



October 16, 2013

To: Deputy Comptroller David Roose
Re: Commission to Research the Payroll Industry in Maryland

Mr. Roose,

This letter is in response to the commission established to study the payroll industry under Senate Bill 1068. I am an owner of a Payroll Service Bureau located in Frederick. We process payroll for many consumers and many employees in over 40 States. The actions of two payroll companies in the past 10 years have raised a question in the Maryland Payroll Service Bureau Industry.

Payroll companies offer businesses an invaluable service in navigating payroll, tax and HR law in a complicated environment that keeps changing. Without the services of payroll companies businesses would struggle to understand and comply with these complications. Maryland benefits from a healthy payroll service bureau selection, and provide businesses with competitive pricing and choices. Regulations placed on our industry need to be well thought out in order to prevent a lack of choices for consumers.

When deciding on whether regulations are needed the question that this has raised is obvious, who are we trying to protect and from what risk. The answer is the consumer and the risk of taxes not being paid. The consumers that companies like mine service, are sophisticated consumers, business owners. Business owners have already decided to take on a level of risk and responsibility when choosing to open their doors. There is a certain amount of responsibility in the consumer doing his due diligence in selecting a payroll provider and inquiring about situations during his usage of such a company. We are not protecting individual consumers which may not be as sophisticated as a business owner. Sophisticated Consumers, businesses, have normally never been afforded the same protection an unsophisticated consumer has been. The other side of the question is what tools are in place that allows a sophisticated consumer to protect themselves from the lack of taxes not being paid. There are mainly two types of taxes that need to be protected, Federal Taxes and State Withholdings. The IRS recently passed regulations requiring Payroll Services Bureaus to provide quarterly notices to our client base providing instructions on how the client may review tax deposits. This tool allows the consumer to log into the IRS' system and view tax deposits. This tool has solved the by providing adequate tools for a sophisticated consumer by making them aware if deposits were or were not made. Maryland unfortunately is one of the few States that lack a consumer portal or consumer tool that allows the consumer to view tax deposits. Many States use a portal such as this to allow the consumer to even see tax returns that have been filed. These States normally have the Payroll Service Bureau get approval from the consumer to access this portal on the Consumers behalf. This in no way removes access from the Consumer. Implementing this tool is vital to protect Consumers and would have no economic impact on Maryland Payroll Service Bureaus.

In the Payroll Service Industry we use certain vendors that automatically email our clients or us directly when certain “scheduled items” are due and not received. For example with retirement reports that are scheduled, if the vendor does not receive a report based on the schedule of the consumer, an automatic email is sent inquiring “where it is”. This is an easy solution that could be implemented by Maryland. Maryland could have an automatic email be sent to the Consumer’s email either inquiring about a missing scheduled payment, or confirming the receipt of a payroll. The implementation of these two tools would provide Consumers a level of protection that no regulation through licensing could ever achieve.

However, certain States, such as Maine, require extensive regulations and registration of Payroll Service Bureaus. These costs can be quite enormous to meet the said requirements and begin a level of regulation that would be burdensome to the economic health of the Payroll Services Industry in Maryland. By adding State requirements we might be able to “restore” a harmed Consumer; however we cannot **prevent** the action unless we implement the tools mentioned above. The goal is to prevent or provide the tools to the Consumer so they are not harmed. Before any burdensome requirements are placed on the Payroll industry, implementing the above mentioned tools should be put in place first.

In conclusion:

- Payroll Service Bureaus provide an invaluable service to businesses.
- Businesses are sophisticated consumers, not the normal individual consumer.
- Maryland can help protect businesses by providing tools not regulations.
- Create a business portal, which allows a business to see tax deposits like the IRS EFTPS System allows as well as most States.
- Create an automated email “receipt or confirmation” system to let businesses know a deposit has been made or not made.
- Creating a system of regulations and licensing, like Maine, will hurt businesses by reducing choice.

Respectfully,



Jonathan Pocius
Member
Payroll Services LLC