



Feb. 9, 2022

The Honorable Vanessa E. Atterbeary, Chair
Ways and Means Committee
House Office Building
Annapolis, Md. 21401

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

Dear Chairman Atterbeary 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, with one small requested amendment outlined below – removal of the automatic three-year expiration of letter rulings.

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, 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. MACPA supports HB 366 and requests the following amendment:

New section 13-1A-03(B) states that a PLR would be binding on the Comptroller for only a three-year period. This is not in line with Federal Internal Revenue Service PLR rules, nor

with most other states. We have identified only one of the several dozen other states' PLR procedures that has such a time limitation: Missouri. There are many aspects of Maryland tax law that do not change in a three-year period; an automatic expiration of a ruling would require taxpayers to re-apply for a new ruling, thus putting the taxpayers through the time and expense of reapplying and requiring the Comptroller's Office to spend the time to address the new ruling where no changes have occurred. We request that the three-year expiration period be stricken from the bill, so that the Comptroller's ruling remains in effect until such time as one of the other events listed in the Bill occurs, such as a change in facts, law change, court ruling, etc.

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 with the proposed amendment 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 the amendment followed by a favorable report.

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

Sincerely,

MACPA State Tax Committee

cc: Nick Manis, Manis Canning & Associates