tax, tire recycling fee and tran-

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FYI Wage growth, capital gains spur higher revenue estimates

Because of strong growth in personal income, fueled by wage increases and capital gains, the Maryland Board of Revenue Estimates, of which I am chairman, recently increased its estimates for fiscal years 1998 and 1999 by a total of \$143 million. The board, which also includes State Treasurer Richard Dixon and Budget Secretary Fred Puddester, increased its estimates of general fund revenue for the current year by \$69.7 million (to \$7.9 billion) and for fiscal year 1999 by \$73.2 million (to \$8.2 billion).

Maryland employment gains of 2.3% in 1997 matched the national performance, with the strongest job gains coming in construction, communications, finance, wholesale trade, and business services. Employment is expected to increase an additional 2% in 1998.

With a tight labor market, average wages in Maryland increased an estimated 4.2% in 1997, the strongest rise in six years. Estimated tax payments are also strong, due to taxpayers taking advantage of both a booming stock market and a cut in the federal capital gains rate. Recent data indicate that capital gains reported by Maryland taxpayers rose 42% in 1996 and 46% in 1997.

However, the large growth in nonwage income, such as bonuses, stock options, and capital gains, should not be viewed as permanent. Increases in wage income generally remain in the income tax base and permanently increase income tax collections. In contrast, nonwage income may grow more slowly or even decline in future years, so we need to keep this economic good news in perspective.

We will continue to monitor revenues and economic trends closely, in cooperation with our business advisory panel and other economic advisors.

Louis L. Goldstein



Comptroller of Maryland

Briefly noted

Bond sale brings lowest rate since '71

On February 18, 1998, the Maryland Board of Public Works, consisting of State Comptroller Louis L. Goldstein, Governor Parris N. Glendening, and State Treasurer Richard N. Dixon, sold \$250,000,000 in general obligation bonds for a low interest bid of 4.4297 percent. The interest rate is the lowest the state has paid on general obligation bonds since October 1971, when \$60 million in bonds were sold for 4.111 percent.

The bonds' Triple A rating, the best available, saved Maryland taxpayers an estimated \$5.3 million on that sale alone. That brings the estimated savings from the Triple A rating since 1971, based on a comparison to interest costs for the next best Double A rating, to \$141.7 million. Maryland is one of only eight states in the nation to retain the coveted Triple A rating from all three major bond rating agencies, Moody's Investors Service, Inc., Standard & Poor's Corporation, and Fitch Investors Service, Inc.

High schoolers get help in "Understanding Maryland Taxes"

The State Comptroller's Office has provided about 1,400 high school teachers and resource personnel with materials designed to help students and teachers understand Maryland state and local taxes. The "Understanding Maryland Taxes" module explains the different taxes levied by state and local governments and demonstrates how to complete simple Maryland income tax forms. Included in the course module are case studies, sample tax forms, a tax table, and other information. Teachers can get the Maryland state and local tax course module by contacting the comptroller's Public Affairs Office, Box 466, Goldstein Treasury Building, Annapolis, MD 21404-0466.

Comptroller's regulations available online

You can now find all of the regulations of the State Comptroller's Office on our website at www.comp.state.md.us. The regulations are listed by basic subject matter, such as "income tax" or "sales tax." You can also use the search engine if you're looking for something specific.

Assistant Alcohol & Tobacco Tax director named

Stephen Taylor was recently appointed assistant director for administration in the Alcohol and Tobacco Tax Division of the State Comptroller's Office. He joins Aaron Stansbury as an assistant director. Mr. Taylor is a 20-year veteran of the Comptroller's Office and was most recently a senior staff assistant in the Motor Fuel Tax Division. He holds executive master of general administration and bachelor of science degrees from the University of Maryland. As assistant director, he will be responsible for supervising the regulatory control and processing control sections.

Timely mailing

The Comptroller's Office has adopted the Internal Revenue Service's position (in Notice 97-26) relating to the "timely mailing as timely filing/paying" rule for filing returns and paying income tax. This allows for the use of private delivery services (PDS) designated by the secretary of the treasury in addition to the use of the U.S. Postal Service. Taxpayers should keep their dated receipts as proof of timely mailing. The following is a list of designated vendors and types of services:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, and Second Day Service.
- DHL Worldwide Express (DHL):

DHL "Same Day" Service and DHL USA Overnight

- Federal Express (Fed Ex): FedEx Priority Overnight, FedEx Standard Overnight, and FedEx 2 Day
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, and UPS 2nd Day Air A.M.

