



COMPTROLLER
of MARYLAND
Serving the People

2015
TAX & LEGISLATIVE
UPDATE

Peter Franchot
Comptroller of Maryland



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Comptroller of Maryland Revenue Administration Division

Director's Office

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Electronic Processing

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Legal, Estate Tax, Forms and Media

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Returns Processing

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Revenue Accounting

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Taxpayer Accounting

Frank Dorrell , Manager fdorrell@comp.state.md.us		410-260-6629
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Taxpayer Service

Michele Santucci , Manager msantucci@comp.state.md.us		410-260-7022
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For Information About	Contact	Local No.	Toll-Free No.
Taxpayer Information	Taxpayer Service	410-260-7980	800-638-2937
Tax Practitioner Hotline	Taxpayer Media & Education	410-260-7424	
Automated Refund Inquiry		410-260-7701	800-218-8160
Tax Forms	Taxpayer Service	410-260-7951	
Telefile Zero Tax Due Businesses		410-260-7225	
Telefile Individual Extensions		410-260-7829	
Electronic Filing Help	Electronic Filing	410-260-7753	
Business Taxpayer Assistance	Taxpayer Service	410-260-7980	800-638-2937

TAX INFORMATION AND ASSISTANCE

Visit our web site at www.marylandtaxes.com or call 1-800-638-2937 or from Central Maryland 410-260-7980

WALK IN SERVICE

Free, in-person tax assistance is provided at the taxpayer service offices listed below. Please bring a completed copy of your federal return and all W-2 statements. Offices are open Monday - Friday, 8:30 a.m. - 4:30 p.m. except for State Holidays.

SPECIAL ASSISTANCE

Hearing impaired individuals may call:
Maryland Relay Service (MRS).....711
Larger format tax forms..... 410-260-7951
ADA accommodations for Walk-in Service:
from Central Maryland 410-260-7980
from elsewhere..... 800-638-2937

TELEPHONE SERVICE

Telephone service is available 8:30 a.m. until 4:30 p.m., Monday through Friday. The Comptroller of Maryland offers extended hours for telephone assistance from February 2 - April 15, 2015. During this period, telephone assistance is available from 8:30 a.m. until 7:00 p.m., Monday through Friday except for State Holidays.

EMAIL SERVICE

Email to: taxhelp@comp.state.md.us. Please include your name, address and the last four digits of your Social Security Number in your email message. This will help us generate a quick response to your inquiry.

REFUND INFORMATION

Central Maryland 410-260-7701
Elsewhere 1-800-218-8160

MAILING YOUR RETURN

Mail returns to:
Comptroller of Maryland
Revenue Administration Division
110 Carroll Street
Annapolis, Maryland 21411-0001

Sending your return by certified mail will not result in special handling and may delay your refund.

BRANCH OFFICES

Annapolis
Revenue Administration Center
110 Carroll St.
Annapolis, MD 21411-0001

Baltimore
State Office Building
301 W. Preston St., Rm. 206
Baltimore, MD 21201-2384

Cumberland
Allegheny Museum
3 Pershing St., Ste. 101
Cumberland, MD 21502-3042

Elkton
Upper Chesapeake Corporate Center
103 Chesapeake Blvd., Ste. D
Elkton, MD 21921-6313

Frederick
Courthouse/Multiservice Center
100 West Patrick St., Rm. 2110
Frederick, MD 21701-5646

Hagerstown
Professional Arts Building
1 South Potomac Street
Hagerstown, MD 21740-5512

Landover
Treetops Building
8181 Professional Pl., Ste 101
Landover, MD 20785-2226

Salisbury
Sea Gull Square
1306 South Salisbury Blvd., Ste. 182
Salisbury, MD 21801-6846

Towson
Hampton Plaza
300 East Joppa Rd., Ste. PL 1A
Towson, MD 21286-3020

Upper Marlboro
Prince George's County Courthouse
14735 Main St., Rm. 083B
Upper Marlboro, MD 20772-9978

Waldorf
1036 St. Nicholas Dr., Ste. 202
Waldorf, MD 20603-4757

Wheaton
Westfield Wheaton South Building
11002 Veirs Mill Road, Ste. 408
Wheaton, MD 20902-2574

Comptroller of Maryland Compliance Division

ADMINISTRATION

Toll-Free Number: 888-674-0020

Daniel C. Riley, Jr. , Director	sbonardi@comp.state.md.us	410-767-1556
Vacant , Deputy Director		
Debora A. Gorman , Assistant Director	dgorman@comp.state.md.us	410-767-1557
Robert R. Scheerer , Assistant Director	rscheerer@comp.state.md.us	410-767-1557
Kimberly G. Cordish , Assistant Director	kcordish@comp.state.md.us	410-767-1557
Benjamin Miller, Jr. , Assistant to Director	bmiller@comp.state.md.us	410-767-1570

COLLECTIONS

Business Tax Collections Toll-Free Number: 888-614-6337 Local Number: 410-767-1600
 Individual Income Tax Collections Toll-Free Number: 888-674-0016 Local Number: 410-974-2432

Sylvia J. Brokos , Manager, Business Tax Collections	sbrokos@comp.state.md.us	410-767-1562
James Cross , Asst. Mgr., Business Tax Collections	jcross@comp.state.md.us	410-767-1312
Edward F. Wykowski III , Asst. Mgr., Business Tax Collections	ewykowski@comp.state.md.us	410-767-1603
Sherray Miller , Manager, Individual Income Tax Collections	smiller@comp.state.md.us	410-260-7057
Jesse Wright , Asst. Mgr., Individual Income Tax Collections	jwright@comp.state.md.us	410-260-7757

COMPLIANCE PROGRAMS

Toll-Free Number: 888-615-0369
 Local Number: 410-767-1322

Barbara Esker , Manager	besker@comp.state.md.us	410-767-1322
Lindsay Welsh , Assistant Manager, Business Nexus	lwelsh@comp.state.md.us	410-767-1578
Tamara Talley , Assistant Manager, Individual Nexus	ttalley@comp.state.md.us	410-767-1484

FIELD AUDIT

Toll-Free Number: 800-492-1752
 Local Number: 410-767-1500

Thomas W. Tartal , Chief Auditor	ttartal@comp.state.md.us	410-767-1504
Jerome Watkins , Assistant Chief Auditor	jwatkins@comp.state.md.us	410-767-1536
Tamarra Eaton , Assistant Chief Auditor	teaton@comp.state.md.us	410-767-1526

HEARINGS & APPEALS

Toll-Free Number: 888-615-0268
 Local Number: 410-767-1572

Charles Zephir , Manager	czephir@comp.state.md.us	410-767-4362
Andrew J. Maschas , Assistant Manager	amaschas@comp.state.md.us	410-767-1970
Samuel Buo , Assistant Manager	sbuo@comp.state.md.us	410-767-1506

UNCLAIMED PROPERTY

Toll-Free Number: 800-782-7383
 Local Number: 410-767-1700

Eric Eichler , Manager	eeichler@comp.state.md.us	410-767-1705
Deborah Vulcan , Assistant Manager	dvulcan@comp.state.md.us	410-767-2985

For Information About	Contact	Local No.	Toll-Free No.
Bulk Sales	Deborah Cremen	410-767-1941	888-615-0369
Collections Attorneys	Kimberly Stephens, Sylvia Brokos	410-767-1562	888-614-6337
Delinquent Business Taxes	Collections	410-649-0633	888-614-6337
Delinquent Individual Income Taxes	Collections	410-974-2432	888-674-0016
General Information	Taxpayer Service	410-260-7980	800-638-2937
MVA Hotline—Business	Collections	410-649-0633	888-614-6337
MVA Hotline—Individual	Marcia Mason	410-260-7730	855-213-6669
Mobile Homes	Sharon Edwards	410-767-1324	888-674-0020
Offers in Compromise	Benjamin Miller, Jr.	410-767-1570	888-674-0020
Refunds, <i>Sales and Use</i> & <i>Admissions & Amusement Taxes</i>	Miriam Kilerlane	410-767-1538	800-492-1752
Registration	Taxpayer Service	410-260-7980	800-638-2937
Returns, Forms, Bulletins	Taxpayer Service	410-260-7980	800-638-2937
Special Business Licenses	State License Bureau	410-260-6240	800-674-0017
Temporary Licenses	Temporary Licenses/Special Events	410-767-1540	888-648-9638
Unclaimed Property	Unclaimed Property Unit	410-767-1700	800-782-7383
Vendor Offset	Paula Evans	410-767-1648	888-614-6337
Voluntary Disclosures	Benjamin Miller, Jr.	410-767-1570	888-674-0020

I. Resources

The following Revenue Administration Division representatives contributed to the material in this outline. They are located in the Division's main office in Annapolis and solicit your comments and questions.

Source of information	Telephone
Wayne P. Green, Director	(410) 260-7445
Wallace A. Eddleman, Legislation	(410) 260-6621
Wayne P. Green, Statistics	(410) 260-7445
Christopher Kolb, Forms and Procedures ..	(410) 260-7755

II. Legislation

Tax Legislation Enacted in 2013

INCOME TAX – Administrative

A. Senate Bill 613 (Chapter 506, Acts of 2013) and House Bill 644 (Chapter 507, Acts of 2013) – Income Tax – Electronic Filing – Designation to Purchase Federal Savings Bonds These Acts were cross-filed and create a new Tax-General Article Section 10-804(k), which allows an individual who files an income tax return electronically to use all or a portion of his refund to purchase U.S. Series I Savings Bonds. The individual may elect to purchase bonds in increments of \$ 50, and the Comptroller must issue the portion of the refund that remains after the purchase of the bonds to the individual. The Comptroller must adopt regulations to implement this subsection.

These Acts apply to all taxable years beginning after December 31, 2014.

Effective Date: These Acts will take effect July 1, 2013.

INCOME TAX – Subtractions

A. Senate Bill 774 (Chapter 546, Acts of 2013) – Income Tax – Subtraction Modification – Maryland Civil Air Patrol This Act expands the resident individual subtraction modification for qualifying volunteer fire, rescue, or emergency medical services members under Tax-General Article Section 10-208(i-1) to apply to active members of the Maryland Civil Air Patrol.

This Act applies to all taxable years beginning after December 31, 2014.

Effective Date: This Act will take effect July 1, 2014.

Tax Legislation Enacted in 2014

INCOME TAX – Administrative

A. Senate Bill 172 (Chapter 464, Acts of 2014) – Budget Reconciliation and Financing Act of 2014 This Act, in relevant part, provides that the interest rate for income tax refunds that the Comptroller must pay as a result of a final decision in Comptroller v. Wynne is the average prime rate during fiscal year 2015 rounded to the nearest whole number.

This Act applies only to income tax refunds attributable to taxable years beginning after December 31, 2005 but before January 1, 2015.

Effective Date: This Act will take effect June 1, 2014.

INCOME TAX – Subtractions

A. Senate Bill 596 (Chapter 528, Acts of 2014) and House Bill 923 (Chapter 529, Acts of 2014) – Income Tax Subtraction Modification – Mortgage Forgiveness Debt Relief – Extension These Acts were cross-filed and extend the subtraction for discharge of qualified principal residence indebtedness under Tax-General Article § 10-207(y) to tax years 2014 and 2015. The amount of the subtraction equals the amount of the discharge of qualified principal residence indebtedness allowable under the Mortgage Forgiveness Debt Relief Act of 2007, as amended. The subtraction is limited to \$100,000.00 for an individual and \$200,000.00 for taxpayers who file married filing jointly, head of household, or as a surviving spouse.

Effective Date: These Acts will take effect July 1, 2014 and will be applicable to all taxable years beginning after December 31, 2012 and ending before January 1, 2016 and shall abrogate without further action at the end of June 30, 2016.

