

(Revenue Estimates continued from front page)

Personal and corporate income taxes, sales and use taxes, as well as lottery revenues represent 87.5 percent of total Maryland general fund revenues. Combined, income tax revenues in FY 2008 are forecasted to increase by 6.48 percent over FY 2007, with personal income tax revenue increasing by 6.78 percent and corporate income tax revenue increasing by 3 percent. Sales and use tax revenue is projected to increase by 4.79 percent in FY 08. Lottery revenues are expected to increase by 4.58 percent.

“These are sound, prudent revenue

estimates. They clearly alert us to carefully watch the sales and corporate tax revenue numbers over the coming months,” said Treasurer Nancy K. Kopp. “As I noted in our prior report, I believe we must focus on the state’s structural deficit and take steps not only to deal with the projected deficit in 2008, but also to strengthen our fiscal structure for future years. Maryland has a strong, diversified economy which is dependent on a well-trained labor pool and a sound infrastructure. We must have a revenue structure that promotes economic growth while sustaining an effective and efficient government. I feel sure the governor-elect and the General Assembly will work together to resolve the structural

deficit and protect our economy.”

Franchise, excise, licenses and other miscellaneous fees represent the remaining 12.5 percent of the general fund. These sources of state revenue are expected to decrease by 0.4 percent in fiscal year 2008, including revenue from death taxes, clerks of the court fees, as well as revenue generated from interest on investments.

Comprised of State Comptroller William Donald Schaefer as chairman, State Treasurer Nancy K. Kopp and State Budget Secretary Cecilia Januszkiewicz, the Board of Revenue Estimates provides the governor and state legislature with revenue estimates in order to plan the state’s operating budget.

ReveNews



Winter 2007

Maryland Tax Information

William Donald Schaefer
Comptroller of Maryland

www.marylandtaxes.com

Comptroller's Comments It's been an honor...



We’ve come a long way in the last eight years. Our reach is broader than ever: from individuals and businesses of all sizes, to vendors and suppliers to Maryland’s government, to other state agencies for which we provide information technology services, and, through our payroll unit, to all state employees and certain benefit recipients.

I am proud that during my two terms, this agency has continued to provide excellent, efficient service and that many innovations began during these eight years.

It has been an honor to serve as Maryland State Comptroller for the last eight years. When I took office, I immediately recognized the pride and care that this agency takes in serving taxpayers and all others who rely on the Office of the Comptroller, the fifth oldest in state government.

As I leave the Office of the Comptroller, the agency is poised to meet the growing demand for our services and to respond to the increasingly complex transactions our customers depend upon us to perform. As Maryland grows and prospers, I am confident that the Office of the Comptroller will retain its reputation as the finest agency of state government. I thank you for giving me the opportunity to serve you in this capacity.

William Donald Schaefer
Comptroller of Maryland

REVENUES ESTIMATED TO INCREASE 4.5 PERCENT

The Maryland Board of Revenue Estimates informed on December 13, 2006, Governor Robert L. Ehrlich, Jr. that the state can expect general fund revenues to top \$13.45 billion in fiscal year 2008, an increase of 4.5 percent over the current fiscal year (expected to finish at \$12.87 billion). Caution was the continued message from Comptroller William Donald Schaefer, however, who repeated his call for fiscal restraint by state officials.

“Maryland’s economy continues to grow,” said Schaefer, “but that growth has slowed and there are reasons for some concern. Our elected officials will need to plan carefully for the future.”

Possible risk factors for the state’s fiscal wellness include: national downward economic trends in manufacturing and the housing market, decelerated employment growth and a potential slowdown in federal spending. The impact of BRAC (Base Realignment & Closure) may serve as a buffer between a nationwide recession, not considered likely by consensus expectations, and Maryland’s economic future; but it is not likely that the state would escape unscathed.

(see REVENUE ESTIMATES, back page)

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Compliance Corner

Federal Tax Refund Offset Program CAPTURES \$22.2 MILLION

Maryland participates in a program with the federal government that allows states to offset federal income tax refunds to satisfy delinquent state tax liabilities. From January 1 through December 15, 2006, Maryland captured 30,409 refunds totaling more than \$22.2 million.

Taxpayers should note 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 regarding this program, please contact the Compliance Division at 410-974-2432 or 888-674-0016.

INCOME TAX NON-FILER PROJECT

The Compliance Division has initiated a new project to identify income tax non-filers not found through matches with federal data. The Compliance Programs Section of the Compliance Division has reviewed information for the 2004 tax year from electronically filed W-2 forms to detect who had failed to file their 2004 Maryland return.

These individuals received notices to file their delinquent returns or to provide an explanation. Employers of individuals who failed to respond to the original notice and file the necessary returns will be required to limit the number of withholding exemptions that these individuals are allowed to claim on tax returns to one.

WOMAN SENTENCED IN TAX RETURN SCHEME

Maryland Attorney General J. Joseph Curran, Jr. announced today that Trecia Lynn Jones, of the 6100 block of Tapir Place, Waldorf, Maryland, was sen-

tenced by the Honorable Nancy Davis-Loomis to a one year-suspended sentence on a felony theft conviction in the Circuit Court for Anne Arundel County.

