



MARYLAND BUDGET & TAX POLICY INSTITUTE

POSITION STATEMENT

SUPPORTING

HB 244 - TAX COMPLIANCE AND ADMINISTRATION ACT OF 2010

Ways and Means Committee

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The Maryland Budget and Tax Policy Institute supports House Bill 244.

HB 244 provides a number of sensible measures that help simplify administration of existing taxes and assure compliance. It also brings financial corporations into the “Delaware Holding Act” rules that apply to other corporations, and eliminates the vendor discount for sales tax.

Eliminating the exception for banks from the “Delaware Holding Company” provisions is a matter of simple fairness.

Maryland and over half the states with sales taxes allow retailers to retain a small portion of the sales tax they collect. These “vendor discounts” largely stem from an era before computerization, when it took retailers considerable time and effort to calculate and remit sales taxes. The fact that some 20 states with sales taxes do not provide vendor discounts suggests that such discounts are not a necessary part of sales tax administration today.

The discount has little policy justification: businesses aren’t reimbursed for the cost of withholding social security or income tax from their employees’ wages or for the cost of preparing and filing W2 forms, even though the workers are ultimately responsible for those taxes in the same way

consumers are ultimately responsible for the sales tax. The governors of Utah and Virginia have recently proposed eliminating vendor discounts as a component of balancing their budgets for the upcoming year. Colorado in 2009 temporarily suspended its vendor discount. This is a trend Maryland should join.

The bill's other provisions are sensible measures that will help to modernize Maryland's tax system, and provide reasonable enforcement tools for tax-collecting agencies.

For these reasons, the Maryland Budget and Tax Policy Institute requests the Ways and Means Committee to approve a favorable report for House Bill 244.