



# Tax Amnesty Tax Policy or Trendy Gimmick?

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## Tax Amnesty Background

- Enacted by 2001 General Assembly
- Signed by the Governor in May, 2001



## Tax Amnesty Background

- Legislators planned to distribute:
  - ✓ \$30 million to cover shortfall in General Fund for mental health funding
  - ✓ \$8 million to local schools
  - ✓ \$10 million to volunteer fire companies

## Tax Amnesty Background

- Provided \$2 million to Comptroller for advertising campaign and post- amnesty enforcement



## Amnesty Terms

- September 1, 2001  
through October 31, 2001



The image shows a 'MARYLAND TAX AMNESTY APPLICATION' form from the Comptroller of Maryland. The form is divided into two main sections: 'PART 1 - FILING INFORMATION' and 'PART 2 - TAXES ELIGIBLE FOR AMNESTY'. 'PART 1' includes fields for 'TAXPAYER'S NAME', 'ADDRESS', 'CITY', 'STATE', 'ZIP CODE', 'PHONE NUMBER', 'FEDERAL IDENTIFICATION NUMBER', and 'WWW SERVICE NUMBER'. 'PART 2' lists various taxes with checkboxes: Personal Income Tax, Corporate Income Tax, Sales and Use Tax, Admissions and Amusement Tax, Employer Withholding Tax, and Pass-Through Entity Income Tax. A 'Seek amnesty.' banner is visible at the bottom left of the form, along with the website 'www.marylandtaxes.com' and the phone number '1-800-MD TAXES'. The amnesty period 'September 1 - October 31, 2001' is also indicated.

## Amnesty Terms

- Applies to certain tax returns due before December 31, 2000
- Personal Income Tax (also fiduciary and pass-through)
- Corporate Income Tax
- Sales and Use Tax
- Employer Withholding Tax
- Admissions and Amusement Tax

## Amnesty Terms

- All civil penalties waived
  - ✓ Other than previously assessed fraud penalties
- No criminal charges
  - ✓ Unless charges are pending or case is under investigation

ENDS October 31, 2001  
[www.marylandtaxes.com](http://www.marylandtaxes.com)  
**1-800-MD TAXES**



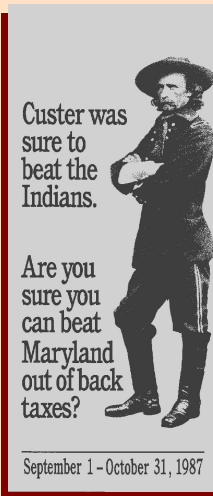
## Amnesty Terms

- Post-amnesty criminal fines for tax violations increased from \$5,000 to **\$10,000**

