

**HB366\_Lierman\_FAV\_2022.pdf**

Uploaded by: Brooke Lierman

Position: FAV

**BROOKE E. LIERMAN**  
*Legislative District 46*  
Baltimore City

Environment and Transportation  
Committee

*Chair*

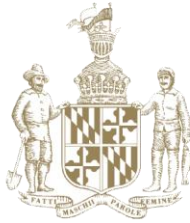
Land Use and Ethics Subcommittee

Joint Committee on Administrative,  
Executive, and Legislative Review

Joint Committee on Ending  
Homelessness

*Co-Chair*

Joint Committee on Pensions



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**THE MARYLAND HOUSE OF DELEGATES**  
ANNAPOLIS, MARYLAND 21401

**Testimony in Support of HB 366**  
Legal Division & Private Letter Ruling Procedures  
Budget & Taxation Committee \* March 29, 2022

**What this bill does**

This bill creates a Legal Division within the Office of the Maryland Comptroller to provide private letter rulings and other forms of detailed tax guidance to make it easier for businesses and residents to understand what they owe - and to pay the proper amount.

The legal division would be staffed by a director and at least six attorneys. The bill allows the Office of the Comptroller to develop (through regulation) specific processes related to: a procedure and form for residents to submit requests for a private letter ruling; circumstances under which a private letter ruling can be denied; times and conditions under which a private letter ruling can be revoked; limitations on the applicability of a private letter ruling; and guidelines for publication of private letter rulings online.

Private letter rulings are legally-binding statements issued to taxpayers by the Comptroller on the application of tax laws and regulations to a specific situation posed by the taxpayer.

**Why it matters**

State tax laws and their application change every year - costing taxpayers, especially those with complicated filing status - time and money. Taxpayers and business owners spend additional dollars on accountants and still make errors when filing, either paying too little or too much and sometimes incurring penalties. For example, in 2015, over 200,000 Marylanders faced penalties totaling over \$40 million. The stress and financial hardship associated with these fees and penalties is often completely avoidable, and the effort and time required by the Comptroller's office to actually collect this money can be very burdensome.

Under this bill, if a taxpayer or business is uncertain about what they owe, they can request a private letter ruling and receive the guidance that they need. Completed private letter rulings will be published online and will serve as a resource to aid other taxpayers, businesses, and tax preparers facing similar issues.

At least 33 other states have an office devoted to providing private letter rulings and tax guidance like the one proposed under this bill, and experts have suggested it would be a helpful tool for

Maryland. In 2014, the [Maryland Economic Development and Business Climate Commission \(Augustine Commission\)](#) was convened by the Senate President and Speaker of the House. In 2015 and 2016 it published reports that examined the State's current economic development structure and incentive programs, and made recommendations to keep Maryland competitive in economic and private sector growth and prosperity. [The second report focused specifically on State and local business-related taxes and tax incentives.](#) **One of its key recommendations was that the state institute a private letter ruling process to allow businesses to get more guidance in properly filing state taxes.** The [report](#) explained that, “businesses currently lack certain tax guidance needed to responsibly manage their affairs” and “the publication of tax guidance is generally considered a key feature of fair and efficient tax administration...guidance in many states is provided through private letter rulings.”

### **Why you should vote for this bill**

We face a large tax gap in our nation and state. At least part of this tax gap can be explained by the fact that businesses and taxpayers do not know exactly what they owe and underpay. Some of the tax gap is also explained by underpayments made, acknowledged by the Comptroller, but not collected due to lack of enforcement staff. Most of our taxpayers and business owners intend to pay their taxes correctly and deserve our support and assistance in avoiding errors. We will all be better off if Marylanders know what they owe and file their taxes correctly. An office dedicated to private letter rulings will save the state time and bring in additional dollars.

I urge you to vote favorably on HB366.

**3-28-2022 - HB366 Office of the Comptroller Lega**

Uploaded by: Debora Gorman

Position: FAV

## TESTIMONY OF DEBORA GORMAN, DEPUTY DIRECTOR OF THE REVENUE ADMINISTRATION DIVISION

**Support - House Bill 366 - Office of the Comptroller - Legal Division and Private  
Letter Ruling Procedures**  
*Budget and Taxation Committee*  
*March 29, 2022*

Chairman Guzzone, Vice Chairman Rosapepe and members of the Committee, it is my pleasure to provide testimony in support of **House Bill 366 - Office of the Comptroller - Legal Division and Private Letter Ruling Procedures**. I would like to thank Delegate Brooke Lierman for sponsoring this important legislation, and the Committee for providing the opportunity for my testimony to be heard.

I submit this updated testimony to indicate that the Comptroller's Office continues to support this bill with the amendments HB0366/783326/1 adopted by the House on February 22, 2022, which require a person requesting a private letter ruling to advise the Comptroller if they are the subject of an ongoing tax matter, such as an audit or appeal, and adding to the reasons why the Comptroller may deny a request for good cause a denial if the issue is the subject of a statute, regulation, or court decision or if the issue involves the tax consequence of proposed federal, state, or local legislation.

Private letter rulings are written statements issued to a taxpayer that interpret and apply tax laws to the taxpayer's represented set of facts. The Council on State Taxation has found Maryland in the minority of states that do not offer private letter rulings, and considers that a negative factor when rating a state's transparency in tax administration. The Maryland Chamber of Commerce has stated that the issuance of private letter rulings is essential to fair tax administration. Surrounding jurisdictions of Virginia, Pennsylvania, and the District of Columbia all offer private letter rulings, and national and regional taxpayers are eager for Maryland to provide that same level of service. Funding this program follows through on an important recommendation of the 2016 Report of the Maryland Economic Development and Business Climate Commission, (aka the Augustine Commission), which detailed measures to improve Maryland's business climate. While Chapter

582 of the 2016 legislative session provided the authorization for the Comptroller to implement a private letter ruling process, the agency has been unable to initiate the program without necessary funding.