B. Senate Bill 1070 (Chapter 371, Acts of 2014) and House Bill 1228 (Chapter 372, Acts of 2014) – Income Tax – Subtraction Modification – Volunteer Fire, Rescue, and Emergency Medical Services Members

The Acts increase the existing Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year from \$3500 to \$5000 over six years. For tax year 2014, the subtraction amount is \$3750. The amounts increase to \$4000 for tax year 2015, \$4250 for tax year 2016, \$4500 for tax year 2017, \$4750 for tax year 2018, and then becomes \$5000 for all tax years beginning January 1, 2019.

Effective Date: This Act shall take effect July 1, 2014.

INCOME TAX – Credits

A. House Bill 198 (Chapter 389, Acts of 2014) – Income Tax – Earned Income Credit – Refundable Amount

The Act expands the Maryland refundable earned income credit (REIC). The Act increases the REIC from 25% to 28% of the federal earned income credit (EIC). The Act phases in the increase over four years beginning with tax year 2015 where the credit increases from 25% to 25.5 % of the federal earned income credit minus any pre-credit State income tax. The Act increases in 2016 to 26%, in 2017 to 27%, and then becomes 28% beginning in 2018.

Effective Date: This Act shall take effect July 1, 2014.

B. Senate Bill 908 (Chapter 359, Acts of 2014) and House Bill 1345 (Chapter 360, Acts of 2014) – Electric Vehicles and Recharging Equipment – Rebates and Tax Credits

The Acts repeal the electric vehicle recharging equipment income tax credit and replace the credit with a rebate program administered by the Maryland Energy Administration (MEA). MEA may award an annual maximum of \$600,000 in rebates in fiscal 2015 through 2017, with funding for these rebates provided by transfers from the Strategic Energy Investment Fund.

Effective Date: This Act shall take effect July 1, 2014.

C. Senate Bill 486 (Chapter 511, Acts of 2014) – Income Tax Credit – Endow Maryland

This Act creates Tax-General Article § 10-736, which provides a nonrefundable credit equal to 25% of a donation worth \$500 or more of cash or publicly traded securities made by the taxpayer to a “qualified permanent endowment fund” at an “eligible community foundation” that meets certain requirements. The credit may be carried forward up to five years or until the full amount of the credit is used, whichever is sooner.

To claim the credit, a taxpayer must apply to the Department Housing and Community Development (the “Department”) for a credit certificate. On or before January 31 of each year, the Department must provide a list of approved credits from the prior tax year to the Comptroller.

For any taxable year, the amount of each tax credit certificate may not exceed \$50,000. For each taxable year, the Department must reserve at least 10% of the available credits for donations of \$30,000 or less.

This Act also provides an addition modification under Tax-General Article §§ 10-204(l) and 10-305(d)(6) equal to the amount of any deduction taken for a donation to the extent that the donation is included in the application for the Endow Maryland Credit.

Effective Date: This Act will take effect July 1, 2014 and shall be applicable to all tax years beginning after December 31, 2014.

ESTATE TAX

A. House Bill 739 (Chapter 612, Acts of 2014) – Maryland Estate Tax – Unified Credit

The Act gradually conforms the Maryland estate tax to the value of the unified credit under the federal estate tax, thereby increasing the amount that can be excluded for Maryland estate tax purposes. The increase in the amount that can be excluded for Maryland estate tax purposes is phased over five years and is equal to (1) \$1.5 million for a decedent dying in calendar year 2015; (2) \$2.0 million for a decedent dying in calendar year 2016; (3) \$3.0 million for a decedent dying in

calendar year 2017; (4) \$4.0 million for a decedent dying in calendar year 2018; and (5) the amount excluded under the federal estate tax for a decedent dying on or after January 1, 2019.

Effective Date: This Act shall take effect July 1, 2014.

Tax Legislation Enacted in 2015

INCOME TAX – Administrative

House Bill 72 (Chapter 489, Acts of 2015) – Budget Reconciliation and Financing Act of 2015 The Act limits eligibility for the State and local earned income credit so that it may be claimed only by residents and part-year residents beginning with tax year 2015.

The Act decreases the minimum amount of annual appropriation to the Maryland Cybersecurity Investment Tax Credit Fund from \$2,000,000 to \$1,500,000 for fiscal year 2016.

The Act alters the credit allowed for tax paid by a resident to another state by removing the limitation that the credit is only allowed against the State income tax.

Effective Date: The section of the Act affecting the State and local earned income credit shall be applicable to all taxable years beginning after December 31, 2014. The provisions of the Act on the film production activity tax credit and the credit allowed for tax paid by a resident to another state shall take effect June 1, 2015.

House Bill 485 (Chapter 312, Acts of 2015) – Election Law - Fair Campaign Financing Fund - Income Tax Checkoff The Act establishes the Comptroller shall include a checkoff on the individual income tax return through which certain individuals may make a contribution to the Fair Campaign Financing Act.

Effective Date: The checkoff provision of the Act shall be applicable to all taxable years beginning after December 31, 2014.

House Bill 871 (Chapter 462, Acts of 2015) State Board of Individual Tax Preparers – Expiration and Surrender of Registrations and Civil and Criminal The Act authorizes the State

Board of Individual Tax Preparers to impose a civil penalty of up to \$5,000 on a person who violates any provision of the Maryland Individual Tax Preparers Act. Unless the Board agrees to accept the surrender of registration, registration issued to individual tax preparers remains in effect and does not expire while the individual tax preparer is under investigation by the board or awaiting a hearing or disposition on charges. Any person who violates the Maryland Individual Tax Preparers Act and has previously been assessed a civil penalty is guilty of a misdemeanor and subject to a maximum penalty of a \$500 fine and/or six months imprisonment.

Effective Date: The Act shall take effect October 1, 2015.

Senate Bill 763 (Chapter 50, Acts of 2015) Tax Amnesty Program The Act requires the Comptroller to declare an amnesty period from September 1, 2015 to October 30, 2015, both inclusive, during which the Comptroller shall waive all civil penalties (except previously assessed fraud penalties) and one-half interest that would have been imposed on certain delinquent taxpayers for nonpayment, non-reporting, or underreporting of income taxes, withholding taxes, sales and use taxes, or admissions and amusement taxes that are paid during the amnesty period.

The waiver of civil penalties and one-half interest under this amnesty program generally applies to a delinquent taxpayer (1) who on or before December 31, 2014, failed to file a return required or pay the tax imposed for individual income tax, corporate income tax, withholding tax, sales and use tax, or admissions and amusement tax; and (2) who during the tax amnesty period, files a delinquent return, pays the tax due under the return or has an agreement with the Comptroller to pay the tax due in accordance with the terms and schedules established in the agreement.

The Comptroller has the discretion as to whether the Comptroller is to enter into an agreement. The Comptroller further has the full discretion as to the terms and schedule for payment set forth under the agreement, provided that the delinquent tax under the agreement shall be paid in full on or before December 31, 2016. The waiver of civil penalties and interest under the agreement does

not apply to interest accrued for periods after October 30, 2015. The waiver of civil penalties and interest under the agreement is void if the taxpayer fails to comply strictly with the terms and schedule for payment under the agreement.

This amnesty program does not apply to: (1) Any taxpayer that was granted amnesty under a Maryland Tax Amnesty Program held between calendar year 1999 and calendar year 2014; or (2) Any taxpayer eligible for the July 1, 2004, through November 1, 2004, Settlement Period, as provided in Chapter 557 of the Acts of 2004 for tax periods prior to tax year 2003.

A taxpayer will not be charged with a criminal tax offense arising out of any return filed and tax paid during the amnesty period, except for any criminal charges pending in the court of the State or any criminal charges under investigation by an office with the constitutional authority to prosecute a person for violation of criminal laws.

The Comptroller, on or before March 15, 2016, shall report to the Governor and the General Assembly the revenues raised under this amnesty program and other matters related to the program.

Effective Date: The Act will take effect June 1, 2015.

Senate Bill 868 (Chapter 204, Acts of 2015) Public Utilities – Transportation Network Services and For-Hire Transportation The Act establishes a regulatory framework for “transportation network services” that encompasses “transportation network companies” and “transportation network operators.”

The Act defines a “transportation network company” as a company that has been issued a permit by the commission and operates in the state using a digital network to connect passengers to transportation network operators or transportation network partners for transportation network services. The Act defines “transportation network services” as the activities of an operator, which include three periods: (Period 1) the period in which the operator is logged on and ready to accept a prearranged ride request made through a transportation network company’s digital network application; (Period 2) the period in which the operator accepts a ride request from a

passenger that is prearranged through a transportation network company’s digital network application, and is traveling to a predetermined location to pick up the passenger; and (Period 3) the period in which the operator transports the passenger and continuing until the passenger departs the motor vehicle.

The Act authorizes certain counties and/or certain jurisdictions to impose assessments, which are defined as charges imposed by a local jurisdiction on each transportation network service that includes a passenger trip during transportation network coverage period three by an operator. Except in an exempt jurisdiction, an assessment may not exceed 25 cents per trip. An exempt jurisdiction is a county or municipality that imposed a tax, fee, or charge on for-hire transportation services provided on a per-ride or per-passenger basis operated in that county or municipality on or before January 1, 2015.

Any county or municipality that imposes an assessment must notify the Comptroller of the amount of the assessment. The effective date of the imposition of assessments will be 120 days after the Comptroller receives notice.

The Comptroller will distribute each quarter the amount necessary to administer the assessments to an administrative cost account. This distribution can be up to 5% of the revenue from the assessments and other revenues. The Comptroller is required to distribute the remaining revenue to the county or municipality that is the source of the revenue, within 45 days of the end of each quarter.

Effective Date: The Act will take effect July 1, 2015.

INCOME TAX – Subtractions

Senate Bill 592 (Chapter 125, Acts of 2015) – Income Tax - Subtraction Modification - Military Retirement Income - Individuals at Least 65 Years Old The Act increases the existing subtraction modification on certain military retirement income for individuals who are at least 65 years old. The maximum amount of retirement income that can be excluded from Maryland adjusted gross income for purposes of calculating Maryland income tax is increased from

\$5,000 to \$10,000. To the extent included in federal adjusted gross income of a resident, the subtraction modification is: (i) if, on the last day of the taxable year, the individual is under the age 65 years, the first \$5,000 of military retirement income received by an individual during the taxable year; and (ii) if, on the last day of the taxable year the individual is at least 65 years old, the first \$10,000 of military retirement income received by an individual during the taxable year.

Effective Date: The Act shall take effect July 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.

INCOME TAX – Credits

House Bill 473 (Chapter 423, Acts of 2015) – Tax Credits - Employment of Individuals With Disabilities

The Act increases the maximum value of the Qualifying Employees with Disabilities Tax Credit. Employers can claim a credit equal to 30% of the first \$9,000 of wages paid to the qualifying employee for each of the first two years of employment, and the maximum amount of eligible child care and transportation expenses that can be claimed in each of the first two years is increased to \$900. “Qualified employee with a disability” means an individual who (i) Meets the definition of an individual with a disability as defined by the Americans with Disabilities Act; (ii) Has a disability that presently constitutes an impediment to obtaining or maintaining employment or to transitioning from school to work; (iii) Is ready for employment; and (iii) Has been determined by the Division or the Department of Labor, Licensing, and Regulation, in consultation with the Division, as having met the criteria of a qualified employee with a disability established under Section 21-309 of the Education Article, Annotated Code of Maryland. The program is administered and the individuals are certified by the Department of Labor, Licensing, and Regulation.

Effective Date: The Act shall take effect July 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.

Senate Bill 694 (Chapter 193, Acts of 2015) – Income Tax Credit – Oyster Shell Recycling – Credit Amount

The Act alters the amount of an individual or a corporation may claim against the

State income tax for each bushel of oyster shells recycled during the taxable year by increasing the amount from \$1 to \$5. Individuals or corporations claiming credit under the Act are required to provide verification of the amount of oyster shells recycled. The credit may not exceed the lesser of \$750 or the State income tax calculated before application of the credit allowed under this Act and §§ 10–701 and 10–701.1 of the Tax General Article. The Department of Natural Resources and the Comptroller jointly shall adopt regulations to carry out the provisions of the Act.

