



**Peter Franchot**  
*Comptroller*

**David Roose**  
*Director*  
*Bureau of Revenue Estimates*

December 21, 2010

Honorable Martin O'Malley  
Governor of Maryland  
State House  
Annapolis, Maryland 21401

Honorable Thomas V. "Mike" Miller, Jr.  
President, Senate of Maryland  
State House  
Annapolis, Maryland 21401

Honorable Michael E. Busch  
Speaker, Maryland House of Delegates  
State House  
Annapolis, Maryland 21401

Dear Governor, President and Speaker:

Section 10-108 of the Tax-General Article of the Annotated Code of Maryland requires that the Comptroller's Office report the impact of changes in federal income tax law on State revenues. On December 8, 2010, President Obama signed into law H.R. 4783, the *Claims Resolution Act of 2010* ("the Act"). The Act amends the Internal Revenue Code (IRC) provisions relating to the amount that states may receive from a reduction of a federal tax refund otherwise payable to a person who owes a "covered unemployment compensation debt." The Act revises the definition of such debt to: (1) include a past-due debt for erroneous payment of unemployment due to the person's failure to report earnings (current law requires fraud) under the law of a state; and (2) remove the requirement that such debt remain uncollected for not more than 10 years. The Act also eliminates the requirement that the address on the federal return for the taxable year of the overpayment be an address within the state seeking the offset.

Currently, under an agreement between the State of Maryland and the federal government, a federal income tax refund may be offset by some amount of delinquent State tax or certain other State debts owed by the same individual, if the debt meets certain criteria; a remittance of the offset amount is then made to the State. The State reciprocates this service for the federal government. The Act would allow the federal government to more quickly offset an individual's federal refund by any unemployment compensation incorrectly paid to that individual by the State, whether due to fraud or otherwise. The Maryland Department of Labor, Licensing and Regulation's Division of Unemployment Insurance will begin participating in the program in tax year 2011. While this provision does not affect State tax revenue, the Division reports that joining this program could lead to a substantial reduction in its overpayment balance, which currently sits at \$38 million in fraud payments, and \$48 million in non-fraud payments.

Letter to Honorable Martin O'Malley,  
Thomas V. "Mike" Miller, Jr., and  
Michael E. Busch  
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Please do not hesitate to contact me at (410) 260-7450 if you have any questions about this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "David Roose", written in a cursive style.

David F. Roose  
Director

cc: Honorable Peter Franchot