Additional private delivery service and services designated by the secretary of the treasury will also be acceptable. When using a PDS, the taxpayer should use the following address:

Revenue Administration Division
Revenue Administration Center
110 Carroll Street
Annapolis, MD 21411

Estimated, withholding payments by vouchers

Individual estimated tax payments submitted with vouchers should be mailed to the following address:

State of Maryland
Revenue Administration Division
P.O. Box 17251
Baltimore, MD 21297-0502

Withholding payments submitted with vouchers should be mailed to:

State of Maryland
Revenue Administration Division
P.O. Box 17132
Baltimore, MD 21297-0175

Old voucher envelopes with an Annapolis address for individual estimated and withholding payments should be destroyed.

Alcohol regulation changes

Effective January 1, 1998, the Alcohol and Tobacco Tax Unit issued amended trade practice regulations. (COMAR 03.02.05.06, .10, .11, and .12) The amendments address:

- building of displays in retail wine and liquor establishments,
- prohibition against supplier and wholesaler representatives using retailer equipment and supplies,

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Website more popular than ever Vendors need correct information to avoid backup withholding

In January and February, the comptroller's website had more than 1.2 million successful "hits" - more than during the entire income tax filing season last year. In that two-month period, taxpayers downloaded 48,000 state and local income tax forms. More than a third of the hits occurred outside of regular business hours and nearly a fifth on weekends, showing that taxpayers recognize the advantages of 'round the clock, seven day a week service. Taxpayers downloaded an additional 7,057 state and local income tax forms and instructions from the comptroller's Forms-by-Fax system.

Extensions available

Taxpayers may request an automatic four-month extension of time to file a Maryland personal income tax return three ways - online, by phone, or on paper. To file online,

visit the comptroller's website at www.comp.state.md.us. Only extension requests where no balance is due may be filed online. Tax preparers may file multiple extension requests for their clients on the web. Both last names and Social Security numbers must be entered for joint returns, and up to 250 names may be submitted at one time. Preparers will receive a confirmation number that they should keep for reference. They should also print a copy of the data submitted to us for their records.

Single or multiple extensions for returns where no balance is due may also be requested by phone, by calling 410-974-5TAX (410-974-5829) or 1-800-260-3664 toll-free from elsewhere 24 hours a day, seven days a week.

Taxpayers who owe additional taxes must file a paper extension re-

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Tax treatment of government credit cards

These days, everyone carries plastic - including employees of many state and local government agencies. As government increasingly turns to procurement cards to cut the costs associated with doing the paperwork for small purchases, more merchants are asking questions about whether or not to charge sales tax on purchases made with them.

These cards are similar to personal credit cards, but they bear the government name and the government entity's tax exempt number in addition to the cardholder's name. These cards are normally used for routine small purchases, such as office supplies, not for travel or entertainment. They are billed directly to the government agency, and purchases made

with these cards are tax-exempt under the same circumstances that a purchase order would be tax exempt. If the circumstances of the transaction do not make it clear that the card is being used for a purchase by the state of Maryland on a Maryland local government, the seller should request and retain, with the records of the sale, the number of the purchaser's Maryland sales and use tax exemption certificate.

The credit limits on these cards varies from government to government. Currently, the state of Maryland, Baltimore County Government, the Baltimore County public school system, and the Howard County government issue Visa procurement cards to purchase routine products

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IRS regulations require backup withholding of 31% for vendors who have provided an incorrect Taxpayer Identification Number (TIN) or name on invoices submitted for payment to the state and on Form W-9, *Request to Provide TIN*. The Comptroller's Office is automating the capability to offset vendor payments to satisfy this backup withholding requirement as part of its new accounting system. Vendors and others doing business with the state of Maryland could find 31% of their state payments withheld if they don't insure the information they supply to the state is correct.

