



Peter Franchot
Comptroller

March 15, 2010

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

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

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

Dear Governor, President and Speaker:

Section 3 of Chapter 277 of the Acts of 2009 requires me to report to you on the revenues raised by the tax amnesty program established by that act, and on any other matters relating to the amnesty program. The tax amnesty, Maryland's third in twenty-two years and first since 2001, ran from September 1, 2009 to October 30, 2009. Under the program, civil penalties and one-half of any unpaid interest were waived, except for previously assessed fraud penalties, if taxpayers paid in full any outstanding tax liability and remaining interest during the amnesty period, or if a payment plan was arranged. The amnesty applied to the outstanding liabilities of individual and corporate income taxes, employer withholding tax, sales and use tax, and the admissions and amusement tax State for any tax period ending on or before December 31, 2008. However, the amnesty did not apply to any corporation with more than 500 employees, nor to the same tax type for which a taxpayer was granted amnesty during the 2001 Maryland Tax Amnesty program. In addition, any taxpayer eligible for the 2004 Delaware holding company settlement was not eligible for amnesty in 2009.

The amnesty has generated \$29.7 million to date, about \$10 million less than the 2001 amnesty, but well above the \$5 to \$10 million that was expected to be raised. An additional \$21.4 million is scheduled to be collected by December 2010 under approved payment plans, although some of this amount will not be collected due to payment plan defaults. Over 7,000 applications were received, and the vast majority were approved for the amnesty program.

The tax amnesty was a success, but perhaps the most important work remains to be done. My office is building on the success of the amnesty with increased compliance activities related to the new

Maryland Integrated Tax System (MITS), whose implementation begins this summer. This technology will help us to ensure that all Maryland residents and businesses pay their fair share of taxes. I intend to maintain the faith of Marylanders in our system of voluntary tax compliance by vigorously pursuing those who abuse it. I appreciate the support of the General Assembly and all citizens in this effort.

This report was produced under the direction of David Roose, Director of the Bureau of Revenue Estimates, with the assistance of Linda Tanton, Deputy Comptroller, James Arnie, Director of the Revenue Administration Division, and Sharonne Bonardi, Director of the Compliance Division. These last three individuals and their staffs were critical in making the amnesty a success. Questions about this report should be directed to Mr. Roose at (410) 260-7450.

Sincerely,

A handwritten signature in black ink that reads "Peter Franchot". The signature is written in a cursive style with a large, sweeping initial "P".

Peter Franchot
Comptroller of Maryland

MARYLAND'S 2009 TAX AMNESTY

Chapter 277, Acts of 2009 (Senate Bill 552) required the Comptroller to declare Maryland's third-ever tax amnesty for the period of September 1, 2009 to October 30, 2009 and to report on the revenues raised under the tax amnesty and other matters relating to the program. The amnesty covered State and local income taxes owed by individuals and corporations, and withholding, sales and admissions and amusement taxes—either uncollected or collected but not remitted to the State—for any tax period ending on or before December 31, 2008. The amnesty was not available to any corporation with more than 500 employees, nor to any taxpayer eligible for the 2004 Delaware holding company settlement. In addition, liabilities of the same tax type for which any taxpayer was granted amnesty during the 2001 amnesty period in Maryland were not eligible for amnesty in 2009.

The amnesty provided certain benefits to taxpayers who had not reported, underreported or not paid a tax liability. Subject to certain exceptions, all civil and criminal penalties were waived provided that the liability and one-half of interest was paid by October 30, 2009 or an approved payment plan that would conclude by December 2010 was initiated with the Comptroller's office. Criminal penalties were not waived if charges were pending or under investigation by an office with constitutional authority to prosecute persons for violation of criminal laws. The Comptroller was also explicitly prohibited from waiving previously assessed fraud penalties.

This was Maryland's third tax amnesty, coming twenty-two years after the first, which was held in September and October of 1987, and eight years after the second, which was held in September and October of 2001. The 1987 amnesty, which included the boat excise tax, raised \$34.6 million and the 2001 amnesty raised \$39.4 million. Based on data from the 2001 amnesty and accounting for the differences in the administration of the 2009 amnesty, this latest amnesty was expected to result in about \$5.0 to \$10.0 million of revenue, although it was recognized that much of that revenue would have been collected through routine compliance activities, with or without the amnesty.

Administratively, few fundamental changes were made to forms and payment methods since 2001 (see **Attachment 1** for the amnesty form). However, unlike the 2001 amnesty campaign, which made \$2.0 million available to the Comptroller for promotional purposes, there was no budgeted amount for promotional activities in 2009. To make taxpayers aware of the amnesty, the Comptroller issued a special Amnesty edition of ReveNews, a quarterly newsletter that is distributed to 12,000 tax professionals and other individuals in tax-related industries. In addition, the Office of Communications issued numerous press releases marketing the milestone deadlines of the amnesty—one announcement on the first day of the campaign, another with one month remaining, and a final announcement at the beginning of the last week of the amnesty period. A Public Service Announcement was also recorded and aired on local radio stations. In addition, articles were submitted to the Tax Section of the Bar and the Maryland Society of Accountants for placement in their publications and e-mails to their members, and to other key tax organizations, including the Maryland Association of CPAs. Senior staff of the Comptroller's Office spoke before interested parties about the amnesty program. Finally, Comptroller Franchot appeared in various radio, television and print interviews on the topic of tax amnesty. (See **Attachment 2** for an FAQ document that was posted on the Comptroller's Web site.)

