



# Delaware Fed/State Conference December 10, 2024

## 2024 Comptroller of Maryland Agency and Legislative Updates

1



### AGENDA

- Technology Modernization Updates at the Comptroller of Maryland
- 2024 Legislative Session Updates Impacting Maryland Taxes
- Future Electronic Filing Requirements

2



## TECHNOLOGY MODERNIZATION UPDATES

- **Compass – Tax Enterprise System**
  - Business Taxes and Taxpayer Facing Portal Live in Feb 2024
    - Continuing to clean up bugs and identify enhancements
    - Working with vendor on broad modernization of Portal
  - Several taxes remain; of note, personal and pass-through income taxes slated for go-live in Fall of 2025
    - Push for call center support to benefit next release (lesson learned)
- **Customer Relationship Management (CRM System)**
  - Implementing ServiceNow system
    - First phase prioritizes ticketing and case management for taxpayer generated tickets and our call centers
    - Go-live is late 2024

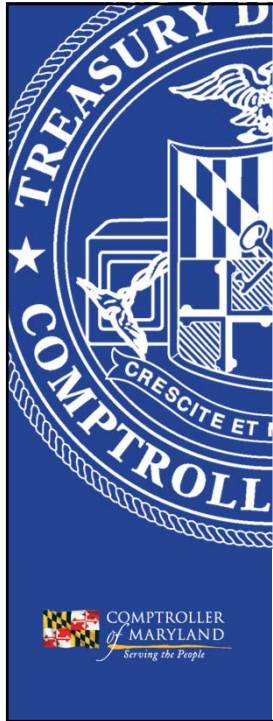
3



## TECHNOLOGY MODERNIZATION UPDATES

- **Financial Management Information System (FMIS)**
  - Comptroller leadership team selected and administration created
  - Oversight installed
  - Next major milestone: select PMO vendor
  - Subsequent major milestone: develop requirements and procurement strategy
- **Payroll Modernization**
  - Comptroller leadership team selected and administration created
  - Oversight installed
  - Workday selected as application (same application used for State HR functions)
  - Project manager onboard and requirements drafting in progress
  - 2-3 year staged implementation

4

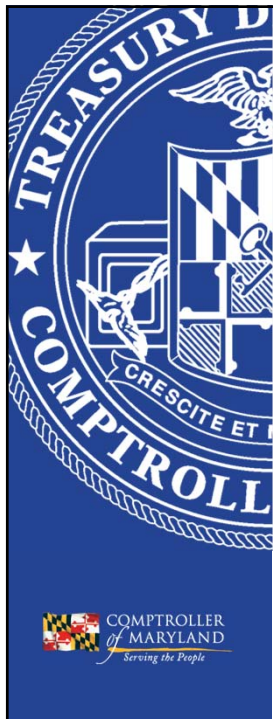


## TECHNOLOGY MODERNIZATION UPDATES

- Direct File
  - Joining with IRS and many other States to offer free online tax filing to certain taxpayers for tax year 2024
  - Utilizes a question format to fill out the form – similar to current self-service platforms
  - Partnered with Code For America – they are building the application
  - Will have a seamless handoff from the federal file to Maryland file
  - Many qualifiers, but more than 700k taxpayers are likely to qualify
- PTE Online Estimated Payments
  - Comptroller online platform for PTEs to make estimated payments to be ready this fall – unfortunately not in time for calendar 2024Q3
  - Will eventually transition to Compass, but will support PTE now
  - Can “Elect” on the platform with the payment
  - Looking to expand to also include extension payments



5



## TECHNOLOGY MODERNIZATION UPDATES

The screenshot shows the Maryland Tax website interface. At the top, there is a navigation menu with links for Home, Nonprofits, File, Pay, Forms, News, Security, About the Agency, Locations, and Join Our Team. Below the navigation is a search bar. The main content area features a carousel with three slides: 'Direct File' (with an IRS logo and a person at a laptop), a portrait of Brooke E. Lerman, Comptroller of Maryland, and 'State of the Economy' (with a landscape image). Below the carousel are two large blue buttons: 'PTE Estimated Payments' (circled in red) and 'MD Tax Connect'. At the bottom, there are five smaller blue buttons: 'Newsletter', 'Individual Tax', 'Business Tax', 'Tax Pros', and 'Get Involved'.

