

Department of Legislative Services  
 Maryland General Assembly  
 2023 Session

FISCAL AND POLICY NOTE  
 Enrolled - Revised

Senate Bill 660 (The President, *et al.*) (By Request - Office of the Comptroller)

Budget and Taxation

Appropriations and Ways and Means

Office of the Comptroller – Taxpayer Advocate Division

This departmental bill establishes a Taxpayer Advocate Division in the Comptroller’s Office. **The bill takes effect July 1, 2023.**

Fiscal Summary

**State Effect:** General fund expenditures increase by \$294,700 in FY 2024. Future years reflect annualization and inflation. Revenues are not affected.

| (in dollars)   | FY 2024     | FY 2025     | FY 2026     | FY 2027     | FY 2028     |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Revenues       | \$0         | \$0         | \$0         | \$0         | \$0         |
| GF Expenditure | 294,700     | 349,600     | 365,200     | 381,400     | 401,600     |
| Net Effect     | (\$294,700) | (\$349,600) | (\$365,200) | (\$381,400) | (\$401,600) |

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** The Comptroller’s Office has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

**Bill Summary:** The bill establishes a Taxpayer Advocate Division in the Comptroller’s Office. The head of the division is the taxpayer advocate, who must have a background in customer service and tax law and experience representing individual taxpayers. The taxpayer advocate has administrative control over the division, subject to the supervision

of the Comptroller. The Comptroller must select the taxpayer advocate and the employees of the division, who may include employees from the Comptroller's Office and residents of Maryland with knowledge of taxation. The taxpayer advocate must appoint other officers and employees of the division in accordance with the provisions of the State Personnel and Pensions Article. The division must include a minimum of six employees, including the taxpayer advocate, as well as appropriate support staff, one of whom must have experience in the field of information technology to serve as webmaster. The officers and employees of the division are entitled to a salary as provided in the State budget. The Department of Budget and Management, in coordination with the Comptroller's Office, must make appropriate allocations for personnel, including the ability to reclassify positions.

The division must:

- be subject to all confidentiality and disclosure provisions applicable to the Comptroller's Office;
- be responsible for assisting taxpayers and their representatives to ensure that taxpayers and their representatives understand and utilize the policies, processes, and procedures available for the resolution of problems related to tax programs and debt collection programs administered by the Comptroller;
- assist taxpayers in resolving problems with the Comptroller's Office;
- identify areas in which taxpayers experience problems in dealing with the Comptroller's Office;
- provide expeditious service to taxpayers whose problems are not resolved through ordinary channels;
- collaborate with other employees of the Comptroller's Office to resolve the most complex and sensitive taxpayer problems;
- resolve systemic problems experienced by taxpayers;
- report to the Comptroller if, in the opinion of the division, the Comptroller's Office is administering a law improperly;
- participate and represent taxpayers' interests and concerns in planning meetings, reviewing instructions, and formulating policies and procedures of the Comptroller's Office;
- compile data each year on the number and type of taxpayer complaints and evaluate the actions taken to resolve the complaints;
- survey taxpayers each year to obtain their evaluation of the quality of service provided by the Comptroller's Office;
- propose changes in the administrative practices of the Comptroller's Office to mitigate issues in resolving problems and specified complaints;

- identify potential legislative or regulatory changes that may be appropriate to resolve any problems or complaints;
- establish an electronic portal on the Comptroller's website where taxpayers can interact with the division directly; and
- perform other related duties as assigned by the Comptroller.

**Current Law:** The Comptroller of the Treasury, elected by voters to a four-year term, administers general fund tax collection, State accounting systems, and State payroll. The Comptroller chairs the Board of Revenue Estimates and also serves as a member of the Board of Public Works, the Board of Revenue Estimates, the Board of Trustees of the Maryland State Retirement and Pension System, and the Maryland 529 Management Board. The Comptroller has primary responsibility for financial control and maintains the State's general ledger and other official accounting records.

The General Accounting Division performs compliance audits on all disbursements, prepares the State's comprehensive annual financial reports, and exercises overall appropriation control. The Central Payroll Bureau processes approximately 107,000 payroll checks and direct deposit transactions bi-weekly, and nearly three million employee wage payments annually. Mainframe computer services for several State agencies are managed by the Comptroller through the Annapolis Data Center, where agencies can access the computing resources of the center and are charged for the costs of the services used.

The Director of the Bureau of Revenue Estimates staffs the Board of Revenue Estimates, which is composed of the Comptroller, the State Treasurer, and the Secretary of Budget and Management. The bureau examines the State's economic and business climate for the potential impact on State revenues. Prior to each legislative session, the board prepares and presents an annual report to the Governor and General Assembly on State revenue projections and updates those estimates in March of each year.