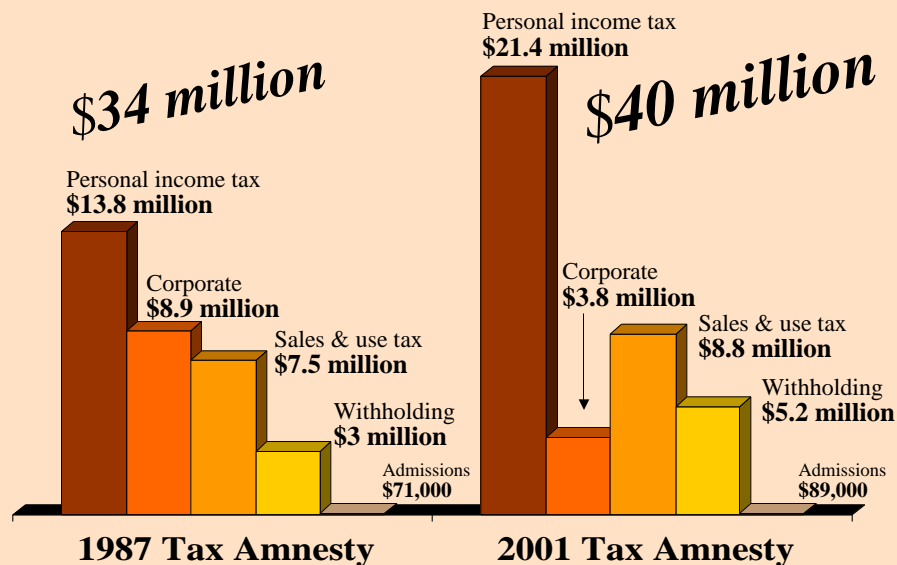


## Comparing 1987 and 2001

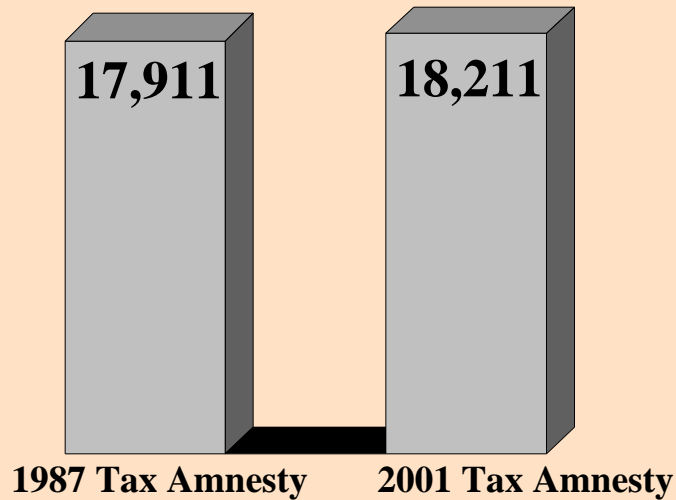
- Terms of 1987 campaign essentially identical to 2001 terms
- Sept. 1 – Oct. 31
- 1987 included state's Boat Titling Tax
  - ✓ Department of Natural Resources



## Comparing Revenues



## Comparing Applications



## Comparing Expectations

- 1987 Tax Amnesty program exceeded legislative appropriation by \$5.7 million
- 2001 Tax Amnesty fell short by \$21.5 million



# What Went Right in 2001

- Tax Amnesty Web Page

- ✓ Interest calculator

- ✓ Forms

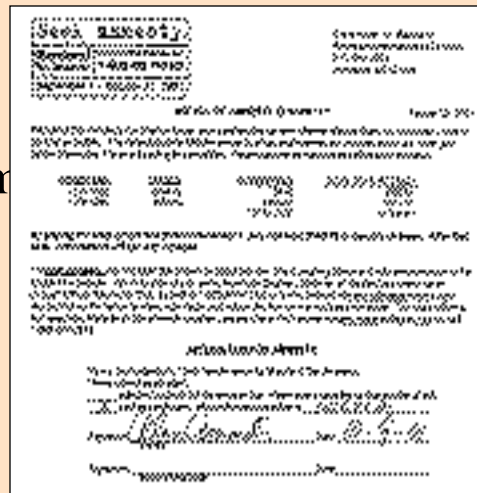


# What Went Right in 2001

- Amnesty bills

- ✓ Calculated penalty waived

- ✓ Explained payment options



## What Went Right in 2001

- Credit card payments
- Received \$1,040,000 in 732 transactions
  - ✓ \$498,000 by phone
  - ✓ \$542,000 via Internet at *officialpayments.com*



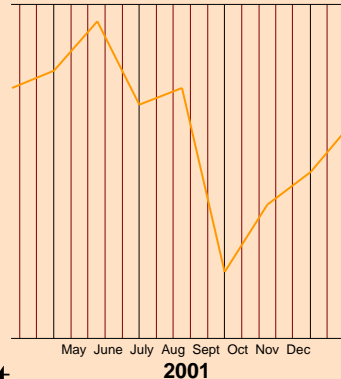
## What Went Right in 2001

- Advertising
- “Maryland tax guys” *Men In Black* theme reaped wide exposure:
  - ✓ TV- 36 million hits
  - ✓ Radio -15 million hits
  - ✓ Print -10 million hits
  - ✓ Billboards, bus ads



## What Went Wrong in 2001

- Over-estimated receipts
- National recession
- September 11
- Not enough resources on final night
- Not enough current information for media



## Policy Considerations

CON

- Perceived to weaken future compliance
- Creates some disgruntled taxpayers
- Diverts resources from ongoing compliance
- May reduce net revenues (depending on amnesty terms)

## Policy Considerations

PRO

- Clears up old cases
- Reduces receivables
- Accelerates revenue
- Provides positive publicity
- Offers chance to obtain resources and statutory changes not normally achievable

*continued*

## Policy Considerations

PRO

- Perceived to produce windfall collections and future revenue stream
- Morale booster for employees
  - ✓ Gives them a chance to excel at something out of the ordinary

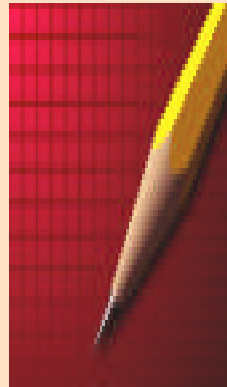
## Issues You Must Resolve

- How far in advance do you publicize?
- Do you issue certificates of amnesty?
- Should you include current year in the tax amnesty?



## Issues You Must Resolve

- Do you re-allocate pre-amnesty payments?
- What do you tell practitioners about post-amnesty settlements?



## Issues You Must Resolve

- Should you force taxpayers with contested cases to abandon their appeals?
- What do you say about the results and effectiveness of the program?