Jones, 39, pled guilty in June to stealing from the United States Treasury and the Comptroller of Maryland by submitting fraudulent tax returns for the 2002 tax year. On both her federal and state returns for 2002, Jones gave false information relating to her income, itemized deductions, and withholdings. Jones supported her returns with a fraudulent W-2 from an employer for whom she did not work. Based on the false claims of taxes withheld and false deductions, Jones requested and received fraudulent refunds on both the federal and state returns totaling \$7,167.00.

In addition to the suspended sentence, Judge Davis-Loomis ordered one year of supervised probation and restitution in the amount of \$7,167.

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

STATION OWNER CAUGHT AGAIN

Comptroller Field Enforcement Bureau agents arrested Sung Man Yoon, owner of Quick Save Mart & Citgo Gas, in Annapolis, for selling cigarettes without a license.

Yoon was found guilty in court, Oct. 20, on six separate charges: three counts of selling cigarettes without a license and three charges for doing business without a trader's license. Yoon was sentenced to 30 days in jail (suspended), three years unsupervised probation, \$1,000 fine and forfeiture of \$21,121 in cigarettes.

Yoon failed to have his business license renewed with the state this year by not paying \$34,291 in sales and use taxes and \$3,879 in withholding taxes.

Yoon's arrest for selling cigarettes without a license is not his first run-in with the Comptroller's Office. A lien has been filed in the Circuit Court for Anne Arundel County to bring him Yoon into compliance for his \$38,171 tax debt with the state.

In September 2005, Yoon was served with a criminal summons for the repeated sale of cigarettes without a license and doing business without a trader's license. He was found guilty and could have faced 30 days in jail and a \$1,000 fine at that time, but was granted probation before judgment and ordered to pay a \$500 fine by the District Court for Anne Arundel County.

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HEADS-UP FOR TAX DAY

Maryland taxpayers will have until Tuesday, April 17, 2007, to file their state returns or pay any taxes due. By law, if a filing or payment deadline falls on a Saturday, Sunday or legal holiday, taxpayers can satisfy tax obligations by the next business day.

Since next April 15 will fall on a Sunday and Monday, April 16, is a state holiday in Massachusetts, and the Internal Revenue Service (IRS) is directing Maryland taxpayers to send their federal returns to the agency's Andover, Mass., processing center by the 17th. To avoid confusion, Comptroller Schaefer has extended the state filing deadline for Marylanders to match the IRS deadline.

Maryland taxpayers who are instructed by the IRS to send federal returns or payments to a location other than Andover, Mass., will also get the extra day to file their returns. Pass-through entity income tax returns (Form 510) must still be filed by Monday, April 16, 2007. Fiscal year corporate returns due April 15 will also be required to be filed by April 16.

The April 17 deadline applies to both electronically filed and paper submissions of:

- 2006 Maryland individual income tax returns, including fiduciaries (Forms 502, 503, 504, 505 and 515),
- Requests for an automatic six-month, filing extension,
- Tax year 2006 balance due payments,
- Individual estimated tax payments for the first quarter of 2007, and
- Individual refund claims for tax year 2003 where the regular three-year statute of limitations expires this year.

HELP THE BAY

Marylanders have an opportunity to support the Chesapeake Bay Trust through their Maryland state income tax return by making a voluntary contribution to the Chesapeake Bay and Endangered Species Fund. The proceeds from this check-off are split evenly between the Chesapeake Bay Trust and the Wildlife and Heritage Division of the Maryland Department of Natural Resources. In 2006, more than \$1.2 million was raised through this check-off, which is vital to the Trust's grant making capabilities.

Launched in 1990, the Chesapeake Bay and Endangered Species Fund is one of the most successful tax check-off programs of its kind in the nation. These monies have funded thousands of projects that have restored countless acres of wetlands, planted thousands of trees, and protected numerous species of threatened plants and animals. Ninety cents of every dollar spent supports programs that benefit the Bay and its rivers.

To help, taxpayers can check line 37 next when they file taxes. Donations of any dollar amount can be made and all are tax deductible. Forms are on the Comptroller of Maryland website (www.marylandtaxes.com). For more information, contact Molly Alton Mullins, director of communications at Chesapeake Bay Trust, 410-974-2941, ext. 107.

b-FILE HITS \$1 BILLION MARK

For the first time, more than \$1 billion of withholding taxes were paid by businesses with direct debit on 260,919 returns using b-File, the Comptroller's electronic filing system, at www.marylandtaxes.com.

The purpose of tax withholding is to collect income tax at the source, as wages are earned, as part of the state's "pay-as-you-go" plan collection. Last fiscal year, 172,258 b-File returns were filed and \$757 million in withholding taxes was direct debited.

Employers must record sums that are withheld from employee wages in a ledger account to clearly indicate the amount of state tax withheld. These funds must be submitted to the state on specific due dates.

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