



**VISION:** The vision of the Field Enforcement Division is to secure voluntary compliance to the revenue and business licensing laws of the state thereby maximizing state revenue while simultaneously fostering fair tax treatment for Maryland businesses and individuals.

**MISSION STATEMENT:** The mission of the Field Enforcement Division is to protect revenues and consumers through a program of inspection, education, laboratory analysis, and enforcement to ensure compliance with state laws and regulations and to assure product quality.

**KEY GOALS AND OBJECTIVES:** The following is a list of goals and objectives for the division.

- To improve and encourage voluntary compliance with state license requirements.
- To improve and encourage voluntary compliance with the sales and use tax laws of the State of Maryland.
- Strict enforcement of laws related to untaxed cigarettes and other tobacco products (herein referred to as OTP) to deter illegal cigarettes and OTP from coming into the state thereby decreasing lost revenues.
- Ensure that Maryland's motor fuel meets the highest quality standards.
- Strict enforcement of laws related to untaxed alcohol, unlicensed sales of alcohol, after-hour clubs, selling alcohol without the proper licenses and checking for tampering of alcoholic beverage containers to assure quality. To verify compliance with the three-tier system.
- Strict enforcement of laws related to motor fuel and motor carrier (IFTA).
- Aggressively investigate income tax fraud to create an atmosphere of deterrence and the expectations that violators will be arrested and prosecuted.
- Collaborate and cooperate with federal, state, and local law enforcement and other regulatory agencies.

## **HISTORY – AN OVERVIEW OF ENFORCEMENT ACTIVITY**

The Field Enforcement Division (herein referred to as FED) was established in 1999. The division is comprised of four smaller sections: (1) the Enforcement Section; (2) the State License Bureau; (3) the Motor Fuel Testing Laboratory; and (4) the Regulatory and Licensing Section. FED is staffed by over fifty employees, including management, sworn law enforcement agents, inspectors, auditors, chemists and administrative staff. The division works closely with other divisions in the Comptroller's Office; as well as other state, local, and federal agencies.

FED has been charged with investigating the following tax issues and violations:

- |                               |  |
|-------------------------------|--|
| ➤ Admission and Amusement Tax | ➤ Motor Fuel Tax   |
| ➤ Alcohol Beverage Laws       | ➤ Sales and Use Tax Collections                                      |
| ➤ Alcohol Tax                 | ➤ Sales and Use Tax Violations                                       |
| ➤ Business/Trader's Licenses  | ➤ Slot Program   |
| ➤ Identity Theft              | ➤ Threats Against the Comptroller and Comptroller's Office Employees |
| ➤ Income Tax Fraud            | ➤ Tobacco and OTP Tax  |
| ➤ Internal Investigations     | ➤ Transient Vendor Licenses  |
| ➤ Motor Carrier Tax (IFTA)    |  |

Both the Alcoholic Beverages Article and the Tax-General Article of the Annotated Code of Maryland give the power of arrest to the sworn personnel of FED. All police personnel are also certified through the Maryland Police Training and Standards Commission in accordance with Article 41, §4-201 of the Annotated Code of Maryland.

## SUMMARY - FY17 ENFORCEMENT ACTIVITY

The following statistics provide an overview of the main functions of FED. Each component of FED (Enforcement, Inspections, State License Bureau, Motor Fuel Testing Lab and the Regulatory and Licensing Section) has specific activities and duties that are performed.

Tobacco Violations	87
Alcohol Violations	25
Criminal Citations	1,470
Motor Fuel Citations	1
Motor Carrier (IFTA) Citations	119
Dyed Fuel Citations	0
Cigarettes Confiscated	103,190
OTP Confiscated	87,561
Value of Cigarettes/OTP (Retail)	\$738,415.23
Tax Loss to the State of Maryland	\$254,468.43
Vehicles Seized	16
Alcohol Seized (Containers)	2,678
Distilled Spirits (Gallons)	250.26
Wine (Gallons)	9.39
Beer (Containers)	1,186
Value of Alcohol (Retail)	\$42,843.03
Alcohol Inspections Conducted	1,348
Tobacco Inspections Conducted	3,123
Motor Fuel Inspections Conducted	3,775
Sales and Use Tax Collected	\$217,204.64

**THREE YEAR COMPARISON (FY15 - FY17)**

<b>FISCAL YEAR</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>VIOLATIONS</b>			
Tobacco	78	96	87
Alcohol	13	20	25
Motor Fuel	102	136	120
Citations	1,370	1,927	1,470
<b>SEIZURES</b>			
<b>TOBACCO</b>			
Cigarettes (Packs)	131,796	212,480	103,190
OTP (Packages)	80,158	221,252	87,561
<b>ALCOHOL</b>			
Distilled (gallons)	86.78	108.20	250.26
Wine (gallons)	27.75	74.97	9.39
Beer (containers)	471	352	1,186
<b>VEHICLES</b>	16	27	16

## **ENFORCEMENT SECTION**

The Enforcement Section is led and managed by an Agent in Charge and is comprised of two distinct but closely related components; enforcement and inspections.