Effective Date: The Act shall take effect July 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.

Senate Bill 905 (Chapter 486, Acts of 2015) – Income Tax – Film Production Activity Tax Credit

The Act repeals the termination date of the film production activity tax credit program, which was previously June 30, 2016. The Act specifies that the Secretary of the Department of Business and Economic Development may not issue tax credit certificates for credit amounts in the aggregate totaling more than: \$25,000,000 for fiscal year 2014; \$7,500,000 for fiscal year 2015; and \$7,500,00 for fiscal year 2016. The Act also establishes the Maryland Film Production Activity Tax Credit Reserve Fund. For fiscal year 2017 and each fiscal year thereafter, it is the intent of the General Assembly that the Governor include in the budget bill an appropriation to the reserve fund in an amount equal to the amount the Department of Business and Economic Development reports as necessary to maintain the current level of film production activity in the state; and the amount of tax credits necessary to attract new film production activity to the state. To this end, the Act requires the Department to provide this information on or before July 1 of each year.

Effective Date: The Act shall take effect July 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.

ESTATE TAX

House Bill 828 (Chapter 104, Acts of 2015) – Maryland Estate Tax – Filing of Tax Returns

The Act alters requirements for filing estate tax returns so as to require them to be filed 9 months

after the date of death of the decedent and with the Comptroller only. Estate tax returns should no longer be filed with the Register of Wills.

Effective Date: The Act shall take effect July 1, 2015.

Senate Bill 178 (Chapter 18, Acts of 2015) – Maryland Estate Tax – Filing of Tax Returns

The Act prohibits the assessment of penalty for late payment of the Maryland estate tax if an alternative payment schedule is allowed by the Comptroller and the tax is paid in accordance with the alternative payment schedule. The prohibition only applies to estates that apply for an alternative payment schedule for payment of the Maryland estate tax on or after July 1, 2015, and receive approval by the Comptroller to pay the estate tax in accordance with an alternative payment schedule.

Effective Date: The Act shall take effect July 1, 2015.

III. Court Cases

A. Brian and Karen Wynne v. Comptroller of the Treasury

On May 18, 2015, the United States Supreme Court, in a 5-4 decision, affirmed the decision of the Maryland Court of Appeals, holding that Maryland's tax scheme which allowed Maryland residents a credit for taxes paid on the same income to another state only against the Maryland state tax and not the county tax violated the dormant commerce clause. Specifically, applying the 4-prong test established under *Complete Auto*, the tax scheme did not pass the internal consistency test prong. The majority stated that the prior decisions in 3 other cases essentially dictated the result in this case. Those cases held that a state tax scheme that might lead to "double" taxation of out-of-state income was invalid. That the other three cases involved corporations and gross receipts taxes did not matter. The Court also dismissed the fact that resident individuals have the right to vote as meaningless in distinguishing corporations and individuals. The Court did not state what the remedies necessarily were, but did acknowledge that, for Maryland, the elimination of the state non-resident tax was one

possible solution, as was extending the credit to include the county portion of the tax.

History: Assessment affirmed by Maryland Tax Court. On appeal by Petitioners to the Circuit Court for Howard County reversed. Comptroller noted appeal to the Maryland Court of Special Appeals. Taxpayer filed a Petition for Writ of Certiorari to the Court of Appeals which was granted. The matter was argued in May 2012. On January 28, 2013, in a 5-2 decision, the Maryland Court of Appeals affirmed the decision of the Circuit Court for Howard County.

Taxpayers, Maryland residents, appealed to the Maryland Tax Court from the Comptroller's Notice of Final Determination affirming an assessment against them for income tax owed for the tax year 2006. In their appeal, the taxpayers raised two issues. First, they contested the applicability of Tax-Gen. Art. § 10-703(c)(1) for calculating a credit for taxes paid by the taxpayers or an S-corporation, in which they owned shares to other states on the income earned by them as 2.4% shareholders of the Maryland S-corporation. The second issue, raised in an amended Petition of Appeal, argued that Tax-Gen. Art., § 10-703 violates the Commerce Clause of the United States Constitution by "not allowing the credit against local income taxes."

The S-corporation operated in 39 states, some of which recognized its status as an S-corporation and some which did not. Consequently, in some states the taxpayer paid a tax on his income, whereas in other states the corporation paid a tax on its income apportioned to that state. Recognizing this situation, Tax-Gen. Art., § 10-703(c)(2) still allows a taxpayer to take a credit for taxes paid even though the tax was actually paid by the S-corporation in which he is a shareholder.

The taxpayers' Commerce Clause argument asserts that the failure to allow a credit against the local (county) tax fails the fair apportionment prong (specifically the "internal consistency test") of the *Complete Auto Transit* test.

B. ConAgra Brands, Inc. v. Comptroller

This trademark holding-company case was tried in the Tax Court in October, 2010. The Tax Court stayed its decision pending the outcome of the

appellate process in *Gore Enterprise Holdings, Inc. v. Comptroller*, 437 Md. 942 (2014). On February 24, 2015, the Tax Court affirmed the Comptroller's assessment of tax for TYs 1996-2003 in the amount of \$1,411,977. At the same time, the Court abated all penalties, along with over \$1.1mm of interest accruing from February 23, 2009 through February 24, 2015—a time period corresponding to the time of filing of the Tax Court petition until the date of the decision.

ConAgra Brands, which was merged out of existence in 2007, filed a petition for judicial review in Anne Arundel County. The Comptroller cross-petitioned on the interest abatement issue. The parties are currently engaged in briefing the issues, with oral argument scheduled for September 21, 2015.

C. Wesco Financial Insurance Co. v. Comptroller

Wesco Financial Insurance Company's sought revision of income tax assessments made against it for the years 2000 through and including 2003. The assessed amounts totaled \$815,748, plus interest. Wesco Financial Insurance Company ("Wes-Fin") was a Nebraska-licensed insurance company incorporated in Nebraska in 1985. Wes-Fin's parent corporation, Wesco Holdings Midwest, Inc., acquired CORT Business Rentals Corp. Wesco Holdings utilized a 30-year note, in the amount of \$346,930,552, to finance the acquisition. Wesco Holdings subsequently transferred the \$346,930,552 note—by what means remains unknown at this point—along with the right to receive interest therefrom, to Wes-Fin. Wes-Fin did not file a corporation tax return in Maryland for tax years 2000, 2001, 2002, and 2003.

The Comptroller assessed Wes-Fin on the theory that its interest payments from CORT, which had business locations in Maryland, were taxable income to Wes-Fin, a corporation with no physical presence in Maryland. Wes-Fin merged out of existence just prior to filing its Tax Court petition. The Tax Court granted Wes-Fin's motion for summary judgment, on the grounds that as an insurance company, Wes-Fin was exempt from Maryland income tax under TG § § 10-104(4). Section 10-104(4) exempts insurance companies "subject to taxation under Title 6 of the Insurance

Article." The Tax Court decided that although Wes-Fin never wrote any insurance contracts in Maryland, and therefore never paid any Maryland insurance taxes, it was nevertheless "subject" to the Insurance Article and exempt from income taxes.

Although there were both procedural and substantive grounds for seeking judicial review, because the Comptroller has abandoned the statutory construction upon which the case depended and turned, no petition was filed.

D. Peter M. Ferraro v. Comptroller

Peter M. Ferraro filed Maryland resident income tax returns for 2001, 2002, 2003, and 2004. Ferraro subsequently determined that he had overstated his gross income in 2001, 2002, and 2003. In addition, in tax year 2005, Mr. Ferraro sustained a large net operating loss. He filed an amended federal return for 2005, claiming the NOL, but did not include with his federal filing a form 1045, allocating the NOL to carryback and carry-forward years.

In 2007, Ferraro filed amended Maryland returns for 2001, 2002, 2003, and 2004, but did not file an amended Maryland return for 2005. On his 2001, 2002, and 2003 amended Maryland returns, Ferraro reported reduced gross income, which generated tax overpayments for those years. Ferraro also carried back a portion of the 2005 NOL to 2003 and to 2004. The 2003 carryback further increased the claimed overpayment for 2003, and created an overpayment for 2004. The Comptroller initially denied Ferraro's refund claims, due to his failure to file an amended 2005 return. When Ferraro's federal NOL claims were resolved by the IRS in 2012, the Comptroller paid tentative refunds of tax to Ferraro for 2001-2004, but denied interest thereon. Ferraro filed a Tax Court petition seeking interest on the refunds, along with tax, interest, and penalties for 2001 and 2003 that he alleged had not been paid.

The Tax Court ruled for the Comptroller, holding that Ferraro's 2001, 2002, and a portion of the 2003 refunds were due to reporting errors of the taxpayer, which were not attributable to the State. As for the 2003 and 2004 NOL carrybacks, the Tax Court determined that because Ferraro had not filed an amended 2005 return, he had not

filed a proper claim for refund that would have tolled interest on the NOL-generated overpayments.

Ferraro appealed to the Circuit Court for Anne Arundel County, which affirmed the Tax Court in all respects. Ferraro then filed an appeal to the Court of Special Appeals. The case is currently undergoing briefing, with an argument date scheduled for early December.

E. Staples, Inc. & Staples the Office Superstore, Inc. v. Comptroller

This is a holding company case tried in the Maryland Tax Court in August 2011. The Tax Court stayed its decision pending the outcome in the *Gore Enterprises Holding, Inc. v. Comptroller*, 437 Md. 942 (2014). On May 28, 2015, the Maryland Tax Court issued its opinion affirming the assessments for 1999-2004. The court found that enterprise dependency existed between the petitioners and their affiliates, thus the petitioners had nexus with Maryland. The court also found that Maryland's assessment reasonably reflected the income earned by the petitioners in Maryland. The Court did abate all the penalties and all accrued interest from the date the petition of appeal to the tax court was filed until the date of the opinion and order.

The petitioners filed a petition for judicial review in the Circuit Court for Anne Arundel County. The Comptroller has cross-petitioned on the interest abatement issue. No hearing date has been set at this time.

F. Continental Surfaces, LLC v. Comptroller

The taxpayer in this matter is a manufacturer of granite and silestone countertops. Continental typically bought slabs of granite and silestone from suppliers and fabricated countertops from those materials. Most of Continental's sales were to Continental Surfaces of Pittsburgh, LLC ("Pittsburgh") and Continental USA Kitchen and Bath, LLC ("USA"). All three of these companies were owned by Peter Komorowski.

Both Pittsburgh and USA installed the countertops that they purchased from Continental. Pittsburgh installed the countertops in homes pursuant to "furnish and install" contracts it had with Lowe's

and Home Depot. USA installed the countertops in apartments in the course of remodeling projects. Although Continental obtained resale certificates from Pittsburgh and USA for the sales of its countertops, because the countertops were installed by the purchasers, they were not "resold" as tangible personal property and therefore the certificates were invalid, pursuant to COMAR 03.06.01.19(A). These sales, therefore, were assessed sales tax by the Comptroller.

The Comptroller determined that Continental had not paid sales tax on a number of purchases of slabs. Continental argued that it did not owe sales tax because it intended to resell the slabs; the lack of a resale certificate was the fault of the vendor. The Comptroller assessed sales tax on these purchases.

Continental occasionally swapped slabs of material with another manufacturer, Artelye Marble and Granite ("Artelye"), when their inventories ran low. When Continental provided Artelye with a slab, it booked the transaction as a sale, but would not charge sales tax. Continental contended that it did not owe tax on these sales because it obtained a resale certificate from Artelye. The Comptroller assessed sales tax on these sales because Artelye manufactured and installed countertops from the slabs. It did not resell them.

The case was tried in Tax Court and on October 31, 2013 the Court issued an order affirming the Comptroller's assessment, with a small adjustment agreed to by the parties. The assessment included tax of \$435,030.10, penalty of \$41,674.28 and interest of \$283,057.05.