6



## INCOME TAX - SUBTRACTION MODIFICATIONS

### Senate Bill 1188/House Bill 1526 – Maryland Protecting Opportunities and Regional Trade (PORT) Act

- This bill creates a new subtraction for benefit payments made to an individual or family member of an individual injured or killed in the collapse of the Francis Scott Key Bridge and tuition assistance provided to students through the Fallen Transportation Workers Scholarship Fund.
- Governor Moore issued an Executive Order on April 15, 2024, prohibiting the Comptroller from intercepting temporary relief payments provided for by the PORT Act for reasons other than child support or the Treasury Offset Program until the state of emergency declared March 26, 2024, ends.
- This was an emergency bill and became effective upon the Governor's signature on April 9, 2024. The subtraction for a benefit payment applies to taxable years beginning after December 31, 2023, but before January 1, 2026. The subtraction for tuition assistance applies to taxable years beginning after December 31, 2024.

7



## INCOME TAX - SUBTRACTION MODIFICATIONS

### Senate Bill 108/House Bill 646 – Income Tax – Subtraction Modification – Police Auxiliary and Reserve Volunteers

- This bill combines existing subtractions “va” for volunteer fire, rescue, or emergency medical services and “vb” for police auxiliary or reserve volunteers.
- The subtraction amount for all volunteers is \$7,000.
- Reporting requirements remain the same for qualifying organizations.
- This bill becomes effective July 1, 2024, and applies to tax years 2024 and beyond.

8



## INCOME TAX - SUBTRACTION MODIFICATIONS

### House Bill 490 – Income Tax – Subtraction Modification for Donations to Diaper Banks and Other Charitable Entities – Sunset Extension

- This bill extends the sunset date of the diaper bank income tax subtraction through tax year 2026. It was originally set to expire after tax year 2023.
- This bill becomes effective June 1, 2024, and applies to tax years 2024 and beyond.

9



## INCOME TAX - SUBTRACTION MODIFICATIONS

### House Bill 253 – Cannabis Reform – Alterations

- Updates the definition of cannabis to include seeds, seedlings, immature plants, and clones.
- Updates list of recipients to whom tax information may be disclosed to now include the Maryland Cannabis Administration.
- Updates the existing income tax subtraction modification related to cannabis establishments by removing the term “medical” and adding the term “registered.”
- This bill became effective immediately upon the Governor's approval on April 25, 2024.
- NB: Comptroller’s Office is monitoring federal efforts to reschedule cannabis as a Schedule 3
- Update income tax subtraction instruction to allow “registered” entities to claim the subtraction

10



## INCOME TAX - SUBTRACTION MODIFICATIONS

### Senate Bill 822 – Income Tax – Subtraction Modification – State Law Enforcement Officers

- This bill expands current subtraction “oo” for income earned by a law enforcement officer to any State law enforcement officer residing in a political subdivision in which the crime rate exceeds the State’s crime rate.
- This bill becomes effective July 1, 2024, and applies to tax years 2024 and beyond.

11



## INCOME TAX - SUBTRACTION MODIFICATIONS

### Senate Bill 897/House Bill 1064 – Income Tax Subtraction Modification – Death Benefits – Law Enforcement Officers and Fire Fighters

- The existing subtraction for a law enforcement officer includes payment from a pension system to the surviving spouse or other beneficiary of a law enforcement officer or firefighter who died in the line of duty. Previously, amounts paid to a deceased firefighter's family that were not paid from a pension were not eligible for the subtraction.
- This emergency bill expands the subtraction to include a payment of a death benefit under a collective bargaining agreement from a Maryland county or municipality to the beneficiary of a law enforcement officer or firefighter who has died in the line of duty.
- Effective May 9, 2024, upon the Governor’s approval and applies to tax years 2022 and beyond.

12



## INCOME TAX - SUBTRACTION MODIFICATIONS

### House Bill 1524 – Horse Racing – Racing Facility Ownership and Construction – Racing Operations

- This bill removes the subtraction for the amount of gain recognized as a result of the direct or indirect transfer or conveyance of any property located or used at or within the Laurel Park site and the amount of income recognized as the result of any expenditure of funds directly or indirectly by the State, Baltimore City, or Anne Arundel county with respect to the Laurel Park site or Anne Arundel County with respect to the Pimlico site.
- This bill becomes effective June 1, 2024.