The tax amnesty promotion resulted in a large number of queries from taxpayers, although not nearly as many as during the 2001 amnesty. More than 14,000 phone and e-mail inquiries were answered in the Annapolis, Baltimore, and branch offices, and these offices assisted nearly 2,700 walk-in taxpayers with amnesty related questions. On October 30, the last day of the amnesty, the Baltimore, Annapolis, Salisbury, Wheaton and Hagerstown offices remained open until 8 p.m. to offer assistance to taxpayers.

Between September 1 and October 30, 7,169 taxpayers applied for amnesty (**Table 1**). Of those requests, 7,118—more than 99%—were approved for amnesty. Of the approved applications, 88% were from taxpayers who owed individual income tax, including pass-through entities. In 2009, the State received fewer than half the number of the applications received during the 2001 amnesty. Of the total applications received, 5,313 were for known liabilities, and 1,856 were self-disclosed by taxpayers.

Table 1

Maryland 2009 Tax Amnesty Applicants

<u>Tax Type</u>	<u>Approved</u>	<u>Rejected</u>	<u>Total</u>
Individual Income ¹	6,267	1	6,268
Corporate Income	66	0	66
Withholding	348	26	374
Sales and Use	434	24	458
Admissions and Amusements	<u>3</u>	<u>0</u>	<u>3</u>
Total Applicants	7,118	51	7,169

¹ Includes pass-through entity and fiduciary income taxes

Thus far, the State has collected \$29,674,234 from the 2009 amnesty program, well above the \$5.0 to \$10.0 million that was estimated to be collected. **Table 2** shows the detail on receipts from the 2009 amnesty as of the end of February 2010. More than three-quarters of the receipts were individual income tax revenues (though about one-third of that was local revenue), and just over 13% were sales tax revenues. Withholding and corporate income taxes together made up just over 11% of the revenues collected. In 2001, the individual income tax accounted for just over one-half of total amnesty collections, and the sales and use tax about one-quarter of collections.

Table 2
Maryland 2009 Tax Amnesty Receipts
 Through March 1

<u>Tax Type</u>	<u>Tax Paid</u>	<u>Interest Paid</u>	<u>Total</u>
Individual Income ¹	\$16,691,202	\$5,931,977	\$22,623,179
Corporate Income	1,167,418	218,889	1,386,307
Withholding	1,456,509	332,625	1,789,134
Sales and Use	2,888,427	985,962	3,874,389
Admissions and Amusements ²	<u>N/A</u>	<u>N/A</u>	<u>12,225</u>
Total Receipts	\$22,203,556	\$7,469,453	\$29,674,234

¹ Includes pass-through entity and fiduciary income taxes

² Interest & penalty is not tracked separately for the A&A tax, but is included in the total reported.

Amnesty payments for the individual income tax were made from residents of every county of the State, and many other states. About two-thirds of the revenue collected was from four jurisdictions – Montgomery, Baltimore, Prince George’s, and Anne Arundel counties. Less than 4% of the revenue collected was from nonresidents. **Table 3** shows the geographical distribution of amnesty receipts. The money generated by the amnesty program will be included in the delinquent distribution of local income taxes; a separate distribution of amnesty receipts will not be made to the counties.

Table 3
Collection of Local Income Tax Amnesty Receipts by Jurisdiction
(Individuals & Fiduciaries)
 Collections Through March 1

Allegany	\$37,319	0.5%	Harford	\$199,737	2.6%
Anne Arundel	665,966	8.6%	Howard	416,539	5.4%
Baltimore	1,054,812	13.6%	Kent	26,399	0.3%
Baltimore City	675,727	8.7%	Montgomery	2,510,210	32.5%
Calvert	67,680	0.9%	Prince George's	1,062,275	13.7%
Caroline	20,153	0.3%	Queen Anne's	100,947	1.3%
Carroll	98,029	1.3%	St. Mary's	52,076	0.7%
Cecil	90,414	1.2%	Somerset	31,616	0.4%
Charles	99,790	1.3%	Talbot	89,613	1.2%
Dorchester	13,441	0.2%	Washington	68,185	0.9%
Frederick	215,625	2.8%	Wicomico	94,150	1.2%
Garrett	12,047	0.2%	Worcester	28,116	0.4%
			TOTAL	\$20,749,814	100.0%

If an amnesty application was approved, the taxpayer had the option of paying the balance due in full or scheduling a payment plan for the unpaid liability. **Table 4** summarizes by tax type the number of accounts that paid all liabilities in full at the time the taxpayer applied for amnesty, and the amount collected from those accounts. Approximately \$20.7 million - or 70% - of the \$29.7 million in amnesty collections was paid in full when the amnesty applications were approved or shortly thereafter.

Table 4

Maryland 2009 Tax Amnesty Full-Pays as of March 1

<u>Tax Type</u>	<u>Accounts</u>	<u>Tax Paid</u>	<u>Interest Paid</u>	<u>Total</u>
Individual Income ¹	2,155	\$10,836,511	\$2,803,112	\$13,639,623
Corporate Income	37	1,168,649	218,920	1,387,569
Withholding	102	1,456,509	332,625	1,789,134
Sales and Use	130	2,888,427	985,962	3,874,389
Admissions and Amusements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Full-Pays	2,424	\$16,350,096	\$4,340,619	\$20,690,715

¹ Includes pass-through entity and fiduciary income taxes

Table 5

Maryland 2009 Tax Amnesty Payment Plans
To Be Collected From March to December 2010

<u>Tax Type</u>	<u>Accounts</u>	<u>Total Tax and Interest</u>
Individual Income ¹	2,764	\$13,930,680
Corporate Income	38	1,390,614
Withholding	212	2,226,046
Sales and Use	263	3,808,554
Admissions and Amusement	<u>3</u>	<u>11,415</u>
Total Payment Plans	3,280	\$21,367,309

¹ Includes pass-through entity and fiduciary income taxes

Table 5, above, summarizes the tax information for those taxpayers who currently have an active payment plan and are scheduled to pay their accounts in full by December 2010. Thus, an additional \$21.4 million may still be collected from the 2009 amnesty. However, history has shown that a portion of these accounts will likely default before the account is paid in full, which will reduce the final amount of these expected collections to some degree.

