

Maryland comptroller misdirected more than \$21 million in tax money



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Comptroller Peter Franchot said that his office accidentally misdirected \$21.4 million of local income tax payments for years. (Baltimore Sun video)



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Since 2010, Maryland has misdirected \$21.4 million in tax money.

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Maryland's chief tax collector said Wednesday that his office accidentally misdirected \$21.4 million of local income tax payments for years, a mistake that affects nearly every municipality in the state.

Comptroller Peter Franchot told a panel of state lawmakers that the scope of misdirected tax payments was broader than he previously thought.

State auditors reported in September that the comptroller's office had sent \$8.7 million to the wrong municipalities in Montgomery County. On Wednesday, Franchot said his office found another \$12.7 million in misdirected money since 2010.

Over the next couple of days, 89 cities will receive checks for money they should have received over the past five years. Some checks will be for hundreds of thousands of dollars.

Another 83 cities, which received money in error, will be required to repay the state. The cities will be put on payment plans that start in 2024.

Franchot, a Democrat, has been comptroller for nearly 10 years.

"I'd love to blame this on our predecessors, but this is our problem," he said. "It is something that went under the radar."

Baltimore City, which in tax calculations is treated as a county, is not affected.

Some towns and cities set their own tax rates, and the taxes are collected by the comptroller's office. Many areas have special tax districts that have irregular boundaries. The comptroller's office collected the correct amount of money from taxpayers, but the taxpayers were not always classified in the proper taxing districts. As a result, municipalities' shares of the money were sent to the wrong places in some instances.

The comptroller's office is working on a two-part patch to fix the problem with its tax-processing software, which was written in the 1980s and installed in the early 1990s.

A separate, nearly \$100 million project to replace the state's entire tax software system is underway. The General Assembly set aside \$22 million last year to start paying for the "Compass Project," and bids for the contract are expected to be released in the middle of next year.

Franchot said his office correctly processed more than 99 percent of the \$14.9 billion in local income tax revenue collected over the past five years. He announced "Project Perfect," a plan to properly distribute all tax money to local jurisdictions. That effort involves biannual audits, new software and additional verification measures.

A shift in the way the state processed returns in 2010 increased the likelihood that taxpayers would be misclassified, Franchot's aides said. Franchot and staff members blamed the problem in part on old geocoding software that relied on ZIP codes, not street addresses, to process information on tax returns.

Del. Ana Sol Gutierrez, co-chair of the Joint Committee on the Management of Public Funds, called the mistake "a serious error."

"I don't buy that geocoding and borders were wrong," said Gutierrez, a Montgomery County Democrat and systems engineer. "For years, these borders had existed."

Franchot said he learned of the problem in January. Shortly after, his office commissioned ASR Analytics to determine whether the problem was limited to Montgomery County. The results announced Wednesday showed errors statewide.

Neither the debtors nor those owed money will pay or receive interest for the mix-up, Franchot said.

The comptroller noted, somewhat in jest, that he hasn't heard much from the jurisdictions that are now receiving a windfall.

"I wouldn't mind getting a few thank-yous," he said.

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