



Embrace the Coming of the Private Letter Ruling (PLR)

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Executive Summary:

A new Maryland law establishes a “Legal Division” in the Comptroller’s Office to provide taxpayers with expanded and detailed tax guidance and execute other Comptroller-assigned duties relating to private letter rulings (PLRs). The Comptroller must issue specified PLRs upon written request, except under specified circumstances. If denying a PLR request, the Comptroller must provide the requestor with its written basis for the denial generally within 60 days of the request.

S.B. 477, signed by Governor Hogan 5/16/22, effective July 1, 2022.

Effective July 1, 2022, after a long and tortured gestation, the Maryland General Assembly, a Legal Division of the Comptroller’s Office will provide Private Letter Rulings (PLRs). Finally, Maryland joins most other states in providing tax guidance for businesses and individuals. Previously—and uniquely—Maryland individuals and businesses were unable to legally rely on guidance from Maryland officials.

A functional American government requires adequate funding at both federal and state levels. In Maryland, state-levied taxes are the primary source of the state’s general fund budget, while only about 20%-30% of the state’s revenue is provided by the federal government each year. Ultimately, the Maryland tax system depends on voluntary taxpayer compliance. Importantly, for most states, a robust PLR process facilitates taxpayer-government communication, which strengthens voluntary tax compliance—resulting in a more effective and efficient tax collection system. Now, Maryland is positioned to better serve its taxpayers with its own new Legal Division dedicated to the issuance of PLRs.





What Is The New Private Letter Ruling Law?

A new Maryland law establishes a “Legal Division” in the Comptroller’s Office to provide taxpayers with expanded and detailed tax guidance and execute other Comptroller-assigned duties relating to PLRs.

The Comptroller must issue specified PLRs upon written request, except underspecified circumstances.

If denying a PLR request, the Comptroller must generally provide requestor with a written basis for the denial on or before 60 days of the request.¹

What Is A Private Letter Ruling?

The Md. Code, Tax-Gen. §13-1a-01 defines a private letter ruling as:

“[P]rivate letter ruling” means a written determination issued by the Comptroller on the application of tax laws and regulations under this article to a specific set of facts that is intended to apply only to that specific set of facts.

What Is The Current Maryland Tax Status?

The labyrinth of Maryland tax law—comprised of the Maryland Code, regulations, and administrative pronouncements (each with multiple cross-references and with undefined, vague, and ambiguous terms)—frequently leaves taxpayers confused and worried that despite their best efforts they may not be in tax compliance.

Of equal, or possibly greater significance, businesses are frequently unsure if they are in tax compliance and what steps, if any, they need to take to be in tax compliance. Further, in planning for future business and in submitting bids for business, profitability may hinge on a business’ ability to determine what is taxable. Ultimately, to stay in business, a business must be profitable and profitability is often dependent on predictability of taxes and other costs of doing business.

Structure and limitations of requesting a private letter ruling

In the PLR legislation, the new Legal Division to be created consists of at least 6 attorneys who will receive and, where appropriate, issue PLRs in response to taxpayer requests.

Only the taxpayer requesting the PLR can rely on the PLR. However, practically, PLRs provide helpful, if not necessarily binding, guidance to large segments of the taxpayer populations. Additionally, published PLRs will publicly display the Comptroller’s interpretation of the law addressed by the PLR.

Anticipated Private Letter Ruling Implementation Logistics

It is anticipated that the Comptroller will adopt regulations to establish:

1. the procedure and time periods to submit a PLR request;





2. prerequisites for filing a PLR;
3. terms regarding PLR modification or revocation;
4. limitations on the applicability of PLRs;
5. circumstances when a request for a PLR can be denied; and guidelines for publishing PLRs.

Role of Frost Law Tax Practitioners

Frost Law tax practitioners have actively promoted and have been involved, both individually and in working with the MSBA, MD CPA, and the Comptroller, in the process leading to the PLR enactment. Further, the Frost Law tax practitioners anticipate continuing working with the Comptroller until the Legal Division for the PLRs is functional.

The Frost Law tax practitioners, with their individual and collective experience with both Maryland tax compliance and in working with the Maryland Comptroller, look forward to enabling individual and business taxpayers to make informed decisions and cost-effective decisions as to when and, if applicable, how to use PLRs. Aside from addressing PLR applicability, our team can help you understand when PLRs: (1) might mitigate, and in some cases avoid, serious problems, and (2) result in significantly increased profitability.

If you have questions about private letter rulings from Maryland, the IRS, or any other tax compliance matter, you can contact our team at (410) 983-6536 or you can use our [CONFIDENTIAL CONTACT FORM](#) to schedule a call.

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