This bill will provide the necessary funding and framework to establish a private letter ruling program within a Legal Division, giving businesses and other taxpayers the ability to receive binding tax guidance from the Comptroller's office based on their specific tax situations. The availability of private letter rulings provides businesses with greater certainty in tax planning so they may responsibly manage their affairs. Online publication of redacted versions of the rulings provides instructional guidance for other taxpayers with similar questions.

Establishing a dedicated Legal Division within the Comptroller's Office conforms with best practices in tax administration. In addition to the private letter rulings and the current duties related to appeals, attorneys in the division will perform complex transactional tax work to meet the needs of the taxpayers and the State. This will include review of state and federal tax matters and expanding and updating the publication of online tax guidance in the form of technical administrative releases and non-technical tax alerts. This will increase the ease with which both individual and business taxpayers can find answers to their Maryland tax questions.

For all of these reasons, I respectfully request a favorable report on this bill.

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# **HB 366\_MDCC\_Office of the Comptroller - Legal Divi**

Uploaded by: Maddy Voytek

Position: FAV



**MARYLAND**  
Chamber of Commerce

**LEGISLATIVE POSITION:**

**Favorable with Amendment**

**House Bill 366**

**Office of the Comptroller – Legal Division and Private Letter Ruling Procedures**

**Senate Budget & Taxation Committee**

**Tuesday, March 29, 2022**

Dear Chairman Guzzone and Members of the Committee:

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 5,500 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

HB 366 establishes a Legal Division within the Comptroller's Office to provide expanded and detailed tax guidance and other duties relating to private letter rulings (PLR). A private letter ruling is a written determination from the Comptroller's Office on how certain tax laws and regulations are applied. These letters are incredibly helpful and provide real value for business owners when determining what taxes apply to their business.

Small businesses are the backbone of Maryland's economy and provide much needed employment opportunities and philanthropy to the communities they serve. HB 366 provides these businesses with an avenue to obtain clarity on Maryland's ever changing tax system and ensures that the Comptroller's office has qualified staff to execute this function.

Lastly, we appreciate the sponsor's amendment to increase the PLR expiration date from three years to seven years. Many of these issues remain the same after three years and this mandatory expiration would require small businesses to reapply for the private letter ruling, wasting both the businesses and legal division's time.

The Maryland Chamber of Commerce respectfully requests a **favorable report** on **HB 366**.

MDCHAMBER.ORG

60 West Street, Suite 100, Annapolis 21401 | 410-269-0642



**B&T \_ HB 366 MACPA Written Testimony - SUPPORT.pdf**

Uploaded by: MB Halpern

Position: FAV



March 29, 2022

The Honorable Guy Guzzone  
Budget and Taxation Committee  
Miller Senate Office Building  
Annapolis, Maryland 21401

Re: HB 366, “Office of the Comptroller - Legal Division and Private Letter Ruling Procedures”  
**- Favorable**

Dear Chairman Guzzone and members of the Committee,

The Maryland Association of Certified Public Accountants (MACPA), founded in 1901, has nearly 9,000 members who work in public accounting, industry, government and education. Our members serve thousands of individual and business clients throughout the state.

The MACPA and our members wholeheartedly support HB 366. Private letter rulings (PLRs) allow taxpayers to get binding answers from the Comptroller’s Office to their tax questions. In turn, the taxpayers can then pay the right amount of tax at the right time, rather than years later after an audit or litigation. Several dozen other states’ departments of revenue currently have a similar process in place. By establishing a Legal Division in the Office of the Comptroller and creating the PLR process, with a binding period of seven-years, Maryland is taking a strong step in the fair and transparent administration of state tax laws. We have been looking forward to a Maryland PLR process for a long time.

In its January 2016 report on tax issues, the Maryland Economic Development and Business Climate Commission (otherwise known as the Augustine Commission) recommended that the state institute a private letter ruling process. SB 843, enacted in 2016, included a provision that required the Comptroller to implement a private letter ruling process to provide additional guidance to taxpayers; SB843 also instructed the Comptroller’s Office to request additional resources in the Comptroller’s budget, if necessary, but those budget requests have not been approved in any year, much to the disappointment of our CPA membership.

HB 366 is a strong step in the right direction to fill this void by establishing a Legal Division in the Office of the Comptroller to perform duties related to PLRs. We offer this additional thought: for the new division to fulfill the bill’s mandate to “provide expanded and detailed tax guidance to taxpayers,” it is vital for the Comptroller’s Office to have a staff of experienced tax attorneys and CPAs who bring the proper expertise and knowledge to providing guidance to taxpayers in PLRs. The process requires not just any additional staff, but the right level and experience in the personnel who perform this function. This involves a properly funded budget in the Office to allow the Director of the Legal Division to hire and retain qualified personnel at competitive salary levels. In addition to the enactment of HB 366, we look forward to the

Governor and the General Assembly providing that adequate funding.

HB 366 will help establish a PLR process that will bring in the right amount of tax money more currently when taxpayers have received the requested guidance, will save the expense of state audits, and may limit the expense of post-audit litigation for both the state and the taxpayers. We appreciate your consideration and request a favorable report.

Should you have any questions, please contact Mary Beth Halpern at the MACPA at [marybeth@macpa.org](mailto:marybeth@macpa.org) or 443-632-2330.

Sincerely,

MACPA State Tax Committee

cc: Nick Manis, Manis Canning & Associates