13



## INCOME TAX - CREDITS

### Senate Bill 440/House Bill 447 – Income Tax Credit – Venison Donation

- This bill provides an income tax credit for up to \$75 per deer (\$300 maximum) in expenses incurred to butcher and process an antlerless deer for human consumption if harvested and donated to an IRC §501(c)(3) nonprofit organization. The total annual credit may exceed \$300 if the individual has a deer management permit.
- Venison donation programs must report each donor's information annually to COM.
- This bill becomes effective July 1, 2024, and applies to tax years 2024 through 2028. The provisions sunset January 1, 2029.

14



## INCOME TAX - CREDITS

### Senate Bill 394 – Catalytic Revitalization Project Tax Credit – Alterations

- This bill specifies the credit certificate may now be issued by DHCD in one of two ways:
  - (1) for a project issued a single tax credit on completion, the taxpayer may claim a credit of 20% of the amount stated on the certificate for 5 consecutive years; and
  - (2) for a phased project issued on completion of a phase, the taxpayer may claim 100% of the amount stated on the certificate.
- The bill becomes effective July 1, 2024, and applies to tax years 2024 and beyond.

15



## INCOME TAX - CREDITS

### Senate Bill 362 – Budget Reconciliation and Financing Act of 2024

- This bill repeals the small business tax credit for paid sick and safe leave, effective June 1, 2024.
- Credit certificates issued by the Department of Commerce prior to June 1, 2024 must still be honored.

16



## INCOME TAX - MISCELLANEOUS

### Senate Bill 1105/House Bill 845 – Income Tax – Individual Income Tax Credit Eligibility Awareness Campaign

- This bill was introduced by the Comptroller.
- Our agency will implement and administer the “Awareness Campaign.”
- The purpose of the Awareness Campaign is to identify underserved taxpayers who may be eligible to claim an individual income tax credit and encourage them to apply for the credit.
- We may partner with other State agencies to assist in the implementation and administration of the “Awareness Campaign” by entering into data sharing agreements.
- The Awareness Campaign will run from July 1, 2024, until December 31, 2030.
- By December 1, 2026, and every 2 years after, the Comptroller is required to report to the General Assembly on the implementation and administration of the Awareness Campaign and its effect on the number of individuals who have claimed individual income tax credits.

17



## INCOME TAX - MISCELLANEOUS

### Senate Bill 577/House Bill 1068 – Income Tax – Opportunity for Filers to Register to Make Anatomical Gift

- This bill requires COM to implement procedures to offer the opportunity to register to make an anatomical gift in accordance with the Maryland Anatomical Gift Act through a hyperlink to the anatomical gift donor registry.
- This requirement only applies to electronic filings.
- This bill becomes effective July 1, 2024, and applies to tax years 2024 and beyond.

18



## SALES AND USE TAX

### Senate Bill 362 – Budget Reconciliation and Financing Act of 2024

- This bill increases the sales and use tax rate for electronic smoking devices to 20% and requires the Comptroller to distribute revenue attributable to a tax rate of 8% to the Blueprint.
- This bill also requires that SUT revenue attributable to the sale of electricity at an electric vehicle (EV) charging station or used to charge an EV and is not sold under a residential or domestic rate schedule to be distributed to the Transportation Trust Fund.
- This part of the bill became effective July 1, 2024.

19



## SALES AND USE TAX

### House Bill 1524 – Horse Racing – Racing Facility Ownership and Construction – Racing Operations

- This bill updates the economic redevelopment sales and use tax exemption to exclude construction materials used for construction or redevelopment at the Laurel Park racing facility site.
- The exemption for the Pimlico site remains in effect, and the exemption is expanded to include a training facility site for training thoroughbred racehorses selected or acquired by the Maryland Thoroughbred Racetrack Operating Authority.
- New sunset date: January 1, 2029 (originally set to expire January 1, 2026)
- The Comptroller must distribute the SUT revenue that is attributable to the purchase of a racehorse following a claiming race to the Racing and Community Development Facilities Fund.
- This bill becomes effective June 1, 2024.