As discussed above, one incentive for taxpayers to come forward during the amnesty was the waiver of all penalty and a portion of interest charges. All unpaid civil penalties, except previously assessed fraud penalties, and one-half of any unpaid interest were waived for each of the tax types covered by the amnesty. Generally, penalties are 25% of unpaid liability; for withholding taxes, the penalty is 5%, followed by an increase to 10% after 30 days; for sales and admissions and amusement (A&A) taxes, the penalty is 10% per annum. Interest is charged at a rate of 13% per annum. **Table 6** summarizes the interest and penalty that was abated for each tax type.

Table 6

Maryland 2009 Tax Amnesty Abatements

<u>Tax Type</u>	<u>Accounts</u>	<u>Interest Abated</u>	<u>Penalty Abated</u>	<u>Total</u>
Individual Income ¹	6,175	\$ 7,649,729	\$ 2,172,454	\$ 9,822,183
Corporate Income	66	298,410	35,257	333,667
Withholding	374	592,797	387,870	980,667
Sales and Use	463	1,658,039	785,311	2,443,350
Admissions and Amusements	<u>3</u>	<u>234</u>	<u>462</u>	<u>696</u>
Total Abatements	7,081	\$10,199,209	\$3,381,354	\$13,580,563

¹ Includes pass-through entity and fiduciary income taxes

Table 7, below, represents the number of accounts for which payment plans have been revoked as of the end of February 2010. Payment plans may be revoked for several reasons, including if a taxpayer sent in an initial deposit but since then was unable to keep up with the required payments, if two direct debit transaction were unable to be completed because of insufficient funds in the taxpayer's bank account, or if after a minimum of three attempts to contact the taxpayer, no response was received.

Table 7
Maryland 2009 Tax Amnesty Defaults

<u>Tax Type</u>	<u>Accounts</u>	<u>Tax Liability</u>	<u>Interest and Penalty</u>	<u>Total</u>
Individual Income ¹	236	N/A*	N/A*	\$1,510,505
Corporate Income	4	50,879	10,627	61,506
Withholding	24	596,675	122,444	719,118
Sales and Use	30	2,222,168	1,847,278	4,069,446
Admissions and Amusements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Defaults	294	\$2,869,722	\$1,980,349	\$6,360,576

¹ Includes pass-through entity and fiduciary income taxes

* Interest & penalty for defaults is not tracked separately for the individual income tax, but is included in the total.

One factor that will reduce amnesty collections is the income tax offset program conducted with the IRS. Under this program, any refunds of federal income taxes owed to Maryland residents are captured and remitted to the State if the taxpayer has an outstanding State tax liability, and *vice versa*. From January through October 2009, roughly \$48 million of federal refunds were captured. During the 2001 amnesty, about \$13 million was intercepted. These payments reduced amnesty collections in two ways. First, and most importantly, under State law any payment received is first applied to penalties. To the extent that these offsets eliminated penalties, the incentive to apply for amnesty was drastically reduced. The other factor, which operated to a lesser extent, is that these offsets could have completely eliminated any liability to the State that might have been amnesty-eligible.

While these factors may appear to reduce the effectiveness of amnesties, it is important to note that the overall effectiveness of State compliance activities has increased, due in large part to enhanced use of technology in reporting income to the Internal Revenue Service and the State. Furthermore, these activities probably increased the total dollar amount of unpaid liabilities collected in 2009 than would have been received through the amnesty alone, since penalties were collected through these other programs.

The 2009 Maryland tax amnesty was a success, generating over \$29 million in revenue thus far. While the amnesty program was successful, Maryland must be careful not to rely on it as a tool to generate revenue. Repeated use of amnesties can create cynicism among law-abiding taxpayers, and may lessen the likelihood of voluntary compliance with State tax laws, which is vital for our system of taxation. As mentioned earlier, the 2009 amnesty is the State's third in less than 25 years. The implementation of the new Modernized Integrated Tax System (MITS) is expected to allow the Comptroller's office to more efficiently collect Maryland taxes, and to ensure compliance with Maryland tax law. Effective enforcement by the Comptroller's Office, with the encouragement and cooperation of other State agencies and the General Assembly, could help eliminate the need for future tax amnesties.

Attachment 1

Tax Amnesty Application Form

APPLICATION FOR TAX AMNESTY • September 1 - October 30, 2009

PART I - PLEASE TYPE OR PRINT INFORMATION REQUIRED

NAME				SOCIAL SECURITY NUMBER	
SPOUSE'S NAME IF JOINT AMNESTY				SOCIAL SECURITY NUMBER	
BUSINESS NAME IF APPLICABLE				CENTRAL REGISTRATION NUMBER OR FEIN (IF APPLICABLE)	
MAILING ADDRESS (NUMBER, STREET, UNIT, APT)				DAYTIME TELEPHONE NUMBER	
CITY OR TOWN	COUNTY	STATE	ZIP CODE	EMAIL	

PART II - TAXES ELIGIBLE FOR AMNESTY Check one. You must file a separate amnesty application for each type of tax.