### **Enforcement**

The primary responsibilities of the enforcement side of FED are to investigate cigarette smuggling, enforce trader's license violations, transient vendor license violations, collect delinquent sales and use taxes, conduct routine inspections of tobacco and alcohol licensed establishments, and to provide enforcement of motor fuel and motor carrier (IFTA) tax laws. Enforcement is comprised of twenty-three (23) sworn police officers (eighteen (18) Field Agents, four (4) Agent Supervisors and one (1) Agent-in-Charge).

### **Inspections**

The primary responsibilities of the inspections side of FED are checking the quality of petroleum products sold in Maryland through a comprehensive system of daily sampling of motor fuel; enforcing provisions which regulate containers and vehicles used to transport and store all motor fuel; inspection of retail service stations, marinas, bulk plants, terminals, tobacco retailers and licensed alcohol retailers. Inspections is also active in the detection and apprehension of persons who sell alcoholic beverages without the required licenses. It also provides an inspection program to establish compliance with business license laws and regulations pertaining to roadside vendors. Inspections is comprised of a total of seven (7) inspectors (four (4) Field Inspectors, two (2) Supervising Inspectors and one (1) Inspector-in-Charge).

The following statistical data is a breakdown of the activities conducted by Enforcement and Inspections:

<b>ENFORCEMENT</b>		<b>INSPECTIONS</b>	
Motor Fuel Citations	113	Motor Fuel Accounts Inspected	2,008
		Motor Fuel Samples Taken	11,718
Sales & Use Tax		Stop Sales Issued	144
Visits	1,255	Dyed Fuel Inspections	725
Collections	\$217,204.64	Dyed Fuel Citations	0
Traders Licenses Checked	6,852	Transporter Inspections	29
		Zeltex (Field Test) Conducted	8,085
		Routine Alcohol Inspections	837
Routine Alcohol Inspections	511	Assist with Alcohol Arrests	10
		Retail Tobacco Inspections	2,613
Retail Tobacco Inspections	510	Motor Fuel Complaints	95
Contraband Cigarettes Found	60	Below Cost Complaints	25
No License Found	12	Transient Vendors Checked	3
Transient Vendors Checked	5		
Flea Market Vendors Checked	57	Flea Market Vendors Checked	23

**SEIZED PROPERTY  
SEIZURES, HEARINGS AND SALES**

FED is authorized under Tax-General Article, § 13-835, and the Alcoholic Beverages Article § 6-101(a)(1), Annotated Code of Maryland, to seize contraband, which may be alcoholic beverages, cigarettes, other tobacco products, motor fuel, or conveyances used to transport contraband. At the time of confiscation, FED must make all responsible parties aware that they have a right to file claim for the return of the property seized. Hearing Officers, appointed by the Comptroller, convene informal administrative hearings to consider these claims.

Seized contraband which is held for forfeiture under Tax-General Article, § 13-841, or the Alcoholic Beverages Article § 6-101(a)(1), may be sold or destroyed. Guidelines have been established for sale and disposition of all seized property. All net proceeds from the sale of any conveyance or any other property are distributed in the manner described in Title 2 of the Tax-General Article.

The following is a breakdown of these seizures of contraband, hearings held, and currency that has been recovered and distributed to the State of Maryland:

Sale of Contraband Alcohol	
Funds Received from Sales	\$3,060.03

Funds from Seized Vehicles	
Transportation/Storage Fees	\$4,750.00

Currency is also seized as evidence pursuant to arrests or the execution of search and seizure warrants for illegal sales of alcoholic beverages and possession of untaxed cigarettes, other tobacco products, alcoholic beverages and motor fuel. Through federal forfeiture procedures, FED transfers the currency as federally forfeited property to the U.S. Department of Justice, and then applies for return of a percentage of the seized funds for use in authorized future law enforcement expenditures.

