

AN ALERT FROM THE BDO STATE AND LOCAL TAX PRACTICE

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SUBJECT

MARYLAND INTRODUCED A NEW TWO-MONTH TAX AMNESTY PROGRAM IN 2015

SUMMARY

On April 14, 2015, Maryland Governor Larry Hogan (R) approved Senate Bill 763, which requires the Comptroller of Maryland to declare a new tax amnesty period that runs from September 1, 2015, through October 30, 2015 (the “Amnesty Period”). Under this tax amnesty, the Comptroller must waive all civil penalties and one-half of the interest imposed against a qualifying taxpayer for nonpayment, non-reporting and underreporting of individual income tax, corporate income tax, withholding tax, sales and use tax, and admissions and amusement tax delinquent as of December 31, 2014. In addition, under certain circumstances, a qualifying taxpayer may not be charged with a criminal tax offense arising from a return filed and tax paid during the Amnesty Period.

DETAILS

To qualify for interest and penalty relief and relief from criminal charges under this amnesty program, a taxpayer must, during the Amnesty Period, file delinquent returns and pay the entire tax liability and one-half of any interest due. If a taxpayer is unable to pay the tax and interest in full during the Amnesty Period, the Comptroller is authorized to enter into a payment agreement with the taxpayer to make payment in full by December 31, 2016. Interest relief does not apply to interest accruing for taxable periods following the Amnesty Period as a result of a payment agreement and amnesty from criminal charges does not apply to charges under investigation or pending in a Maryland court. In addition, amnesty (*i.e.*, interest and penalty relief and relief from criminal charges) under this program does not apply to a taxpayer that was granted amnesty under a Maryland tax amnesty program held between calendar years 1999 and 2014 or to any taxpayer eligible for the July 1, 2004, through November 1, 2004, settlement period for Maryland corporation income tax assessed by the Comptroller on issues related to the decisions in *Comptroller of the Treasury v. SYL, Inc.* and *Comptroller of the Treasury v. Crown Cork & Seal Company (Delaware), Inc.*, 375 Md. 78 (2003) for pre-2003 taxable periods.



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BDO INSIGHTS

- This amnesty program allows filing and non-filing and registered and unregistered businesses to come into compliance with their Maryland taxes. As such, this program is a great opportunity for a taxpayer to reduce financial accounting reserves, if any, to the extent related to Maryland taxes.
- Relief from interest and penalties under the amnesty program can be significant given Maryland's onerous 13% annual interest rate and penalties that may amount to as much as 25% of unpaid taxes.
- Relief from criminal charges may be meaningful to those taxpayers (and their officers) that have unremitted trust fund type taxes such as sales and use tax or withholding tax.

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