- Personal Income Tax Sales and Use Tax
 Corporate Income Tax Admissions & Amusement Tax
 Employer Withholding Tax Pass-through Entity
 Fiduciary Income Tax Nonresident Income Tax

Check any applicable box:

- As of 09/01/09 you have more than 500 employees in the US or are a member of a corporate group that has more than 500 employees in the US.
 You received amnesty for this tax type in 2001.
 You are a corporation and were eligible for the 7/1 - 11/1/2004 settlement period.



If you checked a box, you are not eligible for amnesty. Do not file this application.

PART III - INDICATE PERIODS FOR WHICH TAX IS OWED AND AMOUNTS OWED

ENTER TAX PERIOD		TYPE OF RETURNS ATTACHED (If applicable)		TAX	ONE-HALF INTEREST <small>See instructions on back</small>	TOTALS	
MONTH/YEAR (BEGINNING)	MONTH/YEAR (ENDING)	ORIGINAL RETURN	AMENDED RETURN	AMOUNT OF TAX DUE	AMOUNT OF INTEREST DUE		ADD COLUMNS ACROSS
/	/						
/	/						
/	/						
/	/						
Use supplementary form, if additional lines are required.				SUBTOTAL			
				TOTALS FROM SUPPLEMENTAL SHEET(S)			
				TOTAL			

AMOUNT DUE

PART IV - SELECT PAYMENT OPTION AND SIGN

- Full Pay
 Direct Debit: www.marylandtaxes.com, go to
 Amnesty Bill Pay iFile with return bFile with return
 Amount paid: _____ Confirmation number: _____
 Credit card: see instructions on back
 Amount paid: _____ Confirmation number: _____
 Check or Money Order: payable to COMPTROLLER OF MARYLAND

- Payment Plan - Complete both 1 and 2 below.
1. At least 10% down payment required with application:
 Direct Debit: www.marylandtaxes.com, go to
 Amnesty Bill Pay iFile with return bFile with return
 Amount paid: _____ Confirmation number: _____
 Credit card: see instructions on back
 Amount paid: _____ Confirmation number: _____
 Check or Money Order: payable to COMPTROLLER OF MARYLAND

- 2. Monthly payments - by direct debit only, on the first of each month.**
Check one: 3 mo. 6 mo. 9 mo. 12 mo. 15 mo.
 All payments must be made by December 31, 2010 (*attach a voided check*)

Routing # _____ Account # _____

You will be notified of your monthly payment amount prior to the first direct debit. For more information on the payment plan option, see amnesty FAQs on our Web site at www.marylandtaxes.com.

Making the 10% down payment does not constitute the acceptance of your application. If not approved, payment will apply to current outstanding liability.

I certify that I have read all of the information on the back of this application and I am eligible for tax Amnesty under the law. I also certify that all attachments and statements are true, complete and correct to the best of my knowledge.

Signature of Taxpayer (required) _____ Date _____

Signature of Spouse (required, if joint) _____ Date _____

Signature of Agent/Preparer (required, if prepared by other than taxpayer) _____ Date _____

Telephone Number of Agent/Preparer (required, if prepared by other than taxpayer) _____

Check here if you authorize your agent/preparer to discuss this information with the Office of the Comptroller.

GENERAL INFORMATION

WHAT IS TAX AMNESTY? Maryland Tax Amnesty is an opportunity to pay delinquent tax without paying one-half interest and penalty. If eligible tax and one-half interest is paid by December 31, 2010 any existing civil penalty and one-half interest will be waived on those accounts. There will be no criminal prosecution unless you are already under investigation.

Amnesty eligible taxes include individual income tax, corporation income tax, fiduciary income tax, pass-through entity income tax, employer withholding tax, sales and use tax, and admissions and amusement tax.

WHO IS ELIGIBLE? You are eligible if you owe taxes for returns that were DUE on or before December 31, 2008 and:

- you have not filed a return, or
- you filed an incorrect return, or
- you filed a correct return but did not pay the tax, or
- you have received a bill for one of the eligible taxes.

Previously assessed fraud penalties and previously paid penalties are not eligible.

Criminal investigations in progress are not eligible.

HOW DO I GET AMNESTY? You must file a separate amnesty application (AM-09) for each type of tax for which you are requesting amnesty.

You must attach all previously unfiled original or amended returns to the amnesty application. All tax and 1/2 interest must be paid in full between September 1, 2009 and October 30, 2009, or in the alternative, request a payment plan with at least a 10% down payment due with the application and the balance paid in full by December 31, 2010. Be sure to keep copies of all amnesty applications and cancelled checks for your records.

WHERE CAN I GET HELP? To download applications or for additional information visit the Comptroller's Web site at www.marylandtaxes.com, e-mail us at amnesty@comp.state.md.us, visit any office of the Comptroller, or call 410-260-7980 or 1-800-MD-TAXES (1-800-638-2937).

DUE DATES

Individual income tax, fiduciary income tax and pass-through entity income tax returns are usually due in April of the following calendar year. Corporation income tax returns are due in the third month following the close of the taxable year. Taxes for monthly, quarterly, semi-annual and seasonal sales and use, admissions and amusement, and withholding accounts are due in the month following the close of the period.

HOW TO USE THE ONE-HALF INTEREST TABLE

Example for one-half interest calculations using the table below.

1. Find the month and year the return was due: April 2007
2. Find the interest factor on the chart by going to April in the left column and going across to the 2007 year column. The interest factor for this example of a return due in April 2007 is .166
 - Amount of tax due \$567.00
 - Multiply by the interest factor x 0.166
 - Interest amount \$94.12

Enter the tax and interest amount in the appropriate columns on the amnesty application AM-09.

