

From the Desk of the
Comptroller



As I begin my second term as your Comptroller, I am excited to begin the work anew and build on the successes of my first four years in office.

Despite positive signs that the economy is slowly improving, the fact remains that the depth of this recession continues to leave many Marylanders out of work and many small businesses struggling to stay afloat.

My agency is doing what we can to help those families and businesses who are struggling by: providing efficient taxpayer service that provides most refunds within 72 hours; proactively reuniting \$47 million in unclaimed property to its rightful owners and providing free tax-filing services to Marylanders throughout the state.

I recognize that our efforts alone – while significant and important – are not enough for the families saddled with bills they're struggling to pay. They also need a government that's responsive, efficient and lives within its means.

Like those businesses and families, Maryland faces uncertainty with projected revenues and expenses; and like them, we can find innovative ways to achieve better results for lower costs.

Neither draconian cuts nor tax increases will get us there. Our citizens deserve a results-driven approach that supports long-term sustainability of our shared priorities, or as I call it, the *Third Way*.

The *Third Way* approach means:

- Government is a support structure -- not a foundation -- for sustainable economic growth;
- Time is money for Marylanders and they deserve a responsive, fair and predictable government; and
- Assuming public debt to finance operating costs is not a responsible or sustainable practice.

I will continue using this *Third Way* approach within my own agency and with my vote on the Board of Public Works to get our state's fiscal house in order while pursuing the core values that make Maryland such a wonderful place to live.

Peter Franchot

Agency Reorganization to Improve Efficiency

Marking the beginning of his second term as Comptroller, Peter Franchot has instituted some changes to his agency's organizational structure.

Building on his commitment to superior taxpayer service, Comptroller Franchot

has created a new unit called the Office of Taxpayer Ombudsman.

James Arnie, former head of the agency's Revenue Administration Division and veteran employee with 40 years of state service, will serve as the Taxpayer

What's New For The Tax-Filing Season?

Here are some of the most important changes and benefits affecting the approximately 3.5 million taxpayers and their preparers working on 2010 Maryland income tax returns due to be filed by April 18, 2011.

- **Filing Deadline** - Due to the celebration of Emancipation Day by the District of Columbia on April 15, 2011, personal income tax returns are due by April 18, 2011.
- **Electronic filing mandate for tax preparers** - Paid tax preparers who prepared more than 200 qualified state income tax returns for tax year 2009 are required to file all original individual income tax returns electronically for tax year 2010. For more information about becoming an E-file provider, visit <http://taxpros.marylandtaxes.com/efileinfo/default.asp>.
- **Fewer tax booklets mailed** - To save valuable state resources, tax booklets will not be mailed to taxpayers who filed electronically last year or used forms other than the state's orange and black forms. Booklets will continue to be available online for downloading at the agency's Web site.
- **Increased pension exclusion** - Maryland's maximum pension exclusion, which is available to qualifying taxpayers 65 or older, increased from \$24,500 to \$26,100 for tax year 2010.
- **Form 502SU** - This year, other certain subtractions for which taxpayers may qualify will be reported on Form 502SU. If multiple subtractions apply, be sure to indicate all of them on Form 502SU and attach it to the Form 502.
- **Splitting your direct deposit** - Taxpayers wanting to deposit portions of a refund to multiple accounts can do so by using Form 588.
- **Electronic 1099-G** - This year at the bottom of the return in the signature area, the Comptroller's Office has provided a checkbox for taxpayers to indicate that they agree to receive a statement of refund electronically. Beginning in early 2012, electronic Form 1099-G may be downloaded and printed from the agency's secure Website. Taxpayers can also request to receive a paper 1099-G at www.marylandtaxes.com.
- **Local Tax Rate Increase** - For tax year 2011, Baltimore City has increased their local tax rate to 3.20%. Please note the change is on the Form 502D.

For more information on important tax changes, please visit <http://individuals.marylandtaxes.com/incometax/taxseason.asp>.

