

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 127

(Chair, Ways and Means Committee)(By Request -  
Departmental - Budget and Management)

Ways and Means

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**Central Collection Unit - Debt Certification - Withholding of Income Tax Refunds**

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This departmental bill changes the date by which the Central Collection Unit (CCU) must certify to the Comptroller the names of any debtors with outstanding debts from November 1 to January 1 of each year.

The bill takes effect July 1, 2014.

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**Fiscal Summary**

**State Effect:** The change is procedural in nature and does not materially affect governmental finances; however, certification of additional interceptions may result in additional revenues to the Central Collection Fund and earlier repayment to agencies that referred the debt.

**Local Effect:** None.

**Small Business Effect:** The Department of Budget and Management (DBM) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

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**Analysis**

**Current Law:** CCU, located within DBM, is responsible for collecting any delinquent accounts or debts owed to the State, except for:

- taxes;
- child support payments;
- unemployment insurance contributions or overpayments;
- fines;
- court costs;
- bond forfeitures;
- monies owed due to default on loans made by the Department of Business and Economic Development or the Department of Housing and Community Development; or
- specified insurance payments.

CCU is authorized to use any actions available to it under State law to collect debts or claims. Debts collected by CCU are paid to the State Treasury and subject to a fee for administrative expenses that cannot exceed 20% of the principal and interest of the debt collected; the current fee is 17%. The fee revenues are deposited into the Central Collection Fund to pay for CCU's operating expenses, except that any balance in excess of 15% of the unit's actual operating expenses reverts to the general fund. Therefore, CCU is entirely self-sustaining.

By November 1 of each year, CCU must certify to the Comptroller the name of each debtor with an outstanding debt and the amount of each debt. The Comptroller must withhold any tax refund due to a debtor who has been certified by CCU and pay to CCU the amount of the debt owed from the amount of the refund due to the debtor. If the amount of the refund is greater than the amount owed to CCU, the Comptroller must pay CCU the amount of the debt owed from the amount of the refund and pay the excess amount to the debtor.

**Background:** DBM advises that the certification and payment processes used to be paper-based, with certifications received in November used to determine refund payments for the coming tax year beginning January 1. However, those processes have now been automated; certifications for the coming tax year are not used by the Comptroller in November. Instead, the automated systems change over to the next tax year at the beginning of January, with the refunding process typically beginning in the third week of January – after testing. However, updates are not allowed to be made to interceptions for the next tax year after the current November 1 date.

DBM advises that moving the certification date to January 1 reduces the possibility for error and allows CCU to provide more updated information to the Comptroller. Debtors who have satisfied their obligations can be deleted; likewise, additional accounts for tax interception can be included in the certification. The Comptroller's Office confirmed that the date change is not problematic.

## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management, Comptroller's Office,  
Department of Legislative Services

**Fiscal Note History:** First Reader - January 24, 2014  
ncs/ljm

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## ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Central Collection Unit-Certification of Debts-Withholding of  
Income Tax Refunds

BILL NUMBER: HB 127

PREPARED BY: Department of Budget and Management

### PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL  
BUSINESSES

### PART B. ECONOMIC IMPACT ANALYSIS

None