		ONE-HALF INTEREST TABLE (ROUNDED)					
		Year Return Due					
		2008	2007	2006	2005	2004	2003
Month Return Due	Jan	0.116	0.182	0.247	0.312	0.376	0.442
	Feb	0.111	0.177	0.242	0.307	0.371	0.437
	Mar	0.106	0.171	0.236	0.301	0.365	0.431
	Apr	0.100	0.166	0.231	0.296	0.360	0.426
	May	0.095	0.160	0.225	0.290	0.354	0.420
	Jun	0.090	0.155	0.220	0.285	0.349	0.415
	Jul	0.084	0.149	0.214	0.279	0.343	0.410
	Aug	0.078	0.144	0.209	0.274	0.338	0.404
	Sep	0.073	0.139	0.204	0.269	0.333	0.399
	Oct	0.068	0.133	0.198	0.263	0.327	0.393
	Nov	0.062	0.128	0.193	0.258	0.322	0.388
	Dec	0.057	0.122	0.187	0.252	0.316	0.382

Use Form 500UP or 502UP to calculate interest on underpayment of estimated tax.

INSTRUCTIONS FOR COMPLETING THIS APPLICATION

PART I

Be sure that all information is complete. If you are requesting amnesty for an individual income tax liability, enter your name, address and social security number. If you are a business entity, enter the business name, address, central registration number or federal employer identification number.

PART II

Check the box for the type of tax in the space provided on the left. A separate Form AM-09 must be filed for each type of tax. On the right, check the applicable box(es) to determine your eligibility.

PART III

ENTER TAX PERIOD. Indicate the tax period for which you are requesting amnesty.

TYPE OF RETURNS. Put a check mark in the space for original or amended to indicate which of these you are filing. The actual returns must be attached to this form. If you have previously filed correct returns, but have not paid the tax leave this section blank; no attachments are necessary.

TAX. Enter the amount of tax due for each period developed on the returns or the amount of tax previously billed. If you do not know the amount of previously billed tax but know the notice number, you can visit the Comptroller's Web site at www.marylandtaxes.com to determine the tax due or you can call 410-260-7980 from Central Maryland or 1-800-MD-TAXES from elsewhere for assistance.

INTEREST. Enter the amount of interest due for each period including interest on underpayment of estimated tax. You can visit the Comptroller's website to determine the interest due, use the interest table above to calculate the interest or call the amnesty telephone number.

TOTALS. Add the tax and interest together to arrive at a total for each period. Add the columns and enter the results on the appropriate subtotal and total lines. If you need additional lines to enter the tax periods, you may use the supplemental form.

PART IV

Indicate your method of payment. Payments with electronically filed returns can be made through iFile and bFile. If you are paying by credit card (Discover, Visa, American Express or MasterCard), payments may be made by telephone or over the Internet. Both options will be processed by Official Payments Corporation which will charge a convenience fee of 2.49% on the amount of your payment. To make a credit card payment call Official Payments Corporation at 1-800-2PAYTAX or visit its Web site at www.officialpayments.com. Enter the confirmation number you receive on the front of this form.

Be sure to sign the Amnesty application(s) and any attached returns. Make your check payable to **COMPTROLLER OF MARYLAND**. Mail your amnesty applications, returns and payments:

MARYLAND TAX AMNESTY
COMPTROLLER OF MARYLAND
P. O. BOX 1829
ANNAPOLIS, MD 21404-1829

Attachment 2

Tax Amnesty Frequently Asked Questions



Why Take Advantage of Tax Amnesty?

What is the Amnesty Period?

The amnesty period is September 1, 2009 to October 30, 2009.

Which Maryland taxes are included under Tax Amnesty?

Amnesty covers the following taxes:

- Individual Income Tax
- Fiduciary Income Tax
- Pass-through Entity Nonresident Tax
- Corporate Income Tax
- Employer Withholding Tax
- Sales and Use Tax
- Admissions and Amusement Tax

Is there any relief available under the amnesty program for failure to file unclaimed property returns?

No, the law does not provide for any relief from amnesty for failure to file unclaimed property returns.

What tax periods are covered?

Tax liabilities for returns due on or before December 31, 2008, are included in the program.

Does amnesty apply to returns due after December 31, 2008, such as the December 2008 SUT return, which was due on January 20, 2009.

No, under Senate Bill 552, only those returns **due on or before** December 31, 2008 will be eligible for amnesty.

What is waived?

All unpaid civil penalties, except previously assessed fraud penalties, and one-half of any unpaid interest will be waived for eligible taxpayers and eligible taxes. Criminal prosecutions for state tax violations of amnesty-eligible taxes will be barred unless the charge is already pending or under investigation by a prosecutor.

How do I know if I am eligible for Tax Amnesty?

The Amnesty program does not apply to:

- Any taxpayer that as of September 1, 2009 has more than 500 employees in the United States or is a member of a corporate group that has more than 500 employees in the United States.
- Any taxpayer that was granted amnesty under the 2001 Maryland Tax Amnesty Program, with respect to the taxes for which the taxpayer received amnesty in 2001.
- Any taxpayer eligible for the July 1, 2004 through November 1, 2004 Settlement Period, as provided in Chapter 557 of the Acts of 2004, which was applicable to the Maryland corporate income tax assessed by the Comptroller, whether or not the taxpayer took advantage of the settlement period. Corporate taxpayers who have questions regarding their amnesty eligibility status should contact Keith

Akers, Business Tax Audit Section Chief,
at 410-767-1507.

All other taxpayers are eligible for amnesty unless they are under criminal investigation by the attorney general, state prosecutor, or a state's attorney. Taxpayers against whom criminal charges are currently pending in Maryland courts or who are under investigation are not eligible for amnesty from criminal prosecution for the tax and tax period involved. Those taxpayers are, however, eligible for abatement of penalty and one-half of the interest charges for taxes under criminal investigation if tax and one-half interest is paid. They may be eligible for amnesty from criminal prosecution for other taxes or tax periods.