'Agency Improvements' continued from Page 1

Ombudsman. The mission of the Office of Taxpayer Ombudsman is to instill confidence and integrity in administration of Maryland's tax laws and to offer taxpayers a more immediate contact for questions and concerns.

Taking over as the new head of the Revenue Administration Division is Rhea Reed. The division is responsible for receiving and processing the tax returns and payments for the taxes administered by the Comptroller of Maryland. These include personal, corporate, fiduciary, pass-through entity, employer withholding, sales and use, motor fuel, alcohol, tobacco,

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-Comptroller Peter Franchot

estate, admissions and amusement, tire fee and inheritance taxes. Reed has 10 years of state service, the last three with the Comptroller, first as Director of Internal Audit and most recently as the deputy director of the Revenue Administration Division. Wallace Eddleman, formerly head of the legal unit, is now the deputy director of the Revenue Administration Division.

Comptroller Franchot, Not Only the Tax Collector, But the Alcohol Regulator

Continuing his efforts to protect consumers and small businesses across Maryland, Comptroller Franchot released reports on an investigation of illegal alcohol sales in Worcester County and the implications of direct wine shipping to Maryland consumers.

Through an extensive investigation, the Comptroller's Office found that the Worcester County Liquor Control Board was engaging in price discrimination, selling product below-cost and other violations of Maryland regulations. The Worcester County Liquor Board agreed with agency findings and has settled the case by paying a \$16,000 fine. To read the Comptroller's summary of findings in this case, visit http://www.marylandtaxes.com/Worcester_County_LCB2010_web.pdf.

Furthermore, after a lengthy study, Comptroller Franchot released a report on the proposed direct shipment of wine from in and out-of-state wineries and the impact it could have on the state.

The objective study found that in most cases direct shipment of wine will not hurt Maryland retailers, but will promote local wineries and serve as a convenience for the consumer. The report also squashed myths of increased underage drinking and devastation to Maryland's alcohol retailers. To read the entire report, visit http://www.marylandtaxes.com/DWS_Complete.pdf.

Thirty-seven states and the District of Columbia already allow for consumers to purchase wine directly from vineyards. Legislation has been introduced in the Maryland General Assembly calling for direct shipment of wine to be allowed in Maryland.

“Fewer people would be drowning in debt today if they had been armed with a financial education.”

-Comptroller Peter Franchot

Comptroller Franchot, Strong Advocate for Financial Literacy



Comptroller Peter Franchot continues to push for the passage of legislation mandating a financial literacy graduation requirement for all Maryland students.

“The time is now for Maryland to require that all students take a standalone course in financial literacy in order to graduate from high school,” Comptroller Franchot said.

Senate Bill 262, sponsored by Senator Katherine Klausmeier and 14 other senators requires all Maryland high school students to complete a course in financial

literacy in order to graduate. Delegate Jay Walker and 36 other delegates sponsored the cross-filed House Bill 127.

In testimony released to the Maryland General Assembly, banking and financial industry leaders recognized the importance of a financial education in protecting young people's futures as well. Additionally, consumer advocates weighed in on the importance of financial education for Maryland's future workers.

“I believe that fewer people would be drowning in debt today and facing the loss of their homes, their credit ratings and their financial security if they had been armed with a financial education,” said Franchot. “We don't have time to wait,” he added.

Some opponents of a course requirement argue that financial information will be incorporated into other existing classes as part of new state standards. While many education advocates argue that mandating a standalone course for all students is the only way to ensure that students who really need the information get it.

Pension Exclusion: Correction in the Tax Year 2010 Booklet

This year's printed tax booklet for tax year 2010 contains a misprint. The maximum pension exclusion is stated as \$26,000 when it should read \$26,100. The agency's Website has the correct information.



Revenews is a quarterly publication of the
Comptroller of Maryland, printed in Annapolis, MD.

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