Currency Seized	
Fiscal Year 2017	\$440.00
Fiscal Year 2016	\$125,580.00
Fiscal Year 2015	\$7,707.50

Court Ordered Restitution	
Fiscal Year 2017	\$51,021.59
Fiscal Year 2016	\$32,897.98
Fiscal Year 2015	\$7,959.26

The Division Hearing Officers conduct administrative hearings for violations of the motor fuel, motor fuel below cost sales, alcoholic beverages, tobacco, and motor carrier tax and licensing laws and for the claims of property seized as contraband and vehicles seized in connection with criminal investigations conducted by FED Agents and Inspectors.

Alcohol Related Hearings	
Scheduled	5
Suspensions	0
Offers of Compromise	\$3,750.00

Tobacco Related Hearings	
Hearings	2
Suspensions	0
Revocations	1

Tobacco Sales to Minors	
Referrals	220
Hearings	64
Reprimands	132
Suspensions	10
Warnings	33
No Action	4

**REGULATORY AND LICENSING SECTION**

The Regulatory Section was established within the Field Enforcement Division in October 2008. In August 2015, the Licensing and Registration Unit was transferred to the Field Enforcement Division which resulted in the creation of the Regulatory and Licensing Section. The section is responsible for regulatory and legal work related to motor fuel tax and licensure, alcoholic beverages tax and licensure, tobacco tax and licensure and motor carrier tax and licensure. Maryland is a member jurisdiction of the International Fuel Tax Agreement (IFTA), which governs the motor carrier tax law.

The primary responsibilities of the Regulatory and Licensing Section include disposition of license applications and the requisite investigations; the promulgation of regulations and legislation related to motor fuel, alcoholic beverages, tobacco, and motor carrier taxes; responsive interaction with industry members, citizens, and businesses regarding motor fuel, alcoholic beverages, tobacco, and motor carrier issues and concerns; and the issuance of bulletins and administrative releases related to motor fuel, alcoholic beverages, tobacco, and motor carrier tax laws and regulations. The section is also responsible for coordination with federal, state, and local governments on matters related to motor fuel, alcoholic beverages, tobacco, and motor carrier tax laws and regulations.

<b>ALCOHOL AND TOBACCO LICENSING</b>		<b>MOTOR FUEL/IFTA LICENSING</b>		<b>MOTOR FUEL REGISTRATIONS</b>	
Alcohol Licenses	625	Gasoline Dealer Licenses	275	Motor Fuel Inspection	9,053
Alcohol Permits	6,526	Distributor Licenses	32	Petroleum Transporter	786
Tobacco Licenses	219	Special Fuel Seller Licenses	457	Special Fuel Exemption Certificates	947
		Special Fuel User Licenses	107		
		Aviation Gasoline/Turbine Fuel Seller Licenses	75		
		IFTA Licenses	4,982		

One of the functions of the Regulatory and Licensing Section is monitoring the destruction of alcoholic beverages by wholesalers and assigning an investigator to perform this function. A fee is charged to the wholesaler for this service.

<b>Destructions Witnessed</b>	
<b>Total</b>	<b>10</b>

<b>Fees Collected</b>	
<b>Total</b>	<b>\$1,000.00</b>

## SLOT PROGRAM

During the 2011 Session of the Maryland General Assembly, House Bill 39 was enacted which gave the Comptroller's Office authority over the regulation of the operation of slot machines by certain non-profit organizations on the Maryland Eastern Shore effective June 1, 2011. The Revenue Administration Division of the Comptroller of Maryland issues licenses for these organizations per approval by the Regulatory and Licensing Section of the Field Enforcement Division.

COUNTY	Total Organizations	Total Slot Machines	Calls for Repair or Replacement
Caroline	2	10	3
Cecil	8	40	14
Dorchester	6	30	4
Kent	5	25	8
Queen Anne's	6	30	5
Somerset	3	15	6
Talbot	4	20	8
Wicomico	12	58	12
Worcester	8	38	5
<b>TOTAL</b>	<b>54</b>	<b>266</b>	<b>65</b>

### Actions Taken in FY17

All active organizations inspected at least twice during FY17 for Slots and License compliance.  
No violations.

All active organizations inspected once for alcoholic beverage compliance.  
No violations.

All active organizations submitted their 2015-2016 Slot Machine Annual Reports on time.

All active organizations required 2015-2016 Annual Reports were reviewed; Slot Machine Proceeds and Payout Reports were confirmed to be accurate. Any needed corrections were made with the organization's cooperation.

**Total Gross Play of the Non-Profit Organizations for FY16** **\$62,232,328.15**

**Total Net Proceeds After Payouts of the Non-Profit Organizations for FY16** **\$6,399,510.53**

One organization was reinstated after coming into compliance with past Slot Machine Annual Reports.  
Chesapeake City VFW Post 7687 on 11/4/16.

