



Maryland Chamber of Commerce

Legislative Position

**SB 745
SUPPORT**

**Budget &
Taxation
Committee
3/18/09**

SB 745

Interest Rate on Tax Deficiencies and Refunds

Bill Summary: This bill would alter the calculation of interest for purposes delinquent state taxes and state tax refunds.

Chamber Position: The Maryland Chamber supports this bill. We appreciate the sponsor's continuing effort to point out the unfairness in the state's excessive interest rates on delinquent taxes.

Adjusting Maryland's interest rate is the fair and equitable thing to do for Maryland's citizens. The current 13% rate is out of line with market rates (prime rate, state's investment rate, federal funds rate, etc.) and out of line with what the IRS and our competitor states charge. Maryland's interest rate represents more than just "interest". It is so high that it effectively also includes a penalty element, even though there are separate provisions for penalties that the state charges in addition to the 13% interest for various underpayment situations. Interest is the cost for use of money. The state has essentially been overcharging taxpayers for over 20 years.

We recognize that the state's current budget gap may require that the phase-in to market based interest rates may need to be delayed or stretched out over more years. Nonetheless, we hope that the General Assembly will start to reintroduce this element of fairness to Maryland's tax system.

For these reasons, the Maryland Chamber urges that this bill be given a favorable report.

Contact: Ronald W. Wineholt, rwineholt@mdchamber.org