Continental filed a Petition for Judicial Review in the Circuit Court for Prince George's County, and on December 15, 2014 the circuit court issued an order affirming the Maryland Tax Court's Order in its entirety. On January 13, 2015 Continental noted an appeal to the Court of Special Appeals where the matter is now pending.

G. John Zorzit/Nick's Amusements, Inc. v. Comptroller

This case involves an illegal gambling operation conducted by Nick's Amusements, Inc. John Zorzit was the President and sole shareholder of

Nick's. A joint investigation into Nick's operations conducted by the Baltimore County Police Department and the IRS determined that illegal payouts were being made to customers who played the video poker machines that Nick's rented to various establishments. The investigation culminated in a raid on Nick's office and twenty-nine establishments that rented video poker machines from Nick's. The raid on Nick's office uncovered cash totaling more than \$40,000 stashed in various locations throughout the office, including the ceiling of Mr. Zorzit's bathroom. Sixty-three video poker machines were confiscated from the establishments that were raided.

Although Nick's reported and paid Admissions & Amusement tax on the net revenue generated by the video poker machines, no tax was paid on the money paid out to customers. The Comptroller used data obtained by the BCPD from the confiscated machines to determine a "payout percentage": the percentage of gross receipts paid out to customers. The A&A tax was then applied to the payouts, and an assessment, including a fraud penalty, was issued to Nick's Amusements, Inc. and John Zorzit, individually, as the President of Nick's.

Nick's appealed the assessment on the grounds that the calculation of the tax was incorrect because the data obtained from the video poker machines did not provide a reliable basis for calculating the payout percentage. Nick's also contended that the calculation of tax was incorrect because the payout percentage was applied to all of the income reported by Nick's on its A&A returns, when some of the money reported came from non-video poker machines, such as pool tables and video games. The court found that, to the extent there were inaccuracies in the calculations, these were due to the taxpayers' failure to maintain adequate and necessary records, and the tax assessment was affirmed.

Nick's appealed the fraud penalty on the grounds that, its representatives had not read the *Rossville Vending v. Comptroller* case, and therefore could not have known that illegal payouts were taxable. The Court found sufficient evidence to establish four badges of fraud, following the *Genie & Company v. Comptroller* case, and affirmed the fraud penalty. The court did reduce the fraud

penalty to 50%, however, in recognition of the deficiencies in the audit calculations. The final assessment affirmed by the court on July 8, 2013, including tax, penalty and accruing interest, was \$5,770,353.18.

On August 13, 2013, Nick's filed a Petition for Judicial Review with the Circuit Court for Baltimore County. After conducting a hearing, the circuit court issued a memorandum opinion and order on June 5, 2014 affirming the Tax Court's decision in its entirety. On July 2, 2014, Nick's noticed an appeal to the Court of Special Appeals. After hearing oral arguments, on July 8, 2015, the court issued an opinion affirming the Tax Court's ruling in its entirety. In rendering its opinion, the court reaffirmed the use by the Comptroller of the "badges of fraud" established in the *Genie* case to support its findings of fraud. Perhaps more importantly, the court acknowledged that the Comptroller has broad authority to use "other means" to calculate an assessment when a taxpayer fails to maintain adequate records, even if the resulting assessment is not "100% correct". The matter is now concluded.

H. Potomac Edison Company v. Comptroller

Potomac Edison is a supplier of electricity to customers in Maryland. It generates electricity out-of-state, but only transmits electricity in Maryland. In 2007, the Comptroller conducted a random "high revenue audit" of Potomac that revealed a sales tax deficiency and an assessment was issued to Potomac. Potomac did not question the audit initially, but then it claimed that it should not have to pay sales tax on its purchases of equipment used to transmit electricity in the state (poles, wires, transformers, nuts and bolts, etc.) Based on this theory, Potomac filed a refund request for the same period as the assessment (August, 2003- July, 2007) for the tax it had paid on transmission equipment. At the same time, Potomac appealed the assessment, claiming it was entitled to a credit based on the refund, and a reduction in the tax assessed for any transmission equipment included in the audit. While the appeal of the assessment was pending, Potomac paid the tax portion of the assessment. Notices of Final Determination were issued by the Comptroller affirming the assessment and denying the refund request. In May, 2012 Potomac filed appeals in

the Tax Court requesting the court to (1) reduce the assessment and give Potomac a credit based on its refund request and (2) refund the amount of sales tax Potomac had paid on its purchases of transmission equipment. The refund claim involved more than 19,000 purchases.

The litigation appeared to be managed by an accounting firm (Ryan, LLC). Ryan, LLC had produced an expert in electrical engineering (Dr. Fuchs) who would testified that electricity is “processed” in the course of transmission. Based on Dr. Fuchs’ testimony, Potomac claimed that the equipment it purchased for transmitting electricity qualified for the “manufacturing exemption” in the Tax Code, because transmitting electricity qualified as a “production activity”. Apparently, Ryan, LLC made similar claims in other jurisdictions with some success.

The Comptroller disputed that whatever “processing” occurred during transmission did not amount to a production activity. More importantly, the Comptroller argued that, following the deregulation of the electric power industry, the Maryland Tax Code was amended to identify that generating electricity was a production activity, but the transmission of electricity was defined as a “taxable service”.

Prior to trial, the Tax Court agreed to bifurcate the case to first consider whether the transmission equipment qualified for the exemption before conducting a second trial to consider the status of individual purchases. The first phase of the trial was conducted on April 16, 2014 before Judge Martz. The trial involved both the assessment and the refund request. At the conclusion of the trial, Judge Martz issued an order in which he stated that he did not accept Potomac’s contentions and instead agreed with the Comptroller’s argument that the Maryland Tax Code had defined the transmission electricity as a “taxable service” and not a “production activity”.

The refund request was for \$2,684,680.37 and the assessment was for \$3,418,445.70.

On February 19, 2015 Potomac filed a Petition for Judicial Review with the Circuit Court for Baltimore City.

I. Comptroller of Maryland v. Shipe, 221 Md. App. 425 (2015)

In *Comptroller v. Shipe*, the Court of Special Appeals held that under Md. Code Ann., Tax-Gen. § 13-806(a) a recorded tax lien has the full force and effect of a judgment lien and therefore like all other judgments held in favor of the state a recorded tax lien does not expire. The tax lien remains in effect until it is either satisfied or the Comptroller exercises his discretion to release the lien because the lien is either uncollectible or unenforceable by reason of lapse of time. Under *Shipe*, whether a lien is unenforceable by reason of lapse of time or uncollectible is a determination made by the Comptroller. A tax lien recorded in the Circuit Court has the full force and effect of a judgment lien and therefore like all other judgments in favor of the state is exempt from the statute of limitations. Md. Code Ann., Tax-Gen. §§ 13-807 and 808.

In 2001, the Comptroller filed a notice of tax lien against the taxpayer for unpaid income taxes for tax years 1997 and 1998. The notice of tax lien was recorded on the judgment docket of the Circuit Court. In 2013, the taxpayer filed a “Motion to Release Judgment/Tax Lien” arguing that the tax lien expired because it was subject to a 12 year statute of limitation and had not been renewed. The taxpayer relied upon language in the Tax General Article stating that “a lien continues until it is satisfied or released by the tax collector because it is unenforceable by reason of lapse of time or uncollectible.” According to the taxpayer the phrase “unenforceable by reason of lapse of time” signaled the legislature’s intent that liens did not continue indefinitely. The Comptroller argued that a recorded tax lien has the full force and effect of a judgment lien. Thus like all other judgments in favor of the state it is exempt from the statute of limitations because it is a specialty in favor of the state. Specialties in favor of the state are specifically exempt from the statute of limitations by provisions of the Court and Judicial Proceedings Article.

The Court of Special Appeals held that recorded Maryland state tax liens do not expire. The Court’s decision in *Comptroller v. Shipe* was a reported decision and therefore is binding precedent. Specifically, the Court held that a recorded tax lien has the full force and effect of a

judgment lien, and therefore like all other judgments in favor of the state it does not expire. Under principles of sovereign immunity the state must specifically waive its exemption from the statute of limitations. The Courts and Judicial Proceedings Article specifically exempts judgments in favor of the state from the statute of limitations. According to the Court, the provisions of the Tax General Article under which a tax lien “continues until it is satisfied or released by the tax collector” make the state’s exemption from the statute of limitations applicable to recorded tax liens.

Furthermore, the Court held that it is within the sole discretion of the tax collector to release a tax lien because it is unenforceable by reason of lapse of time. The Court cited the statutory history of the tax lien statutes under which the Comptroller has long had the statutory discretion to release tax liens. The Court recognized that the 1988 recodification of Maryland’s tax laws retained the Comptroller’s discretion despite modifications of the statutory language.

The Court rejected the argument of the taxpayer that the phrase “unenforceable by reason of lapse of time” refers to a statute of limitations on tax liens. The Court also rejected the taxpayer’s argument that limitations on the duration of Federal tax liens should be made applicable to Maryland state tax liens.

In conclusion, the Court’s decision in *Shipe* affirms that tax liens do not expire and that the Comptroller has the authority to enforce tax liens regardless of the passage of time.

J. Carbond, Inc. t/a Bayside Vending, et al. v. Comptroller of the Treasury

Carbond, Inc. t/a Bayside Vending and two corporate officers, Carroll Bond III and August Papa (collectively “Carbond”) appealed Admissions and Amusements Tax Assessments to the Maryland Tax Court. The Comptroller issued an assessment for \$2,907,081.71 in Admissions and Amusements Tax, a 100% fraud penalty, and statutory interest that continues to accrue.¹ The Assessments were issued because

¹ August Papa was assessed as an Officer of Carbond, Inc. t/a Bayside Vending for the period of October 1, 2008

Carbond failed to remit Admissions and Amusements Tax on payouts derived from electronic gaming devices for the period of April 1, 2000 through March 31, 2010.

The Comptroller worked with officers from the Baltimore County and Baltimore City Police Departments to determine the amount of money placed in the machines and estimate an amount that was paid out as winnings. A fraud penalty was assessed because Carbond did not maintain records of the pay outs, significantly and consistently under-remitted taxes, had knowledge that taxes were owed, and failed to cooperate with auditors.

The trial took place over three days, but did not include testimony from the assessed officers, Carroll Bond III and August Papa, who invoked Fifth Amendment privileges against self-incrimination.² The Maryland Tax Court (Judge Stephen Silberg) affirmed the Admissions and Amusements Tax due, 75% of the fraud penalty (\$2,180,311.29), and statutory interest to date. Carbond filed an appeal in the Circuit Court for Baltimore City and argument took place in front of Judge Althea Handy in February 2015. In July 2015, Judge Handy ordered the case remanded back to the Maryland Tax Court for Judge Silberg to enter findings of fact in the record as to Carbond’s gaming machines being games of entertainment, as required by the Admissions and Amusements Tax statute. The Tax Court is currently awaiting the transfer of the record from the Circuit Court for Baltimore City.

K. Travelocity.Com LP v. Comptroller of the Treasury

Travelocity charged customers for the right to occupy a hotel room, which is tangible personal property under Maryland law, but did not charge and remit sales tax on the cost of the room. Travelocity was assessed sales tax for the full price of the room it charged customers.

through March 31, 2010. The Admissions and Amusements Tax liability attributed to Mr. Papa is \$436,062.24. In addition, the assessment includes a 100% fraud penalty and statutory interest.

² Carroll Bond III and August Papa also invoked the Fifth Amendment during their depositions, refusing to answer any substantive questions regarding Carbond.

Travelocity also charged customers for car rentals, but did not charge and remit sales tax on those transactions, so sales tax was assessed on those transactions as well. Travelocity has claimed a credit for the amount of sales tax it paid to hotels for the rooms it ultimately rented to its customers. The Comptroller has contended that Travelocity lacks sufficient evidence to qualify for this credit.