Since Maryland law requires vendors to provide their TIN on all invoices for payment, vendors should verify that the information has been provided and is correct. All payments made by the state will include the TIN on the check's remittance advice or as part of the electronic payment record. The TIN is identified as "Vendor ID X999999999-000," with the 9s equaling either the nine-digit social security number or employer identification number.

If you have questions about backup withholding or your TIN information maintained in the state's central payment name and address file, please contact the General Accounting Division, Backup Withholding Desk at 410-974-3812 or 410-974-2670, by fax at 410-974-3979, or by e-mail at gad@comp.state.md.us.

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, 410-974-3885 (voice) or 410-974-3157 (TDD). Editor: Gail Parran

Local tax (continued from page 8)

tax cut that affected state but not local taxes, employers now need to make two separate calculations for state and local tax withholding. As a result, some employers' payroll systems are now showing the state and local income taxes withheld on separate lines or boxes on the employees' pay stubs.

Does this mean more taxes are going to be withheld from employee's paycheck?

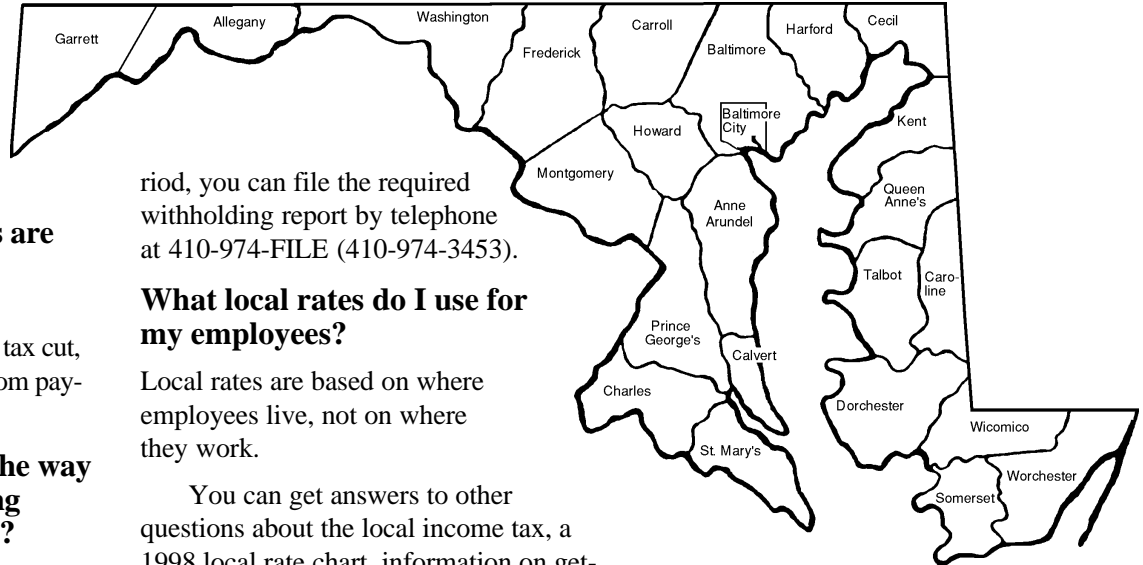
Not at all. In fact, because of the tax cut, less *state* tax is being withheld from paychecks.

Are there any changes in the way I report my tax withholding amounts on my employees?

No. There are no changes in reporting requirements. You still send a single withholding coupon and one payment for both the state and local income tax. Employers should remember that they can file and pay employer withholding taxes using a convenient, free electronic

funds transfer. To apply for this payment method, call 410-974-2601. If you withheld no tax for a given reporting pe-

you have a fax machine, you can call our Forms-by-Fax system at 410-974-FAXX (410-974-3299) and have the tax



riod, you can file the required withholding report by telephone at 410-974-FILE (410-974-3453).

What local rates do I use for my employees?

Local rates are based on where employees live, not on where they work.

You can get answers to other questions about the local income tax, a 1998 local rate chart, information on getting a Maryland withholding guide, and more in the free Maryland tax tip, *What Maryland's local income tax means to employers and employees*. You can download a free copy from the comptroller's website at www.comp.state.md.us. If

tip faxed to you directly. It's item # 3013 from index number 2. You can also call the Taxpayer Service Section at 410-974-3981 in central Maryland or 1-800-MD TAXES from elsewhere for a free copy of this tax tip.