Taxpayers who have filed returns for the eligible taxes, but haven't paid all or part of the tax due, non-filers, and taxpayers being audited are all eligible for amnesty.

How can I find out how much I owe?

If you have an existing tax liability, please refer to bills you have received in the past. You can go to www.marylandtaxes.com, click on the Amnesty page and then BillPay. Enter your notice number and your amnesty eligible liability will be calculated for you. You can also calculate the interest using the interest table provided on the amnesty application or on the Comptroller's Web site. You can also obtain a current account status by calling 1-800-MD-TAXES.

If you have not filed the required returns and have any questions regarding your tax liability or eligibility for amnesty, email us at amnesty@comp.state.md.us or call 1-800-MD TAXES. Otherwise, complete the appropriate tax return and submit it with an amnesty application and your payment.

How do I obtain Tax Amnesty?

During the amnesty period, you must:

1. File a separate amnesty application along with the previously unfiled original or amended returns, if applicable, for each type of tax;
2. Specify both the tax and the tax periods for which you are requesting amnesty; and
3. Include full payment of the tax and one-half of the interest, or include a payment of at least **10%** of the amnesty amount due and indicate on the application your preference for a payment plan, including your bank account information for direct debit monthly payments.

If you are seeking amnesty on a previously billed liability, only the amnesty application is required along with full payment of the tax and one-half the interest or payment of at least **10%** of the amnesty amount due and indicate on the application your preference for a payment plan, including your bank account information for direct debit monthly payments.

What is the latest an amnesty application will be accepted?

Amnesty applications must be received or postmarked no later than October 30, 2009. However, it is to your advantage to file as soon as the amnesty period begins, in case you or the state discovers a discrepancy in your application and your application is not considered to be completed by the due date.

What is considered a completed amnesty application?

For taxpayers with known existing liabilities, it is the date of receipt of the completed application plus full payment or at least **10%** down payment. For non-filers, it is the date of receipt of the completed application, full payment or at least **10%** down payment, and the completed returns.

How do I obtain an amnesty application and appropriate tax forms?

The application and tax forms are available at the Comptroller's Web site, www.marylandtaxes.com.

Applications and forms are also available by mail or you may obtain them from any office of the Comptroller of Maryland.

Written requests for applications and forms should be sent to the amnesty email address at amnesty@comp.state.md.us or by mail to

Maryland Tax Amnesty
Comptroller of Maryland
P.O. Box 1829
Annapolis, MD 21404-1829

Telephone numbers:

1-410-260-7980 in Central Maryland
1-800-MD-TAXES from elsewhere

Forms by phone:

410-260-7951 (24-hour automated service)

What is my tax identification number?

Use the number you normally use on your returns for the tax involved.

- Individual Income Tax: Social Security Number.
- Fiduciary Income Tax: Federal Employer Identification Number.
- Pass-through Entity Nonresident Tax: Federal Employer Identification Number.
- Corporate Income Tax: Federal Employer Identification Number.
- Withholding Tax: central registration number or Federal Employer Identification Number.
- Sales and Use Tax: central registration number,
- Admissions and Amusement Tax: central registration number. If you do not have a state account number, use your Social Security Number or Federal Employer Identification Number.

How may I pay?

You may make your payment by direct debit through Bill Pay on the Comptroller's Web site at

www.marylandtaxes.com, credit card, or by check or money order.

Direct debit is available on any electronically filed returns. Enter one-half the interest due in the Interest for Late Filing field if paying in full.

If you are paying by credit card, use Discover, Visa, American Express or MasterCard through Official Payment Corporation (OPC) for your payment. There is an additional convenience fee of 2.5% of the amount charged. (This fee is not to be paid to the state of Maryland.)

What if I make a payment before September 1, 2009?

Any payment made before September 1, 2009, will NOT be eligible for amnesty. In addition, any payment made before September 1, 2009 will be applied to penalties, interest, then tax, in accordance with statutory requirements.

Are any payment arrangements available?

Yes. The law provides that the Comptroller may authorize payment plans for amnesty applicants, but full payment of the amnesty amount must be made by December 31, 2010. Interest at the full statutory rate of 13% per year will accrue on the unpaid tax amount due during the payment plan.

How does the payment plan work?

If you choose to enter into a payment plan agreement with the Comptroller, the agency will compute the amount owed after crediting your account with the down payment made with the application. You will have to pay a down payment of at least **10%** of the total amnesty amount owed and the remaining amount will be paid in equal monthly installments for the number of months you indicate on the application. The amount calculated by the Comptroller will include interest that will accrue on the tax owed during the payment plan. You must provide your bank account information and agree to have your account debited each month for the duration of the plan. The Comptroller's office will set this up for

you. If you do not have a bank account, please call 410-974-2432 for alternate arrangements.

How do I compute the 10% down payment?

Your minimum down payment amount is based on the sum of your tax owed plus one-half the interest multiplied by **10%**.

How may the down payment be made?

You may make your payment by direct debit through Bill Pay on the Comptroller's Web site at www.marylandtaxes.com, credit card, or by check or money order.

If you are paying by credit card, use Discover, Visa, American Express or MasterCard through Official Payment Corporation (OPC) for your payment. There is an additional convenience fee of 2.5% of the amount charged. (This fee is not to be paid to the state of Maryland.)

When should I make my payment?

You should make your initial payment on or after September 1, 2009 and no later than October 30, 2009. Any payments made before September 1, 2009 or after December 31, 2010, will NOT be eligible for amnesty.