Travelocity contends that it did not “sell” rooms to customers because it did not own rooms it could sell. Instead, Travelocity characterizes its activities as “facilitating room rentals” for which no tax should be charged. Travelocity contends that it obtained a figure for “estimated tax” for the rooms it rented from various hotels, and it included a charge for that amount as part of the cost of the room it charged its customers. Travelocity would then use the “estimated tax” funds to pay the sales tax it was charged by the hotels for the “net” cost of the room. Under this scenario, Travelocity would only be responsible for the tax due on the difference between what it charged customers for a room and what the hotels charged Travelocity for the room. Because neither Travelocity nor the hotels kept track of the sales tax that was submitted by the hotels for rooms rented by Travelocity, however, it appears that Travelocity lacks the necessary evidence to qualify for a credit for the taxes charged and remitted by the hotels.

This past May, the Tax Court ordered the Comptroller to disclose the sales tax returns for the 715 hotels that Travelocity does business with in Maryland. The Comptroller questioned whether the Tax Court could issue a “proper judicial order” to authorize the disclosure of this confidential information, and filed an interlocutory appeal of that order to the Circuit Court for Baltimore County. The Tax Court agreed to stay Travelocity’s appeal pending the outcome of the interlocutory appeal. After conducting a hearing, the circuit court ruled that the Tax Court did have the authority to order the disclosure of the tax returns. The Comptroller noted an appeal to the Court of Special Appeals where the matter is now pending.

IV. Changes in Tax Forms

Tax forms will continue to be available through various sources this year. Fill-in forms will be available on the Comptroller’s Web site at www.marylandtaxes.com. Paper forms will be available upon request. A limited number of paper tax booklets have been made available to libraries which have requested them. We will continue to provide forms in Spanish that can be downloaded from our Web site. While we have done our best to provide for an accurate translation into Spanish, where questions arise as to the meaning of these instructions, the English version will be deemed to be the accurate version.

One major change which you will see on a paper version of a Maryland income tax form is that almost all of our forms have been converted to a new “grid format.”

A. Resident Returns

Form 502 – Maryland Resident Return

Line 1e of Form 502 – We have updated the amount referenced on this line. We now ask taxpayers to identify whether they have investment income of more than **\$3,400**.

Line 21 of Form 502 – We removed a redundant line for taxable net income which is no longer served a meaningful purpose with the new format of Form 502. This line now reflects the Maryland tax.

Line 24 of Form 502 – We now reference new Part J, line 10 of Form 502CR on this line.

Line 31 of Form 502 – This is a **new line** and is to be used for a local tax credit from Part K, line 1 of Form 502CR.

Line 38 of Form 502 – We have **new line** for the Contribution to the Fair Campaign Financing Fund.

Line 43 of Form 502 – We now reference new Part L, line 6 of Form 502CR on this line.

Instructions to 502

- **Instruction 1** – The minimum filing requirements have changed. The new

amount for a single person under 65 is **\$10,300**.

- **Instruction 1** – We have updated the 502 line reference instructions for resident taxpayers who are not required to file a Maryland return, but had Maryland taxes withheld.
- **Instruction 10** – We have given the Exemption Chart that is referenced in Instruction 10, a reference item number. It is now **Exemption Chart (10A)**. This should help users when formatting changes may push the chart to a different page.
- **Instruction 11** – We have updated the instructions for the checkbox (identified as **Line 1e**) for taxpayers to indicate whether investment income for the year exceeds **\$3,400**. This checkbox will help us validate earned income tax credit claims.
- **Instruction 12** – Letter code “d” has been updated to reflect that the income tax credit which must be added back by shareholders of an S-Corporation when a tax credit is being claimed in Part A of Form 502CR, includes an addback for any local tax credit in addition to the State tax credit.
- **Instruction 12** – Letter code “e” has been updated to include reference to the new Endow Maryland Tax Credit. When this credit is claimed, the add back is for the amount of the donation included in the application for this tax credit, rather than the tax credit amount.
- **Instruction 13** – The maximum allowable pension exclusion is \$29,200.
- **Instruction 13** – We have changed the instructions for letter code “u.” Taxpayers who have not yet attained the age of 65 are entitled to a subtraction of up to \$5,000 of military retirement income; however, taxpayers who are age 65 or over may subtract up to \$10,000 of military retirement income received.
- **Instruction 13** – We have created a new code “va” to be amount used for the Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification Program, to allow an amount of \$4,000. It has been expanded this year to include members of the Maryland Civil Air Patrol.
- **Instruction 13** – We have created a new code “vb” to be amount used for the Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification Program, to allow an amount of \$3,500 for qualifying police auxiliary or reserve officers.
- **Instruction 18** – We have updated the Poverty Income Guidelines, which begin at \$11,770.
- **Instruction 18** – We have updated Line 24 instructions (Letter codes “h” & “l”) to permit individuals the election to claim the Community Investment Tax Credit and Endow Maryland Tax Credit on Form 502CR, instead of Form 500CR, under certain circumstances.
- **Instruction 18** – Line 25 instructions for (Letter code “q”) Endow Maryland Credit reflect a new business income tax credit for 2015.
- **Instruction 18** – We have updated Line 25 instructions (Letter codes “d” & “q”) to permit individuals the election to claim the Community Investment Tax Credit and Endow Maryland Tax Credit on either Form 500CR or Form 502CR, but not both.
- **Instruction 19** – Only Carroll County has changed its 2015 local tax rate. It has decreased its rate to 3.03%.
- **Instruction 20** – We have updated our instructions to reflect the Fair Campaign Financing Fund as the fourth fund on Form 502.
- **Instruction 21 – line 42 instructions.** We have updated the amount of the refundable earned income credit (REIC) to 25.5% of the federal earned income tax credit. This increase in the rate has also been reflected in the REIC Worksheet (21A).
- **Instruction 22** – We inform taxpayers that they may now use a portion of the Maryland refund to purchase US series I Savings Bonds on Form 588.

- **Instruction 23** – In the instructions related to signatures, we inform taxpayers that if a power of attorney is necessary, complete the **Maryland Form 548** and attach to your return.
- **Instruction 24** – We have added some clarifying language informing taxpayers what to expect when they request to receive Form 1099G electronically. We also clarify that the Comptroller can only honor an electronic request for an electronic Form 1099-G.

Form 502AE – Arts and Entertainment District Subtraction Form

We have updated the text to category item 9 under “Artistic work,” on page 2 of Form 502AE, to read: “The creation of original jewelry, clothing, or design; or”.

Form 502B – Dependents’ Information

We have added room for dependent information for six dependents on page 1 of Form 502B. Previously, we only provided space for five dependents on page 1 of the Form 502B. On page 2, there is room for an additional 4 dependents.

Form 502CR – Income Tax Credits for Individuals

PART A – We have updated this part of the Form 502CR to allow a taxpayer to claim a credit for income taxes paid to another state or locality to be claimed against the Maryland state and local income tax.

The Form 502CR instructions have been expanded to reflect a credit against the Maryland and local income tax for taxes paid to another nonreciprocal state and/or locality.

PART E – The maximum amount of credit that can be claimed for long-term care premiums in Part E has been increased to \$380 for those insured who are age 40 or less. This change also has been made to the related instructions.

PART H – We have updated Part H to reflect the Community Investment Tax Credit (CITC) to provide to individual taxpayers an option to file Form 502CR or Business Tax Credit Form 500CR to claim the CITC. Individuals may not do both. Also, PTE members may not use Form

502CR to claim their distributive or pro rata share of the credit. PTE members continue to claim their credit in the Business Tax Summary Section of Form 500CR.

PART I – We have updated Part I to reflect the Endow Maryland Tax Credit to provide to individual taxpayers an option to file Form 502CR or Business Tax Credit Form 500CR to claim the CITC. Individuals may not do both. Also, PTE members may not use Form 502CR to claim their distributive or pro rata share of the credit. PTE members continue to claim their credit in the Business Tax Summary Section of Form 500CR. When Part I is completed, the taxpayer must add to income the amount of the donations which was included in the application for this tax credit. See Instruction 12 in the Resident Instructions.

PART J – Part J was added to Form 502CR as the summary section for the nonrefundable tax credits. It was previously Part H.

PART K – Part K is a new part and serves as the summary for the local tax credit from Part A. Part K and line 14 of Part A should be the same figure except when there is a claim for multiple credits.

PART L – Part L was added to Form 502CR as the listing for the refundable tax credits. It was previously Part I.

Form 502D – Declaration of Individual Estimated Tax

We have updated page 1 of Form 502D to allow for the calculation of a local tax credit on line 12.

Form 502D has been updated to reflect the new **2016** local rates for Anne Arundel County, which decreased its tax rate to 2.50% and Worcester County which increased its tax rate to 1.75%.

Also, since the Special Nonresident tax rate is tied to the lowest Maryland county rate, the Special Nonresident tax rate will increase to 1.75% for 2016.

Form 502INJ – Injured Spouse Form

Line 5 of Part B, Form 502INJ – We have removed the **earned income credit (EIC)** as an entry from Form 505.

Line 7 of Part B, Form 502INJ – We have removed the refundable **earned income credit** (REIC) as an entry from Form 505.

Form 502LC – Supplemental Form for State and Local Tax Credits

We have created a supplemental Form to be used with a claim for a tax credit for State and Local taxes for Tax Years prior to 2015 which are still in statute.

These forms must be mailed with the amended claim or back year return to the address provided on Form 502LC.

This form is not used for 2015 claims as tax credits for taxes paid to another state or locality are now run through the Form 502CR.

Form 502SU – Subtractions from Income

Letter code “u” has been updated to allow up to \$10,000 of military retirement income as a subtraction for taxpayers who have reached the age of 65. The subtraction remains at \$5,000 for taxpayers who have not reached the age of 65.

Letter code “va” has been created for the use of taxpayers claiming the Louis L Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification.

Letter code “vb” has been created for the use of taxpayers claiming the Louis L Goldstein Volunteer Police Personnel Subtraction Modification.

Form 502V—Subtraction for Certain Charitable Travel Expenses

We have changed the Form 502V to reflect the new charitable travel expenses modification. For the travel expenses incurred during 2015, the rate is 57.5 cents per mile.

Form 502X — Maryland Amended Return

Line 11a of Form 502X – We have provided for an entry for a personal tax credit against the local tax.

Line 13 of Form 502X – We have provided for an entry for the Fair Campaign Financing Fund on line 13D on Form 502X.

Form 502X Instructions – Maryland Amended Return

- **Instruction 7** – Reflects updated local tax rate amounts.
- **Instruction 8** – We have updated our instructions to reflect the Fair Campaign Financing Fund on line 13D on Form 502X.

Form 588 — Direct Deposit of Maryland Income Tax Refund to More Than One Account

We have updated the text of Form 588 to state that individual taxpayers now have the option to use all or part of their Maryland income tax refund to purchase U.S. Series I Savings Bonds.

B. Nonresident Returns

Form 505 – Nonresident Return

We have added county and local jurisdiction lines near the name and address area of the form. We instruct the taxpayer to enter the name of county and incorporated city, town or special taxing area in which the taxpayer was employed on the last day of the taxable period, **if the taxpayer earned wages in Maryland**. We refer the taxpayer to Instruction 6.

Line 33 of Form 505 – Poverty level credit has been moved up on the form as the **earned income credit** (EIC) has been removed from the nonresident return.

Line 34 of Form 505 – We now reference new Part J, line 10 of Form 502CR on this line.

Line 41 of Form 505 – We have **new line** for the Contribution to the Fair Campaign Financing Fund.

Line 45 of Form 505 – Nonresident PTE tax credit has been moved up a line on this form as the refundable earned income credit has been removed from the nonresident return.

Line 46 of Form 505 – We now reference new Part L, line 6 of Form 502CR on this line.

Instructions to Form 505

- **Instruction 4** – The minimum filing requirements have changed. The new

minimum amount for a single person under 65 is **\$10,300**.