Two charged in tax cases

Salisbury tax preparer Bruce White has been charged with nine counts of tax fraud, theft, and conspiracy involving both his own state income tax returns as well as the returns of scores of his clients. The charges, filed on January 30, 1998, cover a three-year period between 1994 and 1997, during which White prepared and filed scores of fraudulent returns, generating tens of thousands of dollars in fraudulent refund checks. Specifically, he is charged with falsely claiming refunds in excess of \$100,000, stealing more than \$62,000 in refund checks issued before his scam was uncovered, and conspiring with other Salisbury-area residents to violate state tax laws and

steal refund checks. If he is convicted, White could face a maximum penalty of 65 years in prison and fines of \$27,000.

In another tax case, the former owner of Avanti Restaurant in Laurel has been charged with failing to pay state income tax he had withheld from employee paychecks. Nicholas V. Sambuco was charged on January 27, 1998, with numerous tax violations that allegedly occurred from 1993 through 1995. If convicted, he faces a maximum penalty of 16 ½ years in jail and fines of \$16,500.

In both cases, charges are only allegations of criminal conduct. Every person is presumed innocent until proven guilty of any charges.

Check it out!



Check line **63A** to donate to the Chesapeake Bay Endangered Species Fund.

Line **63B** to donate to the Fair Campaign Financing Fund.

Beware of website, post cards requiring payment for unclaimed funds info

Have they got a deal for you! It may be a postcard from a Bohemia, New York, firm called Unclaimed Assets encouraging you to send a \$10 check "for instructions and your Unclaimed Money Collection Form." Or it might be a website called "findcash.com" charging you \$10 for details on unclaimed funds and asking you to call a chargeable "900" number for more information.

Or is it such a good deal? In fact, you can get the same information and more for free by checking the most recently reported unclaimed funds listing for Maryland right on your own computer through the comptroller's website at www.comp.state.md.us. The website is also linked to the National Association of Unclaimed Property Administrators and through it to other states. There is no charge to check these websites. You can also call the Unclaimed Property Section at 410-767-1700 from Central Maryland or 1-800-782-7383 from elsewhere. The Comptroller's Office will provide the listing of other state's offices and check Maryland's files for you, for free.

Ads in local papers carry most recent names

Ads that ran in local papers throughout Maryland during the weeks of March 16th and March 23rd carried the names of the apparent rightful owners of the 14,000 most recently reported unclaimed funds accounts.

Maryland has records on about 277,000 accounts valued at approximately \$92 million. Financial institutions, insurance companies, and corporations are required to report bank accounts, wages, insurance benefits, security deposits, stock dividends, contents of safety deposit boxes, and other funds if they remain unclaimed for five years or more. Maryland's law is custodial, meaning that there is no statute of limitations on claiming the funds.



The Comptroller's Office honored 6,560 claims totaling \$9,966,054 during calendar year 1997. The average claim was \$1,519.

Info seminar scheduled in Annapolis

The National Association of Unclaimed Property Administrators (NAUPA) is offering an education seminar for holders of unclaimed property in Annapolis, Maryland, on April 23 and 24, 1998. The seminar, which will be held at the Wyndham Garden Hotel in Annapolis, is co-sponsored by the Maryland Comptroller's Office and the state of Delaware. It will offer businesses the chance to learn more about their responsibilities in reporting unclaimed property. Seminar topics will include electronic reports, legal issues, audit preparation, and more. Another seminar is scheduled for Albany, New York, for June 14 and 15. For more information, call NAUPA at 701-258-8667.

Did you underpay estimated tax?

Taxpayers who paid too little estimated tax during the tax year may owe interest on the tax due. This situation develops for taxpayers who had income from which no tax or not enough tax was withheld. How do you find out if you owe interest because of underpayment of estimated tax?

Generally, you do not owe interest if:

- you owe less than \$250 on income that is not subject to Maryland withholding (that figure increases to \$500 for tax year 1998);

- each current year payment, made quarterly as required, is equal to or more than one quarter of last year's tax;
- you made quarterly payments during the year which equal 90% of this year's tax;
- at least 90% of your taxable income is taxable by another state and the underpayment is not greater than the local tax. For example, this would apply to Marylanders who work in Delaware, a state which does not have a reciprocity agreement with Maryland. If you are exempt, enter "302" in the code num-

ber box to the right of the signature area of Form 502; or

- your gross income from farming or fishing is at least two-thirds of your total estimated gross income. Refer to Form 502UP for additional information. If you are exempt, enter "300" in the code number box located to the right of the signature area of Form 502.

