



Senate Bill 428

Tax Overpayment - Interest on Refunds

MACo Position: **SUPPORT**
WITH AMENDMENTS

Date: March 21, 2018

To: Ways & Means Committee

From: Barbara Zektick

The Maryland Association of Counties (MACo) **SUPPORTS** SB 428 **with AMENDMENTS**. This bill would require the Comptroller to pay interest on tax refund claims after a 45-day grace period, unless the refund is owed due to an error or mistake of the State, in which case the Comptroller must pay interest from the date of the overpayment.

In general, counties see interest payments as fair and reasonable reimbursement to taxpayers for time with their money lost. Further, taxpayers should receive interest when money is owed due to a mistake or error on the part of the government. That said, the government entity that committed the error should have the obligation to pay for that interest.

MACo had not previously taken positions on prior introductions of this legislation because it was not believed to have any fiscal effect on counties. Counties understandably believed that any obligation for interest payments would come from state money, as the State is fully responsible for administering income taxes.

However, the fiscal note for SB 428 states, "local income tax revenues may decrease significantly beginning in FY 2019 due to additional interest payments paid on individual income tax refunds." To the extent that the law allows the Comptroller to pay this interest from local income tax revenues or otherwise hold counties accountable for these costs, MACo respectfully requests an amendment clarifying interest arising from such a circumstance should be paid using state funds. As the Comptroller administers all income taxes and has control for when and how refunds are paid, the State should similarly be the party responsible for paying interest on late and corrective payments.

For these reasons, MACo requests the Committee **SUPPORT SB 428 with the requested amendment** to place responsibility for payment along with the responsibility for error.