

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 766

(Senator Zucker)

Budget and Taxation

Ways and Means

Taxes - Whistleblower Reward Program - Alterations

This bill expands covered tax enforcement actions under the Comptroller's whistleblower reward program to include judicial or administrative actions brought by the Attorney General or a State agency concerning a tax imposed under State statute that is collected by or paid to the State. The determination of eligibility for an award with respect to original information resulting in an enforcement action brought under an article other than the Tax-General Article is solely in the discretion of the Attorney General or State agency authorized to bring a covered enforcement action based on the original information. The bill makes various conforming changes and specifies related information sharing requirements. The bill applies retroactively to the provision of original information by a whistleblower in a sworn affidavit to the Comptroller on or after October 1, 2021.

Fiscal Summary

State Effect: General fund revenues may decrease by as much as \$1.1 million in FY 2027 for whistleblower rewards due to the bill's retroactive expansion of reward eligibility, as discussed below. General and/or special fund revenues potentially increase (or offset aforementioned general fund revenue losses) beginning in FY 2027 to the extent the bill results in additional tax enforcement actions. General fund expenditures for the Comptroller's Office and/or other State agencies may increase beginning in FY 2027 for administrative hearing costs, as discussed below. Reimbursable fund revenues and expenditures for the Office of Administrative Hearings (OAH) increase accordingly.

Local Effect: Local revenues potentially increase to the extent the bill results in additional enforcement actions relating to tax revenue collected by the State and distributed to local governments. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law/Bill Summary: Chapter 515 of 2021 established a whistleblower reward program within the Comptroller’s Office. A whistleblower who voluntarily provides original information to the Comptroller in a sworn affidavit that, because of the original information, results in a final assessment in a covered enforcement action or successful outcome against a taxpayer in a related action is entitled to receive a monetary award of at least 15% but not more than 30% of the taxes, penalties, and interest collected through the enforcement action or related action. If two or more whistleblowers are eligible for an award arising out of the same action, the total award may not exceed 30% of the taxes, penalties, and interest collected through the enforcement action or related action, and the Comptroller must determine the allocation of the award among the whistleblowers. A whistleblower may challenge an award determination in accordance with the State’s Administrative Procedure Act within 45 days of the determination; *under the bill*, a hearing related to a contested award determination must be conducted by OAH.

“Covered action” is defined as an enforcement action brought by the Comptroller under the Tax-General Article that involves disputed taxes exceeding \$250,000 and that concerns (1) the State and county income tax liability of an individual taxpayer or a married couple filing jointly whose federal adjusted gross income (AGI) is at least \$250,000, or (2) the State and county tax liability of a business (including any person liable for the business’s State tax liability) whose annual gross receipts or sales are at least \$2.0 million. “Related action” means any judicial or administrative action brought by a State or local agency or entity based on the original information provided by a whistleblower to the Comptroller.

Under the bill, the definition of “covered action” is expanded to include a judicial or administrative action brought by the Attorney General or a State agency under the Tax-General Article or any other article concerning the tax liability of an individual or business, generally (subject to the existing minimum thresholds relating to the amount of taxes in dispute, federal AGI, and business gross receipts). Accordingly, the bill repeals the term “related action” and makes various other conforming changes. The bill states that the whistleblower reward program applies only to a covered enforcement action for which the Comptroller, the Attorney General, or a State agency is authorized to bring in the enforcement of a tax that is (1) imposed under the Tax-General Article or any other article and (2) collected by or paid to the State.

The bill further specifies that if a whistleblower provides original information to the Comptroller involving a tax for which the Attorney General or a State agency is authorized to bring a covered enforcement action, the Comptroller must provide the original information to the Attorney General or the State agency, as applicable. If, because of a whistleblower’s original information, the Attorney General or a State agency brings a covered enforcement action that results in a final assessment, the Attorney General or the

State agency must promptly provide to the Comptroller information pertaining to the final assessment for purposes of making a determination concerning a monetary award.

As noted above, the bill applies retroactively to the provision of original information by a whistleblower in a sworn affidavit to the Comptroller on or after October 1, 2021. A whistleblower who voluntarily provided original information to the Comptroller in a sworn affidavit before the bill's effective date that pertains to a tax imposed under an article other than the Tax-General Article may be entitled to receive a monetary award if the original information results in a successful outcome against a taxpayer in a covered enforcement action (within the bill's meaning), notwithstanding certain thresholds relating to the amount of taxes in dispute, federal AGI, and business gross receipts. A whistleblower previously determined to be ineligible for a monetary award may appeal the determination within 45 days of the bill's effective date.

State/Local Revenues: Based on information provided by the Maryland Insurance Administration relating to recent insurance premium tax enforcement actions, general fund revenues may decrease by as much as \$1.1 million in fiscal 2027 due to the bill's retroactive expansion of eligibility for whistleblower rewards.

State general and/or special fund revenues may increase (or offset aforementioned general fund revenue losses) beginning in fiscal 2027 to the extent the bill results in additional tax enforcement actions. Local revenues are potentially also affected to the extent the bill results in additional enforcement actions relating to tax revenue collected by the State and distributed to local governments. Any such effects cannot be reliably predicted at this time.

Reimbursable fund revenues for OAH increase to the extent additional hearings are referred to OAH as a result of the bill, as discussed below.

State Expenditures: The Comptroller's Office and/or other State agencies may incur additional administrative hearing costs beginning in fiscal 2027 to the extent the bill's expansion to the program's scope results in any additional challenges to award determinations, particularly in fiscal 2027 as the Comptroller's Office and other affected State agencies process claims relating to whistleblower information provided prior to the bill's effective date. Any such effect is not expected to be significant. Reimbursable fund expenditures for OAH increase accordingly.

The Comptroller's Office further advises the Department of Legislative Services (DLS) that an additional full-time assistant Attorney General is needed in order to administer the expanded whistleblower reward program, with related estimated costs exceeding \$110,000 in fiscal 2027. The Comptroller's Office reports that the whistleblower reward program is currently administered by one staff member with several other responsibilities. DLS is unable to independently verify the Comptroller's personnel needs at this time and

advises that the Comptroller's Office can request additional resources through the annual budget process as needed. Any related general fund expenditures are not reflected in this analysis.

Additional Information

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

Designated Cross File: HB 1197 (Delegates Palakovich Carr and Feldmark) - Ways and Means.

Information Source(s): Alcohol, Tobacco, and Cannabis Commission; Office of the Attorney General; Comptroller's Office; Judiciary (Administrative Office of the Courts); Maryland Department of Agriculture; Maryland Department of the Environment; Department of Natural Resources; Maryland Department of Transportation; Maryland Insurance Administration; Maryland State Lottery and Gaming Control Agency; Public Service Commission; Department of Legislative Services

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Analysis by: Elizabeth J. Allison

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