The appropriate code numbers are found in the instructions on the back of the form.

Electronic filing

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- Taxpayers who file on April 15 can cut up to six weeks off the time it takes to process their refunds if they file electronically.
- Maryland accepts electronically filed balance due returns. Taxpayers should use the new Form 502PV to pay the balance due on electronically filed returns by April 15, 1998. This form can be found in the preparer's electronic filing handbook and can be copied as needed. Taxpayers should not include the 502PV with the signature document 502EL.
- Amended returns cannot be filed electronically.

Roth IRA's

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they are for federal tax purposes, except that Maryland does not have any early withdrawal penalties.

Contributions to a Roth IRA, unlike those to a regular IRA, are not exempt from federal, and therefore Maryland, income tax. The tax break with the Roth IRA comes at the other end, because the distributions received from it are not subject to federal or Maryland tax.

Qualified taxpayers may rollover or convert a regular IRA into a Roth IRA. They may be required to pay tax on the contributions and earnings of that IRA. If the conversion or rollover is made before January 1, 1999, amounts that would have been includable in gross income will be spread out equally over a four (4) taxable year period beginning with the taxable year in which the conversion is made. If the conversion is made after January 1, 1999, all of the taxable distribution is included in gross income in the taxable year in which the conversion or rollover is made. Maryland tax treatment is the same as federal treatment under these circumstances.

Alcohol violations draw fines

Four alcoholic beverage suppliers and wholesalers have paid fines totaling \$17,000 for violations ranging from illegal shipment of alcoholic beverages to providing illegal gratuities to a Maryland retail licensee. The fines were paid in lieu of license/permit suspensions or revocations. The violations included:

- Bargetto's Santa Cruz Winery paid a \$3,000 fine for directly shipping alcoholic beverages to a Maryland consumer in violation of state law.
- Boston Beer Company of Boston, Massachusetts, paid a \$3,000 fine for ille-

gally furnishing a retail licensee with menus.

- IDV North America of Hartford, Connecticut, paid a \$10,000 fine. As a United States Importer, it was held legally accountable for activities of a foreign brand owner who provided illegal gratuities (free travel, lodging, entertainment, etc.) to a Maryland retail licensee.
- Winner Distributing Co., Inc. of Baltimore, Maryland, paid a \$1,000 fine for providing something of value to a retail licensee (a refrigerated trailer) without complying with state law and issuing a proper invoice.

Combined registration

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sient vendor license. The Comptroller's Office received 61,000 paper combined registration applications in 1997, or as many as 200 per day. The interactive application prompts the user with questions and eliminates the need to deal with parts of the form that don't apply to the user's situation.

Designed to handle up to 200 applications simultaneously, the comptroller's interactive registration process will reduce the need for the Comptroller's Office to contact businesses for clarification about information on the form, because the online system does not allow an incomplete application to be submitted.

The combined registration process is a crucial link in the new Business License Information System being constructed by the Department of Business and Economic Development to allow businesses to more easily find out what licenses, permits and registration they need in Maryland.

"Maryland is once again improving life for small business. As accountants, we are fully aware that simplicity is the key to compliance with

regulations. By making the registration form easy to use and available to everyone with a computer, the Maryland Comptroller's Office is helping accountants and businesses reduce the burden of paperwork," said Phyllis Burlage, President of the Maryland Society of Accountants.

The comptroller established a one-stop registration service for Maryland businesses in July 1980, helping new businesses fulfill many tax registration requirements in one application. He later expanded the service by creating a Taxpayer Registration Assistance Center (TRAC) to provide walk-in, one-stop assistance to help new business taxpayers fill out the combined registration application, set up tax accounts and obtain other helpful information. TRAC is located in Room 206 of the State Office Building at 301 West Preston Street in Baltimore.