One organization voluntarily ended their involvement in the slot operations.  
Ocean City Memorial VFW Post 8296 on 6/19/16.

One organization continued to be in a revoked status in FY17.  
American Legion 87 Cambridge was revoked 10/11/13 for failure to submit their Annual Report.

## **STATE LICENSE BUREAU**

The following is a summary of activities for the State License Bureau, which is staffed by five (5) personnel of the Field Enforcement Division.

The State License Bureau continues to provide support to the Agents and Inspectors of the Field Enforcement Division by referring complaints and license violations. The State License Bureau utilizes a high-speed printer, which enables the printing (tracking) of all newly issued licenses, renewals and deletions issued by the various counties and Baltimore City.

<b>Active License Accounts</b>	<b>89,565</b>
<b>Added Accounts</b>	<b>16,261</b>
<b>Deleted Accounts</b>	<b>9,097</b>
<b>Updates to Accounts</b>	<b>58,790</b>
<b>License Liability Holds (reported to the Circuit Court Clerks)</b>	<b>19,297</b>

**MOTOR FUEL TESTING LAB**

The Motor Fuel Testing Lab is responsible for quality control tests to ensure that petroleum products meet Maryland specifications. Samples of gasoline taken to the Motor Fuel Testing Lab are chilled before testing to preserve the integrity of the testing process. Routine tests are conducted such as vapor pressure, distillation, octane rating, water and sediment, oxygen content and percentage and type of oxygenate (if any) in gasoline.

Fuel oil, diesel fuel and kerosene are also tested at the Motor Fuel Testing Lab for flash point, distillation and sulfur content. The lab participates in national and regional exchange groups as a part of its quality assurance program. The lab targets a 24-hour turnaround for samples brought in from the field. Failure of a motor fuel sample could result in the issuance of a stop sale notice.

The lab also has the capability to test alcohol for proof and content to detect fraud in the suspected refilling/tampering of alcoholic beverages. These tests are conducted for personnel from the FED Enforcement and Inspection units, as well as special requests from local liquor boards throughout the State of Maryland.

Motor Fuel Testing Lab personnel are also responsible for the maintenance, storage and security of seized conveyances. These seized vehicles are stored at the facility for violations of Maryland Tax Law.

The following is a summary of testing completed at the Motor Fuel Lab:

GASOLINE			DISTILLATE		
				Diesel	3,143
				Fuel Oil	172
				Kerosene	499
				<b>Total Samples Received</b>	<b>3,814</b>
				Diesel	594,828,728
				Fuel Oil	232,195,355
				Kerosene	42,967,448
				<b>Gallons Represented</b>	<b>869,991,531</b>
				Violations	133
				Gallons Failed	4,587,964

## **FED INVESTIGATIVE UNIT**

Since the inception of the Taxpayer Protection Act (TPA) on July 1, 2017, the FED Investigative Unit has worked aggressively with the Questionable Return Detection Team within the Revenue Administration Division (RAD) and the Office of the Attorney General (OAG) to identify, prioritize, investigate and assist in the prosecution of individuals committing income tax fraud and identity theft against the State. The FED Investigative Unit is currently investigating multiple instances of tax fraud being committed against the State. The OAG has dedicated an Assistant AG Prosecutor to work closely with the Comptroller's Office to identify instances of income tax fraud that meet a threshold for prosecution. The Assistance AG refers cases to the Investigation Unit of FED to be investigated and works closely with the Agents to assure ample evidence is obtained to secure a conviction in court. Of the multiple income tax cases investigated by FED and prosecuted by the OAG the current conviction rate is 100% due to the outstanding working relationship forged between the two offices.

Currently nine (9) separate completed income tax fraud investigations from the FED Investigative Unit are in the queue at the OAG waiting for approval to present to the Grand Jury for indictment in the Anne Arundel County Circuit Court. Each of these investigations was either worked on partially or completely since the passage of the TPA.

The FED Investigative Unit is currently staffed by three (3) Agents and a Supervisor that oversees each investigation.

The following describes recent prosecutions of income tax fraud investigations conducted by the FED Investigative Unit:

<b>Date</b>	<b>Violation</b>	<b>Fraudulent Returns</b>	<b>County</b>	<b>Disposition</b>
May 2, 2017	Theft over 10K	265	Anne Arundel	Guilty
June 7, 2017	Theft by Deception over 10K	110	Anne Arundel	Guilty

Note: Each of the above investigations was conducted prior to the passage of the TPA.