

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 1149
 Ways and Means

(Delegates Young and Hornberger)

Budget and Taxation

State Finance - Claims of the State - Settlement

This bill authorizes the Comptroller to settle a State’s claim that is in arrears against a business entity that has permanently ceased operations, regardless of how long the claim has been in arrears, thereby eliminating the two-year waiting period for those businesses.

Fiscal Summary

State Effect: State tax revenues (general funds and special funds) annually increase, potentially by \$250,000, beginning in FY 2027 from settling State’s claims sooner. General fund expenditures for the Comptroller’s Office increase by at least \$74,100 in FY 2027 and by \$98,500 in FY 2031. Transportation Trust Fund (TTF) expenditures for local highway user revenue grants may increase beginning in FY 2027 to the extent corporate income tax claims are settled.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF/SF Rev.	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
GF Expenditure	\$74,100	\$86,200	\$90,200	\$94,300	\$98,500
SF Expenditure	-	-	-	-	-
Net Effect	\$175,900	\$163,800	\$159,800	\$155,700	\$151,500

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local income tax revenues and local highway user revenues may increase by an indeterminate amount annually beginning in FY 2027 from increased settlement claims. Local expenditures are not affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law: The Comptroller may settle a State’s claim that has been in arrears for at least two years against a person who receives or collects State money, against the surety of that person, or against any other person. Under the Comptroller’s Offer in Compromise Program, for taxes owed by a business or the officers of the business, the business must be closed. Before settling a claim, the Comptroller must examine the claim thoroughly and must be satisfied that the State cannot collect the claim through the legal process.

The Comptroller may abate, wholly or partly, the principal or interest that is due to the State so as to best serve the interests of the State. The Comptroller must discharge a person and the surety of the person when agreed sum is paid into the State Treasury.

If a claim is settled without full payment, the Comptroller must keep a record within the Office of the Comptroller that states the facts on which the settlement was based.

State Revenues: As the Comptroller must be satisfied that the State cannot collect claims through the legal process in order to settle, the bill is anticipated to increase State tax revenues from no longer requiring claims to be in arrears for two years to be eligible for settlement for a business entity that has permanently ceased operations. Thus, State tax revenues (general funds and special funds) annually increase, potentially by \$250,000, beginning in fiscal 2027. The actual amount of State tax revenues may vary and depend on how many additional claims become eligible when the two-year waiting period is removed for business entities that have permanently ceased operations, how the Comptroller settles the claims, and the value of the claims.

State Expenditures: General fund expenditures for the Comptroller’s Office increase by \$74,124 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one revenue administrator to process the anticipated increase in settlement claims from no longer requiring business entities that have permanently ceased operations to wait two years to settle a claim. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$64,983
Operating Expenses	<u>9,141</u>
Total FY 2027 State Expenditures	\$74,124

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

To the extent that corporate income tax claims are settle sooner, TTF expenditures for local highway user revenue grants increase by an indeterminate amount annually beginning in fiscal 2027.

Local Revenues: Local income tax revenues and local highway user revenues may annually increase by an indeterminate amount due to an increase in tax settlements beginning in fiscal 2027.

Small Business Effect: Under the Comptroller's Offer in Compromise Program, the business is not required to be closed for two years but under current law, taxes owed by the business must be at least two years old. Thus, businesses that have closed and are in arrears with the State may be eligible to settle with the Comptroller's Office without having to wait two years to settle. To the extent that this helps the business community, small businesses may benefit.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland State Treasurer's Office; Department of Budget and Management; Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2026
jg/hlb Third Reader - March 25, 2026
Revised - Amendment(s) - March 25, 2026

Analysis by: Heather N. MacDonagh

Direct Inquiries to:
(410) 946-5510
(301) 970-5510