Taxpayers can also download the Combined Registration Application from the comptroller's website at www.comp.state.md.us or request it by fax from the comptroller's Forms-by-Fax system by calling 410-974-FAXX (3299). The paper application is also available at any office of a Clerk of the Circuit Court or any of the comptroller's 20 taxpayer service offices.

Briefly

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- actions permitted on the part of supplier and wholesaler representatives as they relate to shelf stocking of non-alcoholic beverage products,
- new procedures and prohibitions relating to inventories and deliveries of alcoholic beverage products to retail establishments,
- promotional activities permitted by supplier and wholesaler representatives at retail accounts.

Credit card

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and service. Prince George's County plans to implement a procurement card program soon.

Federal cards

The federal government issues an I.M.P.A.C. Visa card to federal workers for routine purchases. These distinctive cards clearly state "United States of America" and "U.S. Government Tax Exempt."

All federal government American Express cards are identified by an account number prefix of "3783" or "3785." If the prefix is "3783-7," "3783-8," "3785-7," "3785-8," or "3785-9," the accounts are billed to the cardholder, and the purchases are subject to Maryland sales and use tax. If the prefix is "3783-9," charges are billed directly to the federal government, and the purchases are exempt from the sales and use tax.

Website

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quest form - Form 502E - and send a check for the anticipated amount of tax due. You can obtain Form 502E, Individual Application for Extension of Time to File, and Form 504E, Fiduciary Application for Extension of Time to File, from our website or through the Forms-by-Fax system at 410-974-FAXX (974-3299).

Returns granted the automatic four-month extension will be due Monday, August 17, 1998.

The courts decide....

Income tax

Local income tax liability. The Circuit Court for Baltimore City agreed with the Maryland Tax Court in upholding the comptroller's contention that the local income tax applies for the period that an individual was domiciled in Maryland and is not based on residence on the last day of the tax year. In *Eisenstadt v. Comptroller of the Treasury*, decided December 29, 1997, the taxpayer, who abandoned her Maryland domicile before the end of the calendar year, contended that the literal reading of the local income tax enabling law provided that the tax applied only if the individual was domiciled in Baltimore City or a county in Maryland on the last day of the calendar year. Both courts disagreed, affirming her liability for the portion of the year she lived in Maryland.

Certiorari granted. On February 12, 1998, the Court of Appeals of Maryland granted the Petition for Writ of Certiorari filed by Hercules Incorporated, seeking further review of the Court of Special Appeals Opinion affirming Hercules's liability for state income on an apportioned amount of its gain on the sale of interest in HIMONT Corporation. Argument is scheduled for June 1998. (See *Hercules Incorporated v. Comptroller of the Treasury*, *ReveNews* Volume 18, Number 3, Summer 1997).

Petition for Certiorari. On February 23, 1998, the taxpayer filed a Petition for Writ of Certiorari in *Zubrin v. Comptroller of the Treasury*, a case in which the Court of Special Appeals upheld lower court decisions holding Mr. Zubrin personally liable for his corporation's unpaid withholding taxes.

Focus on

A Maryland tax tip - What Maryland's local income tax means to employers and employees

As a convenience to taxpayers and local governments, Maryland's state and local income taxes are collected on one tax form, even though they are two separate taxes. Employers withhold both taxes for wage earners. But while the Tax Reduction Act of 1997 reduced state income taxes, local income taxes are not affected. This has changed some payroll and accounting procedures and raised questions from both employers and individual taxpayers - questions answered in the new Maryland tax tip,

What Maryland's local income tax means to employers and employees. Some of the most common questions are:

Is the local income tax new?

No, it's 30 years old, and today Maryland's 23 counties and Baltimore City impose a local income tax of between 20% and 60% of the amount the state tax would have been before the state tax reduction. Local income taxes are separate taxes, and rates are set by local elected officials. Because of the

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Taxability of Roth IRAs

Md will follow federal treatment

At a time when more Americans than ever before are involved in sophisticated retirement and financial planning, the Roth IRA is "hot." And one of the burning questions about this new investment tool is what the state tax treatment of it will be.

Because the starting point for the Maryland income tax return is federal adjusted gross income, Individual Retirement Accounts, including Roth IRAs, are treated the same way for Maryland tax purposes as

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List for last-minute tax help inside