What should I expect to see online if I pay with direct debit through BillPay?

If you use BillPay to make a payment for amnesty on or after September 1, 2009, you should allow at least 24 hours for any change in your balance. However, no abatements will be reflected in your liability until your amnesty application is received and processed.

If I pay or file electronically, do I have to mail in the amnesty application?

Yes. Amnesty will not be granted until the completed application is received.

How can the monthly payment in the payment plan be made?

You may only make your monthly payment plan payment through direct debit. If you do not have a bank account, please call 410-974-2432 for alternate arrangements.

Can I pay off the amount early if I am on the payment plan?

Yes, you may pay the total amount owed at any time. The interest owed will be recalculated through the month of the payoff.

What happens if I miss a payment?

After two late payments, you will be considered in default. Your pre-amnesty liability is re-established and you will no longer be eligible for waiver of one-half interest and penalties.

What happens if my initial payment is returned for insufficient funds?

If you submit a check that is returned for insufficient funds, then your amnesty application will be denied and any abatement that has been made will be reinstated unless you resubmit an amnesty application and valid payment before October 30, 2009.

Can I electronically file and pay employer withholding or sales and use tax returns?

Yes. Use bFile, available on the Comptroller's Web Site at www.marylandtaxes.com, to file and pay most delinquent employer withholding or sales and use tax returns. If you are paying in full, enter one-half of the interest due in the Penalty and Interest field when filing sales and use tax returns. For employer withholding returns, add one-half of the interest due to the amount you entered into the Maryland Income Tax Withheld field and enter the sum in the Remitted Amount field. The tax and interest amounts reported will be direct debited from your bank account.

What if I do not take advantage of amnesty even though I owe state taxes?

After amnesty the chances of being caught and charged with failure to file or pay will be greater than ever. The Comptroller's Office is adding new technology that will make it easier to identify individuals and businesses who are not filing returns or who are under-reporting income, sales, or withholding taxes.

Can I get help from the Comptroller's Office?

Yes. Information about amnesty, including applications and returns, is available on our Web site, www.marylandtaxes.com. You can also call any local office listed at the end of these questions or on our Web site, or our toll-free number **1-800-MD-TAXES**. (From Central Maryland, call 410-260-7980). We will send you applications and returns and provide an updated calculation of tax and interest due on eligible taxes. You can also e-mail us at amnesty@comp.state.md.us with any questions about the amnesty.

What should I do if I owe tax and interest for returns due both before and after December 31, 2008?

You should satisfy those obligations in different ways. Pay amnesty-eligible amounts using the amnesty application. Liabilities not eligible for amnesty should be paid through the normal statement and filing process.

If I obtain amnesty for eligible taxes, and also pay the tax, interest, and penalty due for periods after December 31, 2008, will I be criminally prosecuted?

The Comptroller will not refer your case for criminal prosecution if you voluntarily disclose your liability and pay the tax, interest and penalty for periods not eligible for amnesty.

I only owe taxes for periods that are not eligible for amnesty. Can the amnesty program help me?

While amnesty does not apply to you, the Comptroller's Office encourages voluntary compliance and will not refer your case for prosecution as long as the obligation is paid during the amnesty period.

I previously filed returns but did not pay the tax. Does the amnesty affect me?

Yes. Amnesty is available for nonpayment of eligible taxes on returns due prior to December 31, 2008. You must file an amnesty application. You must pay the tax and one-half interest or make a down payment of at least **10%** of the amnesty amount due and enter into a payment plan agreement by October 30, 2009.

I previously filed returns; however, they were late, and I still owe penalty and interest on them. Does the amnesty affect me?

No. If there is no outstanding tax liability and all that remains due on the account is interest and penalty, no amounts remaining on the account may be waived

May a taxpayer assessed with fraud penalties (either 100% or some lesser percentage but still characterized as "fraud penalties") participate in the amnesty program with respect to the interest reduction?

Yes, if you have been assessed fraud penalties, you may still apply for amnesty for other tax periods and for interest reduction for the period for which you were assessed fraud penalties. However, no fraud penalties will be waived.

There are cases involving Maryland fiduciary returns where the income beneficiary and remaindermen are nonresidents of Maryland and the Maryland subtraction was taken for all income (thereby eliminating tax liability) even though a Power of Appointment was part of the original documents, which, according to Administrative Release 16 negates the subtraction. Is the amnesty program available to waive penalties and 50% of the interest

accrued on any redetermination of tax on those fiduciary returns?

Yes, this would be covered under the program.

In similar cases where Maryland K-1 source income was subtracted erroneously and tax is due, is the liability covered by the amnesty program?

Yes, this tax would be covered under the program.

Under the amnesty program, how many years of returns do non-filers have to file to be eligible for the program? What if a taxpayer hasn't filed in 15 years (or some other long period of time) and does not have available records to complete accurate returns - will the Comptroller limit the exposure to six years of returns (similar to the current federal disclosure program)?

A non-filer will only have amnesty for those periods listed on the amnesty application. For example, if the non-filer has not filed for 15 years, but can only file accurate returns for 10 years, the non-filer should fill out the application with respect to those 10 years and file the returns with the application. Amnesty will apply to those periods listed on the application. Periods not listed on the application will not be eligible for amnesty. The program does not provide for a specific lookback period.

What happens if I don't pay all the amnesty eligible tax and interest?

Each eligible period is considered separately for purposes of amnesty. Amnesty will be granted only for those periods for which tax and one-half interest are paid in full.

Can I file for amnesty if I only owe penalty charges?

No. The law requires a payment of tax to obtain amnesty.

Will any refunds be granted for penalties paid prior to amnesty?