The Compliance Division enforces compliance with all State tax laws by conducting audits and collecting delinquent and unpaid taxes. The division is also responsible for the holding of unclaimed property and the distribution to rightful property owners.

The Revenue Administration Division collects and processes State and local individual income taxes (including employee withholding); corporate income taxes; State sales and use tax, estate tax, alcohol, tobacco, and motor fuel taxes; and admissions and amusement taxes for local governments. The division directs these revenues to the proper statutorily assigned destinations such as the State's general fund, the Transportation Trust Fund, the Higher Education Investment Fund, or to local governments.

Enforcement of tax laws through auditing, testing, inspection, and compliance activities is also carried out under the direction of the Field Enforcement Division, the regulatory and enforcement arm of the Comptroller's Office. The division's agents and inspectors are responsible for the enforcement of the revenue laws relating to motor fuel, motor carrier, sales and use, and certain income taxes. Tasks include conducting investigations, arresting violators, and performing compliance inspections for proper licenses. The division also includes the State License Bureau, which is responsible for the monitoring, updating, and enforcement of the use of approximately 85,000 business licenses and coordinates license issues with the clerk of the courts in all counties. The Motor Fuel Testing Laboratory is responsible for testing motor fuel to ensure proper quality fuel is sold to consumers across the State.

**Background:** The bill is a result of one of several recommendations of the [Comptroller's Transition Report](#) on ways to modernize the Comptroller's Office. The report recommended the following:

Transform the Ombudsman Office into a Taxpayer Advocate Office. The Comptroller's Office was one of the first state departments of revenue to create an office dedicated to addressing taxpayer concerns. That office – the Office of the Ombudsman – serves as the agency's liaison directly with taxpayers. The Office of the Ombudsman originally had one dedicated staff person and was later expanded to a three-member team (one of whom is Spanish-speaking, a best practice since adopted by other states). Considering the Office of the Ombudsman's call and email volume and stakeholder feedback, the Comptroller should increase the number of staff in this area to enable the office to more quickly respond to taxpayer inquiries and address the needs of Maryland's three million taxpayers.

Additionally, the Ombudsman's Office should be transformed into a Taxpayer Advocate Office, a model adopted by many private entities and the IRS. Under this model, dedicated Taxpayer Advocate Officers regularly engage with taxpayers and help to resolve their questions and concerns quickly and completely.

Finally, to execute the Comptroller's goals of transparency and efficiency in state government, the Comptroller's Office should designate the leader of the Taxpayer Advocate Office as a member of the Comptroller's Executive Team and develop metrics for assessing and reporting on the agency's effectiveness in resolving taxpayer concerns in a timely and accurate way while identifying trending systemic issues requiring remediation with the goal of preventing others from coming to fruition.

**State Expenditures:** To comply with the staffing requirements of the bill, general fund expenditures for the Comptroller’s Office increase by \$294,700 in fiscal 2024, which accounts for a 90-day start-up delay. The estimate reflects the cost of hiring four assistant taxpayer advocates to staff the division, as required by the bill. The remaining two positions required by the bill will be transferred from existing divisions within the Comptroller’s Office into the new taxpayer advocate division.

|   |                  |
|---|------------------|
| Positions                                     | 4.0              |
| Salaries and Fringe Benefits                  | \$265,094        |
| Operating Expenses                            | <u>29,636</u>    |
| <b>Total FY 2024 Comptroller Expenditures</b> | <b>\$294,730</b> |

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

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### **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** HB 707 (The Speaker) (By Request - Office of the Comptroller) - Appropriations and Ways and Means.

**Information Source(s):** Comptroller’s Office; Department of Budget and Management; Department of Legislative Services

**Fiscal Note History:** First Reader - March 8, 2023  
km/hlb Third Reader - March 22, 2023  
Enrolled - May 5, 2023  
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**ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES**

TITLE OF BILL: Office of the Comptroller – Taxpayer Advocate Division

BILL NUMBER: SB 660

PREPARED BY: Justin Hayes, Director of State Affairs, COM

**PART A. ECONOMIC IMPACT RATING**

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESS

**OR**

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND  
SMALL BUSINESSES

**PART B. ECONOMIC IMPACT ANALYSIS**

This bill creates the Taxpayer Advocate Division in the Office of the Comptroller to assist taxpayers and their representatives in resolving certain taxpayer problems and complaints. There is no discernible impact to small business.