- **Instruction 4** – We have updated the 505 line reference instructions for nonresident taxpayers who are not required to file a Maryland return, but had Maryland taxes withheld.
- **Instruction 6** – We provide instructions as to what information is entered into the lines requesting an entry for county and local jurisdiction on Form 505. We direct taxpayers to the Resident instructions for a listing of the counties and local jurisdictions.
- **Instruction 12** – Letter code “c” has been updated to include reference to the new Endow Maryland Tax Credit. When this credit is claimed, the add back is for the amount of the donation included in the application for this tax credit, rather than the tax credit amount
- **Instruction 12** – Letter code “e” has been updated to clarify the text and make it consistent with the text in the resident instructions. Income that has been made exempt from taxation by a federal law or treaty that has not been made exempt from state taxation is an addition.
- **Instruction 13** – We have changed the instructions for letter code “u.” Taxpayers who have not yet attained the age of 65 are entitled to a subtraction of up to \$5,000 of military retirement income; however, taxpayers who are age 65 or over may subtract up to \$10,000 of military retirement income received.
- **Instruction 13** – We have created a new code “va” to be amount used for the Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification Program, to allow an amount of \$4,000. It has been expanded this year to include members of the Maryland Civil Air Patrol.
- **Instruction 13** – We have created a new code “vb” to be amount used for the Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification

Program, to allow an amount of \$3,500 for qualifying police auxiliary or reserve officers.

- **Instruction 20** – We have removed the earned income credit instructions and stated that the earned income credit is no longer available to nonresidents.
- **Instruction 20** – We have updated the Poverty Income Guidelines, which begin at \$11,770. This is reflected in our Worksheet (20A).
- **Instruction 20** – We have updated Line 24 instructions (Letter codes “h” & “l”) to permit individuals the election to claim the Community Investment Tax Credit and Endow Maryland Tax Credit on Form 502CR, instead of Form 500CR, under certain circumstances.
- **Instruction 20** – Line 35 instructions has been updated to reflect the Endow Maryland Credit as a new business income tax credit for 2015.
- **Instruction 21** – We have updated our instructions to reflect the Fair Campaign Financing Fund as the fourth fund on Form 505.
- **Instruction 22** – We have removed language pertaining to the refundable earned income credit (REIC), as nonresidents may no longer claim the REIC.
- **Instruction 22** – Line 46 instructions reference the new Part L, line 6 of Form 502CR.
- **Instruction 23** – We inform taxpayers that they may now use a portion of the Maryland refund to purchase US series I Savings Bonds on Form 588.
- **Instruction 24** – In the instructions related to signatures, we inform taxpayers that if a power of attorney is necessary, complete the **Maryland Form 548** and attach to your return.
- **Instruction 25** – We have added some clarifying language informing taxpayers what to expect when they request to receive Form 1099G electronically. We also clarify that

the Comptroller can only honor an electronic request for an electronic Form 1099-G.

Form 505SU – Nonresident Subtractions from Income

Part I Subtractions

Letter code “u” has been updated to allow up to \$10,000 of military retirement income as a subtraction for taxpayers who have reached the age of 65. The subtraction remains at \$5,000 for taxpayers who have not reached the age of 65.

Part II Subtractions

Letter code “va” has been created for the use of taxpayers claiming the Louis L Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification.

Letter code “vb” has been created for the use of taxpayers claiming the Louis L Goldstein Volunteer Police Personnel Subtraction Modification.

Form 505X – Nonresident Amended Income Tax Return

Line 12a of Form 505X – We have removed the earned income tax credit from the form.

Line 13d of Form 505X – We have added **new line** for the Contribution to the Fair Campaign Financing Fund.

Instructions to Form 505X

- **Instruction 6** – We have removed the reference to the earned income tax credit.
- **Instruction 8** – We have updated our instructions to reflect the Fair Campaign Financing Fund on line 13D on Form 505X.
- **Instruction 9** – We have removed language pertaining to the refundable earned income credit (REIC), as nonresidents may no longer claim the REIC.

Form 515 – Nonresident Local Income Tax Return

Line 34 of Form 515 – Poverty level credit has been moved up on the form as the **earned**

income credit (EIC) has been removed from the nonresident return.

Line 35 of Form 515 – We now reference new Part J, line 10 of Form 502CR on this line.

Line 40 of Form 515 – The local poverty level credit has been moved up on the form as the local **earned income credit** (EIC) is no longer available to nonresidents.

Line 46 of Form 515 – We have **new line** for the Contribution to the Fair Campaign Financing Fund.

Line 50 of Form 515 – The income tax credit line for Pennsylvania residents has been moved up a line on this form as the refundable earned income credit has been removed from the nonresident return.

Line 51 of Form 515 – We now reference new Part L, line 6 of Form 502CR on this line.

Instructions to Form 515

- **Instruction 2** – The minimum filing requirements have changed. The new minimum amount for a single person under 65 is **\$10,300**.
- **Instruction 2** – We have updated the 505 line reference instructions for nonresident taxpayers who are not required to file a Maryland return, but had Maryland taxes withheld.
- **Instruction 11** – Letter code “c” has been updated to include reference to the new Endow Maryland Tax Credit. When this credit is claimed, the add back is for the amount of the donation included in the application for this tax credit, rather than the tax credit amount
- **Instruction 19** – We have removed all instructions related to the earned income tax credit as the earned income credit, local earned income credit and refundable earned income credit are not available to be claimed in tax year 2015.
- **Instruction 19** – We have updated the Poverty Income Guidelines, which begin at \$11,770. This is reflected in our Worksheet (19A).

- **Instruction 19** – We have updated Line 24 instructions (Letter codes “h” & “l”) to permit individuals the election to claim the Community Investment Tax Credit and Endow Maryland Tax Credit on Form 502CR, instead of Form 500CR, under certain circumstances.
- **Instruction 20** -- Only Carroll County has changed its 2015 local tax rate. It has decreased its rate to 3.03%.
- **Instruction 20** – We have removed the instructions for the local earned income credit.
- **Instruction 21** – Line 51 instructions reference the new Part L, line 6 of Form 502CR.
- **Instruction 21** – We have removed language pertaining to the refundable earned income credit (REIC), as nonresidents may no longer claim the REIC.
- **Instruction 23** – In the instructions related to signatures, we inform taxpayers that if a power of attorney is necessary, complete the **Maryland Form 548** and attach to your return.

C. Corporation Returns

Form 500 – Corporation Income Tax Return

Line 8 of Schedule B of Form 500 – We have removed the reference to Maryland Form 500MC.

Instructions to Form 500

- **Instruction 8** – Line 7f instructions have been updated for letter code “B.” We have included a reference to the addition for the new Endow Maryland Tax Credit. The add back is for the amount of the donation included in the application for this tax credit, rather than the tax credit amount.
- **Instruction 8** – On line 15c instructions, we have added the Endow Maryland Tax Credit to the list of nonrefundable credits.

Form 500CR – Maryland Business Income Tax Credits – (Available only to electronic filers)

Part C – Maryland Disability Employment Tax Credit for Employees -- We have updated lines 2 and 3 of Part C-I to update the amounts of the tax credit to 30% of the first \$9,000 of wages of each qualified employee for each of the first two years of employment of a qualified employee with a disability. We have also updated lines 6 and 7 of Part C- II to reflect a credit amount of up to \$900 for child care and travel per each qualified employee for each of the first two years of employment.

Part G – Qualified Vehicle Tax Credit – We have added language to require certification of this credit. Maryland registration of a Class F Tractor will serve as certification.

Part V – Endow Maryland Tax Credit -- We have added the lines necessary to calculate the amount of this new credit, which is 25% of approved donation to a qualified permanent endowment fund, not to exceed \$50,000.

Part W – Our instructions in the Note area of Part W informs taxpayers that there is an addition for the amount shown on line 1 of Part V – Endow Maryland Tax Credit.

Part X – We have removed the One Maryland Economic Development Tax Credit from the calculation of an Excess Carryover. Taxpayers use up the One Maryland Credit over a 14-year period within Part P.

Instructions to Form 500CR

Part C – Maryland Disability Employment Tax Credit for Employees -- Our instructions have been updated to advise businesses who plan to hire employees who happen to be disabled on how the credit may be claimed and calculated.

Part E – Community Investment Tax Credit -- We have updated our instructions to permit individuals, who are not PTE members, to elect to claim this tax credit on Form 500CR or 502CR. Individuals who wish to file Form 502CR may not have any other business income tax credits.

Part G – Qualified Vehicle Tax Credit – We have added language to require certification of this credit.

Part Q – Oyster Shell Recycling Tax Credit – The amount of tax credit allowable for each bushel of oyster shells has increased to \$5.00 per bushel, not to exceed \$750.00.

Part V – Endow Maryland Tax Credit -- We have updated our instructions to allow taxpayers to claim this new credit. We have updated our instructions to permit individuals, who are not PTE members, to elect to claim this tax credit on Form 500CR or 502CR. Individuals who wish to file Form 502CR may not have any other business income tax credits.

Carryover Chart -- On the last page of the instructions, where we reflect carryovers, we have added the Endow Maryland Tax Credit showing that it has a five-year carryover.

Form 500MC — Report of Multistate Manufacturing Corporation (With more than 25 employees)

We have discontinued the use of Form 500MC for tax years beginning after December 31, 2014.

Form 500X — Amended Corporation Income Tax Return

Part D – Explanation of Changes – We have added checkboxes for the six or seven most common reasons to amend a return. We hope this will help to speed up the processing of many returns.

D. Pass-Through Entities

Form 510 – Pass-through Entity Income Tax Return

Line 8 of Schedule B of Form 510 – We have removed the reference to Maryland Form 500MC.

Form 510D – Pass-through Entity Estimated Tax Return

Line 3 of Form 510D – We have updated the Special Nonresident tax rate to 1.75%.

Maryland Schedule K-1(510) – Pass-Through Entity Member’s Information

We have changed the naming convention of our Pass-through Entity Schedules K-1. The Maryland Pass-through Entity Form 510, Schedule K-1 has been renamed to Maryland Schedule K-1(510).

We have added the Endow Maryland Tax Credit to the list of nonrefundable tax credits.

We have also indicated on the new Schedule K-1(510) that the Qualified Vehicle Tax Credit must be submitted with certification.

E. Fiduciaries

Form 504 – Fiduciary Tax Return

We have renumbered the lines on Form 504 so that the first line on Page 1 is line 1 rather than line 14. This change was necessary once we had reformatted the Form 504 to the grid.

Line 3 of Form 504 – We have moved the income from Electing Small Business Trust (ESBT) to line 3 on page 1 of Form 504.

Line 4 of Form 504 – We have added a new line to Form 504 where the sum of the two items on the form which are not allocable to the beneficiaries (Exemption from federal return and ESBT income) is added to the federal taxable income.

Line 12 of Form 504 – Nonresident fiduciary taxpayers will calculate the Special Nonresident Tax and enter it on this line. Resident fiduciaries will enter -0-.

Line 14 of Form 504 – Credit for fiduciary income tax paid to another state or locality and the credit for preservation and conservation easements from Form 502CR are claimed on this line.

Line 15 of Form 504 – Nonrefundable Business Tax Credits from Form 504CR are claimed on this line.

Line 18 of Form 504 – The local tax is computed and entered on this line by resident fiduciaries. Nonresident fiduciaries will enter -0-.

Line 19 of Form 504 – The local tax credit is computed and entered on this line from Form 502CR.

Line 25 of Form 504 – The Fair Campaign Financing Fund is entered on this line.

Page 2 of the previous Form 504 has been moved to page 4 as the result of the reformatting and has been given the title, “Schedule A.” This is a required page to Form 504.

Two changes appear in Schedule A:

- We have simplified the three scenarios pertaining to beneficiary distributions at the top of the page, by removing the reference to ESBT income.
- We have moved the ESBT income to Page 1 so that the “other Additions” item now moves back to line 3 of Schedule A.

Instructions to 504

We have renumbered and renamed some of the instruction numbers to help with the flow of the renumbered Form 504.

Purpose of Form – We have updated our reference to the instruction numbers related to ESBT income.

