



Maryland Chamber of Commerce

Legislative Position

**HB 244
OPPOSE**

**Ways &
Means
Committee
2/25/10**

HB 244

Tax Compliance and Administration Act of 2010

Bill Summary: This bill would make a series of changes to laws governing tax administration that would increase compliance costs for businesses.

Chamber Position: The Maryland Chamber opposes this bill. Although the bill proposes changes to many tax laws, we are particularly concerned regarding the changes to the sales tax law that would add significant compliance costs for businesses. These changes include: (1) eliminating the vendor's allowance for collecting the sales tax; (2) requiring all employers to file an annual sales and use tax return; (3) requiring certain vendors to file monthly estimated sales tax returns; and (4) establishing penalties for underestimation of sales tax.

It is unfair to eliminate the vendor's allowance for collecting and timely remitting the sales tax. This allowance is designed to offset the cost to businesses for being the state's sales tax collector. The allowance was already capped at \$500 per month per vendor through June 30, 2011 as a result of legislation enacted at the 2007 special session.

We also strongly object to the provision on page 8, lines 19 – 27, that would require every employer to annually file a sales and use tax return, *even if they have no tax liability*. There is no reason to burden employers with this filing requirement, especially small employers. As stated in the fiscal note, this provision would be used by the Comptroller's Office to levy estimated tax assessments against employers when returns are not filed. Small businesses will inevitably be caught in this compliance web if they fail to file this return, causing jeopardy for assessments, penalties, and tax refunds being withheld. This provision must be stricken from the bill.

Finally, we feel that the provision requiring vendors with an annual sales tax liability of at least \$600,000 to file monthly declarations of estimated sales tax and be subject to monthly penalties for underestimation is inappropriate. This would double the cost to vendors for filing and remitting taxes, as both an estimated return and an actual return with remittance of the sales tax would be filed every month. It will be difficult for vendors to accurately estimate receipts from month to month. When they fail to do so they will be subject to more interest and penalties.

For these reasons, the Maryland Chamber urges that this bill be given an unfavorable report.

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