



Peter Franchot
Comptroller

David Roose
Director
Bureau of Revenue Estimates

January 18, 2012

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21404

Honorable Thomas V. "Mike" Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21404

Honorable Michael E. Busch
Speaker of the House
State House
Annapolis, Maryland 21404

Dear Governor, President and Speaker:

Section §10-108(b) of the Tax-General Article of the Annotated Code of Maryland requires that the Comptroller's Office report the impact of changes in federal income tax law on State revenues. H.R. 674, the *Three Percent Withholding Repeal and Job Creation Act*, was signed by the President on November 21, 2011. This act will have a negligible impact on Maryland revenues.

The Act amends the Internal Revenue Code of 1986 to repeal the imposition of 3 percent withholding on certain payments made to vendors by government entities, and to modify the calculation of modified adjusted gross income for purposes of determining eligibility for certain healthcare-related programs. Under current law, federal, state, and local government entities will be required to withhold three percent of payments to contractors beginning on January 1, 2013, if the government entity spends \$100 million or more on all such payments to vendors annually. Withheld amounts are to be remitted to the Internal Revenue Service.

Any Maryland revenue impact under current law would have been negligible, arising from channeling more revenue through the federal vendor offset program. As the revenue effect would have been minimal, repealing this provision will likewise have a minimal impact. Please do not hesitate to contact me at (410) 260-7450 if you have any questions regarding this report.

Sincerely,

David F. Roose

cc: Honorable Peter Franchot