- **Instruction 4** – We have included a reference to Health Savings Accounts (HSAs).
- **Instruction 6** – We have given the list of incorporated cities, towns and taxing areas that is referenced in Instruction 6, a reference item number. It is now **List of Incorporated Cities, Towns and Taxing Areas (6A)**. This should help users locate the list when formatting changes may push the list to a different page.
- **Instruction 7** – We have renamed Instruction 7, **Schedule A – Fiduciary’s Share of Maryland Modifications**. We have placed Schedule A instructions ahead of the other Form 504 instructions to encourage users to begin the preparation of Form 504 by completing Schedule A.
- **Instruction 7** – We have attempted to streamline the guidance for use of Schedule A by removing the ESBT reference and

identifying three scenarios: 1) fiduciary makes a full distribution of income; 2) fiduciary makes no distribution of income; and 3) fiduciary makes partial distribution of income.

- **Instruction 7** – All reference to ESBT income has been removed from Instruction 7 and moved to another section of the instructions.
- **Instruction 8** – We have updated line and text references to the **Nonresident Beneficiary Deduction** instructions.
- **Instruction 9** – We have updated the line references to Form 504 in our **Income** instructions, as we have renumbered the form to begin with line 1 on page 1 of Form 504.
- **Instruction 10** – We have included the instructions related to Exemptions, ESBT income and Deductions under one instruction.
- **Instruction 11** – We have moved the calculation of the taxable net income to Instruction 11, but there has been no change in the guidance provided.
- **Instruction 12** – We have updated the text for the State tax calculation and a resident fiduciary’s handling of Form 502CR and the calculation of the nonrefundable tax credits.
- **Instruction 12** – We have given the tax rate schedule that is referenced in Instruction 12, a reference item number. It is now **Fiduciary Tax Rate Schedule (12A)**. This should help users locate the tax rate schedule when formatting changes push it to a different page.
- **Instruction 13** – We have updated our text and line reference changes to Maryland Form 504NR, Fiduciary Nonresident Income Tax Calculation.
- **Instruction 14** – We found it necessary to separate the local tax calculation from the Special Nonresident Tax calculation, so we created a new instruction header for the Special Nonresident Tax.

- **Instruction 15** – We have given the local tax rate chart that is referenced in Instruction 15, a reference item number. It is now **Local Tax Rate Chart (15A)**. This should help users locate the chart when formatting changes may push it to a different page.
- **Instruction 15** – Only Carroll County has changed its 2015 local tax rate. It has decreased its rate to 3.03%.
- **Instruction 15** – Local Tax Worksheet has been relabeled Local Tax Worksheet (15B).
- **Instruction 16** – We have updated our instructions to reflect the Fair Campaign Financing Fund as the fourth fund on Form 504.
- **Instruction 17** – We have updated this instruction by removing the Form 502CR text as it is explained elsewhere and updating line reference numbers to reflect the proper handling of refundable tax credits.

Form 504CR – Fiduciary Business Income Tax Credits

The changes that we have made on the Form 504CR and its instructions correspond to the changes which we have made to Form 500CR.

We have modified Part Z to allow it to flow more logically to the redesigned Form 504.

Form 504D – Declaration of Fiduciary Estimated Tax

Form 504D has been updated to reflect the new **2016** local rates for Anne Arundel County, which decreased its tax rate to 2.50% and Worcester County which increased its tax rate to 1.75%.

Also, since the Special Nonresident tax rate is tied to the lowest Maryland county rate, the Special Nonresident tax rate will increase to 1.75% for 2016.

Maryland Schedule K-1(504) – Fiduciary Beneficiary’s Information

We have changed the naming convention of our Fiduciary Schedules K-1. The Maryland Form 504, Schedule K-1 as been renamed: Maryland Schedule K-1(504).

Form 504NR – Fiduciary Nonresident Income Tax Calculation

We have added three lines to Form 504NR to allocate the ESBT income of a nonresident fiduciary, when the nonresident fiduciary has non-Maryland ESBT income.

Line 16d of Form 504NR – Fiduciaries will enter their entire ESBT income as reported on line 3 of Form 504.

Line 16e of Form 504NR – Fiduciaries will enter their non-Maryland ESBT income and attach a schedule showing how it was calculated.

Line 16f of Form 504NR – The fiduciary subtracts line 16e from 16d to reflect the net ESBT income. If the subtraction yields a negative number, the fiduciary will enter -0-.

F. Powers of Attorney

Form 548 – NEW FORM – Maryland Power of Attorney

We have developed our own Power of Attorney Form to be used in place of the federal power of attorney form, 2848.

Form 548P – NEW FORM – Limited Maryland Power of Attorney and Tax Information Authorization

We have developed our own **Limited Power of Attorney Form** to be used to authorize a reporting agent as a designee of the taxpayer to receive copies of notices, correspondence, transcripts, deposit, frequency data or other information with respect to withholding and/or sales and use tax returns filed and deposits made by the designee.

G. Withholding

Maryland Employer Withholding Tax Guide

The new Maryland Employer Withholding Tax Guide has been updated to reflect the new 1.75% tax rate for Worcester County and for nonresidents beginning January 1, 2016.

Nonresident Real Estate Transaction Withholding

We have updated the individual tax rate shown on the 2016 Forms MW506AE, MW506NRS, and MW506R to 7.5%.

Form MW508CR –Business Income Tax Credits

The changes that we have made on the Form MW508CR correspond to the changes which we have made to the Maryland Disability Employment Tax Credit on Form 500CR.

The minimum filing requirement for a decedent’s gross estate is \$1,500,000 if the date of death is in 2015; the Maryland gross estate exemption increases to \$2,000,000 if the date of death is in 2016.

We have removed Table A – Unified Rate Schedule from our 2015 Form MET-1 and refer preparer’s to the unified rate schedule on the federal estate tax Form 706.

Form MET-1 DAG Maryland Estate Tax Application for Payment Deferral on Qualified Agricultural Property

We have discontinued this form as the payment deferral program ended on June 30, 2014.

H. Estate Tax

Form MET-1 Maryland Estate Tax Return

V. RAD Statistics

2014 Personal Tax Return Processing as of June 30, 2015

A. Total 2014 personal tax returns (received through 6/30/15)	2,817,772
B. Total number of refund returns (does not include Amended).....	2,082,132
C. Total refunds issued on above returns.....	\$1,917,525,592
D. Amount paid with returns	\$674,309,665
E. Amount of refunds applied to 2015 estimated tax (44,134).....	\$87,185,301
F. Amount of refunds transferred to DHR..... (11,132 returns)	\$6,793,569
G. Amount of refunds transferred to CCU..... (111,746 returns)	\$49,069,436
H. Amount of refunds applied to business taxes	\$603,365
(899 returns)	
I. Amount of refunds transferred to other states.....	\$1,907,303
• Connecticut (76 returns)	\$39,953
• Delaware (876 returns)	\$285,599
• New Jersey (299 returns)	\$93,636
• New York (595 returns)	\$289,059
• Washington, DC (1,792 returns)	1,199,056

Fiscal Year ended June 30, 2015

J. Employer withholding receipts	\$12,129,104,734
K. Personal estimated tax	\$1,994,866,530
L. Amount of local tax distributed to counties and cities and towns	\$4,901,588,395

M. Amount of corporate tax distributed	\$226,266,331
N. Amount of earned income credit claimed.....	\$92,568,696
O. Amount of refundable earned income credit claimed	\$171,942,713
P. Amount of poverty level credit claimed	\$6,337,040
Q. Contributions to Chesapeake Bay Endangered Species Fund	\$992,033
R. Contributions to Developmental Disabilities Service and Support Fund	\$450,546
S. Contributions to Maryland Cancer Fund	\$231,681

VI. Compliance Statistics – Fiscal year ended 6/30/2015

A. Number of active delinquent individual income tax cases as of 6/30	313,167
B. Number of active delinquent business tax cases as of 6/30	48,514
C. Number of payment agreements entered	82,765
D. Number of cases certified to IRS for offset	130,057
E. Number of tax liens filed	77,406
F. Number of salary garnishments filed.....	2,999
G. Number of bank attachments filed	7,320
H. Dollars collected on delinquent income tax cases as of 6/30	\$337,662,727
I. Dollars collected on delinquent business tax cases	\$265,734,541
J. Dollars collected from MITS activities	\$55,120,156
K. Estimated number of business tax accounts as of 6/30	467,000
L. Number of 1st notices sent for individual income tax cases as of 6/30	190,472
M. Number of business tax discovery notices sent	36,768
N. Number of business tax audits and investigations	1,102
O. Dollars assessed for business tax audits (millions).....	\$86.0
P. Percent of auditors (employed at least 18 months) cross-trained	65%
Q. Dollars assessed on business tax discovery activities	\$1,415,309
R. Dollars assessed for individual income tax (millions)	\$401.6
S. Percent of business tax accounts audited or investigated	0.24%
T. Number of unclaimed property holder reports received	11,996
U. Number of notices sent to owners.....	114,755
V. Number of unclaimed property claims paid.....	56,268
W. Dollars of unclaimed property reported (millions).....	\$175.8
X. Dollars of unclaimed property paid to owners (millions).....	\$65.5
Y. Percent of names added to system within 90 days	100%

IX. 2014 Tax Year Procedures

A. Electronic Filing Program (eFile)

1. Electronic Filing Statistics

This past filing season, we received 2,377,732 electronically-filed returns. This represents a 1.6% increase over the prior year.

- Of the 2,377,732 returns filed, 1,722,589 returns requested refunds. (72.4%)
- 1,474,584 of the electronic returns requested a direct refund deposit (85.6%)
- 141,997 of the 411,688 total balance due returns requested payment by direct debit (34.5%)
- The 2,377,732 electronic returns were filed in the following ways:
 - 1,390,178 were filed by professional preparers
 - 866,570 were filed by the taxpayer using purchased or online software
 - 120,984 were filed using Maryland's free i-File application

Taxpayers may file electronically or print tax forms or instructions at www.marylandtaxes.com or contact the nearest branch office for assistance.

2. Electronic Filing Mandate for Business Tax Credits

For returns filed for Tax Years beginning after December 31, 2012, taxpayers must file their tax returns electronically to claim certain business tax credits. If you wish to claim credits filed on Form 500CR, you **must** file using software which supports the electronic filing of the Form 500CR. We track this information at www.marylandtaxes.com under Tax Professionals > Vendors and Developers > Approved Vendors > Approved eFile Software Vendors (select individual or business).

3. Electronic filers must submit documentation electronically to claim out-of-state or Schedule K-1 credits

Returns claiming out of state credits on Form 502CR must submit the other state(s) returns with the electronic return or the credit will be disallowed. Returns claiming credits from Schedule K-1s must include the Schedule K-1 with the electronic return. In both cases, a binary attachment (PDF) will suffice. You **must** make sure that the software you use supports the electronic filing of the Form

500CR. We track this information at www.marylandtaxes.com under Tax Professionals > Vendors and Developers > Approved Vendors > Approved eFile Software Vendors (select individual or business).

B. Updates and Reminders for Next Filing Season

1. Resident Tax Booklets

For tax year 2015, Resident tax booklets again will be available at local libraries.

The paper version of Form 500CR has been discontinued. More information is available in our Form 500CR instructions which may be downloaded at www.marylandtaxes.com.

We have moved two business tax credits from Form 500CR to Form 502CR. Certain eligible individual taxpayers may opt out of the filing of Form 500CR and use the Form 502CR, thus avoiding the electronic filing requirement.

Form 502CR has been removed from the Resident tax booklet.

Eligible non-profit tax-exempt employers may continue to claim certain business income tax credits against their withholding taxes (if they have no unrelated business income) using Form MW508CR.

Fiduciary taxpayers who qualify for a business income tax credit may claim a credit using Form 504CR.