20



## SALES AND USE TAX

### House Bill 253 – Cannabis Reform – Alterations

- This bill updates the definition of cannabis to include seeds, seedlings, immature plants, and clones.
- The sales and use tax on cannabis will apply to registered nurseries that make retail sales of these items.
- This is an emergency bill that became effective April 25, 2024, upon the Governor's approval.

21



## TOBACCO TAX

### Senate Bill 362 – Budget Reconciliation and Financing Act of 2024

- This bill increases the tobacco tax rates effective July 1, 2024. The new rates will be \$5 per pack of 20 cigarettes, \$0.25 per cigarette in a package of more than 20 cigarettes, and 60% of the wholesale price of other tobacco products. The new rates apply to any inventory held on or after July 1, 2024.
- The floor tax revenue must be remitted to the Comptroller no later than September 30, 2024. Use Form 600F.

22



## TRANSPORTATION NETWORK SERVICES

### Senate Bill 362 – Budget Reconciliation and Financing Act of 2024

- This bill establishes a new transportation network company (“TNC”) impact fee for passenger trips that originate in the State.
- The fee is \$0.75 for each passenger trip, \$0.50 for each passenger trip provided using a fuel cell electric vehicle or a plug-in electric drive vehicle, and \$0.50 for each shared passenger trip.
- The impact fee is subject to increase annually beginning July 1, 2028, according to the Consumer Price Index for All Urban Consumers. The Comptroller must announce the new rate each year on or before June 1.
- Revenue will be distributed to a refund account, an administrative cost account, and to a new Transportation Network Company Impact Fee Account within the Transportation Trust Fund.

23



## MISCELLANEOUS FEES

### Senate Bill 974 / House Bill 933 – Behavioral Health Crisis Response Services

#### 9-8-8 Trust Fund Fees

- This bill establishes a suicide prevention and mental health hotline 9–8–8 fee to be paid by each subscriber to local exchange telecom service, commercial mobile radio service (“CMRS”), or other 9–8–8-accessible service, including prepaid wireless service. The bill requires the Comptroller to deposit the collected fees into the 9–8–8 Trust Fund and adopt procedures for auditing fee collection and remittance by telephone companies and commercial mobile radio service providers.
- Effective October 1, 2024: 9-8-8 fee from telephone companies and 9-8-8 service carriers.
- The fee is 25 cents per month payable when the bill for the switched local service, CMRS, or other 9-8-8-accessible service is due.
- Effective July 1, 2027: Prepaid wireless 9-8-8 fees from sellers of prepaid wireless telecommunications service.
- The prepaid wireless fee is 25 cents per retail transaction.

24



## ADMINISTRATIVE – ELECTRONIC FILING

### Senate Bill 677 / House Bill 455 – Comptroller - Electronic Tax and Fee Return Filing Requirements

- This bill establishes an electronic filing requirement for various tax and fee returns.
- For periods beginning after December 31, 2026:
  - Admissions and Amusement Tax
  - Alcoholic Beverages Tax
  - Bay Restoration Fee
  - Corporate Income Tax
    - Exception: Corporation with fewer than 15 employees
  - Digital Advertising Gross Revenues Tax
  - Employer Withholding Tax
  - Motor Fuel Tax
  - Pass-Through Entity Tax
  - Sales and Use Tax
  - Tire Recycling Fee
  - Tobacco Tax

25



## ADMINISTRATIVE – ELECTRONIC FILING

### Senate Bill 677 / House Bill 455 – Comptroller - Electronic Tax and Fee Return Filing Requirements

- For periods beginning after December 31, 2029:
  - Individual Income Tax, subject to the following exceptions:
    - At least 65 years old as of December 31 of the taxable year
    - Single or dependent with MAGI less than \$200,000
    - Married filing joint, married filing separate, qualifying surviving spouse with MAGI less than \$400,000

26



## ADMINISTRATIVE – ELECTRONIC FILING

### Senate Bill 677 / House Bill 455 – Comptroller - Electronic Tax and Fee Return Filing Requirements

- General exemptions from electronic filing requirement for all tax types:
  - Person has a disability, as defined in the Americans with Disabilities Act;
  - Person has religious beliefs that prohibit the use of technology; or
  - Comptroller determines the person has a special need to file on paper.
- This bill also prohibits return preparers and software companies from charging a separate fee for electronic filing.

27



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28