No. Previously paid interest and penalties cannot be credited or refunded, even if paid on taxes which are now eligible for amnesty.

I currently have a deferred payment arrangement with the collections section. Can I apply for amnesty?

Yes. However, you must file an amnesty application and pay the remaining tax and one-half interest due during the amnesty period or enter into a new payment plan such that the amnesty amount will be paid in full by December 31, 2010.

What if I already have a deferred payment plan? How will that work with amnesty?

No previous payments made will be reallocated, but your deferred payment can be established for existing liabilities and adjusted for the waiver of one-half the interest and penalties. This will be calculated on the amount owed at the time of the application.

The Comptroller's Office currently has a garnishment on my wages, has a levy on my bank account, and/or has seized my business or taken other legal actions. Am I eligible for penalty abatement under the amnesty program?

Yes, however, you must file an amnesty application during the amnesty period, and pay the remaining tax and one-half interest due during that period or enter into a new payment plan such that the amnesty amount will be paid in full by December 31, 2010. You should contact the collections agent handling your case for questions regarding the legal action taken against your business upon submission and approval of your completed amnesty application.

Will court or collection fees be waived under amnesty?

Any fees already paid by the Comptroller will not be waived.

I am currently being audited for one of the amnesty-eligible taxes, but the audit may not be completed during the amnesty period. Can I file for Tax Amnesty to avoid one-half interest and any penalties?

Yes. You can complete an amnesty application, file amended returns, and pay the tax and one-half interest due and obtain amnesty.

I am currently being audited, and I agree with some of the adjustments but disagree with others. May I file amended returns and pay tax and one-half interest for the portions of the audit with which I agree?

Yes, amnesty applies to the amount included on the amended return and the audit will be concluded in the normal manner. Civil and criminal penalties may be imposed on any additional amounts assessed by the auditor.

What if the audit is completed after amnesty ends and the auditor finds that I owe more than I paid with my amnesty application?

The additional amount due will be assessed in the normal manner. If a penalty is imposed, it will not be imposed on the amount of tax paid with the amnesty application.

Are taxpayers who were previously audited and now need to amend their returns to reflect additional income that was not discovered in the audit eligible for Tax Amnesty?

Yes, taxpayers in this situation will be eligible for amnesty so long as they are eligible taxpayers under the law and the returns were due on or before December 31, 2008.

Will my amnesty return(s) be audited?

It's possible. Tax returns filed under amnesty are subject to the same verification and assessment process as applied to any other tax returns filed under ordinary circumstances.

If I obtain amnesty and my return is later audited with additional tax determined due, is my amnesty revoked?

No. Amnesty remains in effect to the extent of the tax and interest paid during the amnesty period. However, the audit adjustment will stand on its own and the additional tax due may be subject to interest and penalty. Thus, any return filed under the program should be as accurate as possible.

Can I file for amnesty for taxes that I am appealing or protesting?

Yes. If you wish to continue your appeal you may do so. Simply pay the tax and one-half interest during the amnesty period and continue your appeal. If you prevail, the tax and interest paid will be refunded to you and you may be entitled to interest on the overpayment.

Will my tax return information be disclosed to the Internal Revenue Service (IRS)?

To the extent information received under the program is subject to the Comptroller's exchange agreement with the IRS, the information will be disclosed. It is important to realize that the disclosure of much of the information received under Amnesty may not result in a corresponding federal tax liability for any one of the following reasons:

- Taxpayers may have filed federal tax returns, but failed to file all necessary state tax returns (Example – Income Tax).
- Many of the taxes eligible for amnesty have no comparable federal tax (Example – Sales Tax).
- Maryland tax law differs from federal tax law in some important aspects. (Example –

municipal bonds, different states of residency).

Hampton Plaza
300 East Joppa Road, Ste. PL1-A
Towson, MD 21286-3020

When will the next amnesty period be held?

There is no assurance that Tax Amnesty will happen again. You should, therefore, take advantage of this opportunity to pay the tax and one-half interest on all eligible taxes and periods, have the remaining charges abated, and receive amnesty from criminal prosecution.

UPPER MARLBORO 301-952-2810

Prince George's County
Courthouse, Room 083B
14735 Main Street
Upper Marlboro, MD 20772-9978

WHEATON 301-949-6030

Montgomery County
Wheaton Park Office Complex
11510 Georgia Avenue, Suite 190
Wheaton, MD 20902-1958

BRANCH OFFICES

ANNAPOLIS410-260-7980

Revenue Administration Center
80 Calvert Street
Annapolis, MD 21401-0001

BALTIMORE CITY410-767-1995

State Office Building
301 W. Preston Street, Room 206
Baltimore, MD 21201-2384

CUMBERLAND301-777-2165

Allegany, Garrett Counties
112 Baltimore Street, 2nd Floor
Cumberland, MD 21502

ELKTON410-996-0580

Cecil County
Upper Chesapeake Corporate Center
103 Chesapeake Blvd., Suite D
Elkton, MD 21921-6313

FREDERICK301-694-1982

Frederick County
Courthouse/Multiservice Center,
Room 2110
100 West Patrick Street
Frederick, MD 21701-5646

HAGERSTOWN.....301-791-4776

Washington County
Professional Arts Building
1 South Potomac Street
Hagerstown, MD 21740-5512

LANDOVER.....301-459-9195

Prince George's County
Treetops Building, Suite 101
8181 Professional Place
Landover, MD 20785-2226

SALISBURY410-543-6800

Somerset, Wicomico,
Worcester Counties
State Multiservice Center
201 Baptist Street, Ste. 2248
Salisbury, MD 21801-4961

TOWSON410-321-2306

Baltimore County