2. Income tax returns are due April 18, 2016. –

If the return is for a fiscal year taxpayer, it is due on the 15th day of the fourth month following the close of the fiscal year. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

If you both file and pay electronically (credit card, direct debit/electronic funds withdrawal), your return is due by April 18th. However, you will have until April 30, 2016 to make your payment. (If you file electronically and pay by check, your payment is due by April 18th.)

3. Electronic Filing Mandate – Preparers who completed 100 or more original Maryland income

tax returns for tax year 2014 are required to file all original individual income tax returns electronically for tax year 2015. The exception to this is if the taxpayer specifically requests the preparer to file by paper or when a preparer has asked for and received a written waiver from the Comptroller. For those filing paper returns in excess of these thresholds, the Comptroller may impose a \$50 per return penalty not to exceed \$500 per preparer. A taxpayer may opt out of the eFile requirement by checking the box on the return. These returns will not be counted as returns prepared for penalty purposes.

4. Social Security Number Validation - All taxpayers' primary and secondary Social Security Numbers will be validated through the Internal Revenue Service before the processing of the return is completed. Filings with an invalid Social Security Number(s) may result in processing delays and denial of any credits.

If you have a dependent that was placed with you for legal adoption and you do not know his/her Social Security Number, you must apply for an Adoption Taxpayer Identification Number (ATIN) from the Internal Revenue Service (IRS).

5. Earned Income Credit - The Comptroller will publish the maximum income eligibility for State earned income credit (EIC) on or before January 1 of each calendar year.

Beginning with Tax Year 2015, nonresidents are no longer eligible for the earned income credit, the local earned income credit or the refundable earned income credit.

A mailing to employers in October of this year included a Withholding Tax Alert along with the Withholding Tax Facts.

The rate to be used for the refundable earned income credit increases to 25.5% of the federal earned income credit for Tax Year 2015.

6. Electronic Returns, with Balance Due - As we have done previously, Revised Income Tax Notices for balance due returns that did not request direct debit will not be mailed until after the payment due date and all payments received have been posted.

7. Quick Response Codes - On select forms we are continuing the use of Quick Response (QR) codes which smartphone and tablet users can scan to go straight to our web pages to iFile, to see estimated payments history, to check a refund status, to review Form 1099-G, etc.

8. Tax Returns Submitted Without Form W-2s or Form 1099s - Tax returns received with a withholding amount and without a wage statement, Form W-2 or Form 1099, will be returned to the taxpayer.

9. Direct Debit for Payment Plans - Maryland has online direct debit payment plans for personal income tax liabilities. Taxpayers may use this online service by completing a registration application online and setting up a payment plan within the guidelines of the program.

10. Direct Debit for Online Bill Payments - Taxpayers are able to set up bill payments for individual and business liabilities. We also plan to include business extensions and estimated payments.

11. Certification Requirement for Electronically Filed Returns - Returns requiring certification will have those credits disallowed unless we receive a copy of the certification with the return. The eFile Handbook lists the credits requiring certification on pages 16 through 19.

C. Free Internet Filing for Individuals (iFile)

1. Taxpayers may file their Resident returns for the current year (tax year 2015 and two prior years (tax years 2013 and 2014) on our Web site.

2. Residents also may file amended returns, provided the taxpayer has iFiled the original return. You may access our web site at www.marylandtaxes.com

3. The following services are available through iFile: personal extension requests, estimated payments, pay a bill, set-up a payment plan and sign up to electronically receive your Form 1099-G.

D. Free Internet Filing for Businesses (bFile)

1. bFile allows businesses to file their employer withholding, Sales and Use Tax (SUT), and Admissions and Amusement Tax returns on our Web site and pay by direct debit or credit card. Employers also may upload wage data files or key up to 250 Form W-2s and their Form MW508s, directly to our Web site at www.marylandtaxes.com

2. bFile Advantages

- bFile allows registered users to view the history of past filings 24/7.
- bFile allows the user to schedule a payment in advance up to the due date.
- bFile provides a written confirmation the user can print.
- bFile registration allows the user to save their FEIN, CRN and bank information, so it will pre-fill for future filings thus eliminating keying errors.
- bFile allows the user to edit previously submitted filings up to 2 days before the debit date.
- bFile allows nones (zero filings) to be filed.
- bFile allows a return to be filed without a payment for balance-due Withholding and SUT returns. This new capability was implemented for fiscal year 2014 SUT returns and for calendar year 2013 Withholding returns.
- bFile allows the registered user to file their annual withholding reconciliation and report their W-2s.
- bFile allows the user to file current year filings as well as two previous years.
- bFile calculates the discount on timely filed SUT filings when applicable.
- Multiple accounts may be accessed by a single registration.

E. Electronic Funds Withdrawal (Direct Debit) is Available for the Following:

1. Electronically filed returns can have a withdrawal date up to April 30th.
2. Personal extension payments via iFile.
3. Personal estimated payments via iFile.
4. Employer withholding returns.
5. Personal and business bill payments via Bill Pay.

F. Alternative Payment Methods

For alternative methods of payment, such as a credit card, visit the Comptroller's Web site at www.marylandtaxes.com.

NOTE: Credit card payments are considered electronic payments for the purpose of the April 30th extended due date if you filed your return electronically by April 18th.

G. Mailing of Forms

1. Tax booklets will be mailed to taxpayers upon request only.
2. Spanish forms and instructions are available only on our Web site.
3. Employer withholding coupon books will be mailed by the end of December except for accelerated filers whose booklets will be mailed mid-November.
4. Personal estimated tax vouchers will be mailed mid-January.

H. Most Common Errors

1. Incorrect banking account and routing numbers for direct deposit of refunds.
2. Calculation of local income tax / no local tax calculated.
3. State and local earned income credit.

4. Forms 505NR and 504NR not included with the return.
5. Poverty level credit.
6. Forms 502CR, 500CR and MW508CR are incomplete without required documentation.
7. Special nonresident tax not computed.
8. Personal tax returns claiming Maryland withholding submitted without wage statements (W-2s or 1099s).
9. Standard and Itemized Deduction box not checked.
10. Total Exemption box not completed.
11. Nonresident tax paid by a pass-through entity on wrong line or documentation (Maryland Schedule K-1) not attached.
12. Business income tax credits and required certification(s) not electronically filed.
13. IRC Section 1341 (Claim of Right) Credit and Neighborhood Stabilization Tax Credit being claimed erroneously on Form 502CR.
14. Most nonresident fiduciary returns lack the proper or complete reconciliation of Maryland income to the federal income.
15. Earned income credit being entered in line requesting the amount of earned income. This results in a reduced EIC or poverty level credit.

I. Taxpayer Service

WALK-IN SERVICE

Free, in person tax assistance is provided at our taxpayer service offices. Please bring a completed copy of your federal return and all W-2 statements. Offices are open Monday - Friday, 8:30 a.m. - 4:30 p.m. except for State holidays. For accommodations for a disability, please call 410-260-7980 from Central Maryland or 800-638-2937 from elsewhere before your visit.

TELEPHONE SERVICE

The Comptroller of Maryland offers extended hours for free telephone assistance from February 1 - April 18, 2016. During this period, telephone assistance is available from 8:30 a.m. until 7:00 p.m., Monday through Friday except for State holidays.

EMAIL SERVICE

Email to: taxhelp@comp.state.md.us. Please include your name, address and the last four digits of your Social Security Number in your email message. This will help us generate a quick response to your inquiry.

REFUND INFORMATION

Central Maryland 410-260-7701
Elsewhere 1-800-218-8160

Special Assistance

Hearing impaired individuals may call:

Maryland Relay Service (MRS)711

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J. Important Information

Web site address: www.marylandtaxes.com

Tax Practitioner hotline: 410-260-7424

Tax Practitioner e-mail address:
taxprohelp@comp.state.md.us

eFile Tax Pro hotline: 410-260-7753

eFile Tax Pro e-mail address:
efile@comp.state.md.us

Tax Forms e-mail address:
taxforms@comp.state.md.us

Guide to Business Tax Credits is available on our Web site. You may go directly to that page by entering the following Web address: http://taxes.marylandtaxes.com/Business_Taxes/General_Information/Business_Tax_Credits/
Larger format tax forms. . 410-260-7951

2015 Maryland Income Tax Forms

Availability

We strongly encourage you to electronically file your income tax returns. Individual Maryland income tax forms are available upon request at any of our taxpayer service locations throughout Maryland. In addition, many public libraries have small quantities of the resident tax booklet as a courtesy to patrons at no charge. To download forms from the Internet and for other electronic services, visit us at www.marylandtaxes.com

Reproducible forms

You may photocopy these forms in black and white when you need only a few copies. However, you may not use these **facsimiles as camera-ready copy for printing, nor may you change their graphic design. The Maryland Revenue Administration Division has a procedure concerning photocopying income tax forms. See Administrative Release No. 26.**

FORM NUMBER	DESCRIPTION
500	Corporation Income Tax Return
500D	Maryland Corporation Declaration of Estimated Income Tax
500DM	Decoupling Modification
500E	Application for Extension of Time to File Corporation Income Tax Return
500UP	Underpayment of Maryland Income Tax by Corporations and Pass-Through Entities
500X	Amended Corporation Income Tax Return
EL 101B	Maryland Income Tax Declaration for Business Electronic Filing
EL 102B	Maryland Income Tax Payment Voucher for Business Electronic Filers
502	Maryland Tax Return (Resident Individual) Long Form
502AC	Subtraction for Contribution of Artwork
502AE	Subtraction for Income Derived Within an Arts and Entertainment District
502B	Maryland Dependents' Information
502CR	Income Tax Credits for Individuals and Instructions
502D	Maryland Personal Declaration of Estimated Income Tax
502E	Automatic Extension Payment for Maryland Personal Income Tax
502INJ	Injured Spouse Claim Form
502S	Sustainable Communities Tax Credit
502SU	Maryland Resident Subtractions
502TP	Computation of Tax Preference Income
502UP	Underpayment of Estimated Maryland Income Tax by Individuals
502V	Use of Vehicle for Charitable Purposes
502X	Amended Maryland Tax Return
EL 101	Maryland Income Tax Declaration for Electronic Filing
EL 102	Maryland Income Tax Payment Voucher for Electronic Filers
504	Fiduciary Income Tax Return
504CR	Business Income Tax Credits for Fiduciaries
504K-1	Maryland Schedule K-1 (Form 504) – Beneficiary Information

2015 Maryland Income Tax Forms

(List Continued from Previous Page)

504NR	Maryland Nonresident Fiduciary Income Tax Calculation
504D	Maryland Fiduciary Declaration of Estimated Income Tax
504E	Application for Extension of Time to File Fiduciary Income Tax Return
504UP	Underpayment of Estimated Income Tax by Fiduciaries
505	Maryland Tax Return (Nonresident Individual)
505 NR	Maryland Nonresident Income Tax Calculation
505SU	Maryland Nonresident Subtractions
505X	Nonresident Amended Maryland Tax Return
510	Pass-Through Entity Income Tax Return and Schedule B: Pass-Through Entity Members' Information
510C	Maryland Composite Pass-Through Entity Income Tax Return
510D	Declaration of Estimated Pass-Through Entity Nonresident Tax
510E	Application for Extension of Time to File Pass-Through Entity Income Tax Return
510 K-1	Maryland Schedule K-1 (Form 510) – Member Information
515	Maryland Tax Return (Nonresident Local Tax)
548	Maryland Power of Attorney
548P	Maryland Limited Power of Attorney and Tax Authorization.
588	Direct Deposit of Maryland Income Tax Refund to More Than One Account.
MW507	Employee's Maryland Withholding Exemption Certificate
MW507M	Military Spouse Withholding Exemption Certificate
MW507P	Request for Maryland Withholding for Annuity, Sick Pay and Retirement Distributions
MW508	Annual Employer Withholding Reconciliation Return
MW508CR	Business Income Tax Credits for 501(c)(3) Organization Use Only
COM/ST-118A/B	Consumer Use Tax Return for Out-of-State Purchases
CRA	Combined Registration Application