



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

2012  
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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**Administration**

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**Data Warehouse**

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**Electronic Processing**

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**Estate Tax**

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**Legal**

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**Processing Control**

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**Returns Processing**

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**Revenue Accounting**

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**Taxpayer Accounting**

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**Taxpayer Media & Education**

<b>Chris Kolb</b> , Manager	ckolb@comp.state.md.us	410-260-7755
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**Taxpayer Service**

<b>Gary E. White</b> , Manager	gwhite@comp.state.md.us	410-260-7021
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<b>For Information About</b>	<b>Contact</b>	<b>Local No.</b>	<b>Toll-Free No.</b>
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
Lien Releases	Collections	410-974-2432	

# TAX INFORMATION AND ASSISTANCE

Visit our web site at [www.marylandtaxes.com](http://www.marylandtaxes.com)

or call **410-260-7980** from Central Maryland or **800-638-2937** from Elsewhere

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## PERSONAL SERVICE

Free, in person tax assistance is provided at the taxpayer service offices listed to the right. Please bring a completed copy of your federal return and all W-2 statements. Offices are open Monday – Friday, 8:00 a.m. – 5:00 p.m. For accommodations for a disability, please contact the most convenient office before your visit.

## SPECIAL ASSISTANCE

Hearing impaired individuals may call:  
Maryland Relay Service (MRS).....711  
Larger format tax forms. .... 410-260-7951

## EXTRA HOURS OF ASSISTANCE

Our offices offer the following extended hours:  
Monday, February 18, 2013 ..... 8:00 a.m. 5:00 p.m.  
Saturday, April 13, 2013 ..... 9:00 a.m. 1:00 p.m.  
Monday, April 15, 2013 ..... 8:00 a.m. 7:00 p.m.

## GENERAL INFORMATION

The Comptroller of Maryland offers extended hours for free telephone assistance from February 1 - April 15, 2013. During this period, telephone assistance is available from 8:00 a.m. until 7:00 p.m., Monday through Friday. ....  
..... 1-800-MDTAXES  
..... [www.marylandtaxes.com](http://www.marylandtaxes.com)

## REFUND INFORMATION

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

Using A Private Delivery Service, instead of US Mail:  
If you are not using the US Postal Service, but are using a private delivery service (such as: FedEx or UPS) use the following address:

Comptroller of Maryland  
Revenue Administration Division  
80 Calvert Street  
Annapolis, MD 21401

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## BRANCH OFFICES

### Annapolis

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

### Baltimore

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

### Cumberland

112 Baltimore St., 2nd Fl, Cumberland, MD 215022302  
Allegany & Garrett County Residents

### Elkton

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

### Frederick

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

### Hagerstown

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

### Landover

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

### Salisbury

State Multiservice Center, 201 Baptist St., Ste. 2248  
Salisbury, MD 21801-4961

### Towson

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

### Upper Marlboro

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

### Waldorf

1036 St. Nicholas Dr., Suite 202  
Waldorf, MD 20603

### Wheaton

Due to the office relocating, the address was not available at the time of printing. Please check our website, [www.marylandtaxes.com](http://www.marylandtaxes.com) for the current address.

## Comptroller of Maryland Compliance Division

### ADMINISTRATION

Toll-Free Number: 888-674-0020

<b>Sharonne R. Bonardi</b> , Director	<a href="mailto:sbonardi@comp.state.md.us">sbonardi@comp.state.md.us</a>	410-767-1556
<b>Daniel C. Riley, Jr.</b> , Deputy Director	<a href="mailto:driley@comp.state.md.us">driley@comp.state.md.us</a>	410-767-1555
<b>Debora A. Gorman</b> , Assistant Director	<a href="mailto:dgorman@comp.state.md.us">dgorman@comp.state.md.us</a>	410-767-1557
<b>Lynn E. Hall</b> , Assistant Director	<a href="mailto:lhall@comp.state.md.us">lhall@comp.state.md.us</a>	410-767-1555
<b>Robert R. Scheerer</b> , Assistant Director	<a href="mailto:rscheerer@comp.state.md.us">rscheerer@comp.state.md.us</a>	410-767-1557
<b>Benjamin Miller, Jr.</b> , Assistant to Director	<a href="mailto:bmiller@comp.state.md.us">bmiller@comp.state.md.us</a>	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

<b>Sylvia J. Brokos</b> , Manager, Business Tax Collections	<a href="mailto:sbrokos@comp.state.md.us">sbrokos@comp.state.md.us</a>	410-767-1562
<b>James Cross</b> , Asst. Mgr., Business Tax Collections	<a href="mailto:jcross@comp.state.md.us">jcross@comp.state.md.us</a>	410-767-1312
<b>Edward F. Wykowski III</b> , Asst. Mgr., Business Tax Collections	<a href="mailto:ewykowski@comp.state.md.us">ewykowski@comp.state.md.us</a>	410-767-1603
<b>Charlene Eyster</b> , Manager, Individual Income Tax Collections	<a href="mailto:ceyster@comp.state.md.us">ceyster@comp.state.md.us</a>	410-260-7057
<b>Sherray Miller</b> , Asst. Mgr., Individual Income Tax Collections	<a href="mailto:smiller@comp.state.md.us">smiller@comp.state.md.us</a>	410-260-7757

### COMPLIANCE PROGRAMS

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

<b>Kimberly G. Cordish</b> , Manager	<a href="mailto:kcordish@comp.state.md.us">kcordish@comp.state.md.us</a>	410-767-1322
<b>Barbara Esker</b> , Assistant Manager, Business Nexus	<a href="mailto:besker@comp.state.md.us">besker@comp.state.md.us</a>	410-767-1578
<b>Tamara Talley</b> , Assistant Manager, Individual Nexus	<a href="mailto:ttalley@comp.state.md.us">ttalley@comp.state.md.us</a>	410-767-1484

### FIELD AUDIT

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

<b>Thomas W. Tartal</b> , Chief Auditor	<a href="mailto:ttartal@comp.state.md.us">ttartal@comp.state.md.us</a>	410-767-1504
<b>David Fallen</b> , Assistant Chief Auditor	<a href="mailto:dfallen@comp.state.md.us">dfallen@comp.state.md.us</a>	410-767-1983
<b>Betty Scott</b> , Assistant Chief Auditor	<a href="mailto:bscott@comp.state.md.us">bscott@comp.state.md.us</a>	410-767-1526

### HEARINGS & APPEALS

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

<b>Charles Zephir</b> , Acting Manager	<a href="mailto:czephir@comp.state.md.us">czephir@comp.state.md.us</a>	410-767-4362
<b>Andrew J. Maschas</b> , Assistant Manager	<a href="mailto:amaschas@comp.state.md.us">amaschas@comp.state.md.us</a>	410-767-1568
<b>Sasha Vazquez-Gonzalez</b> , Assistant Manager	<a href="mailto:svazquez@comp.state.md.us">svazquez@comp.state.md.us</a>	410-767-1506

### UNCLAIMED PROPERTY

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

<b>Tamarra Eaton</b> , Manager	<a href="mailto:teaton@comp.state.md.us">teaton@comp.state.md.us</a>	410-767-1705
<b>Vacant</b> , Assistant Manager	.....	.....

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	Alicia Henderson	.....	855-213-6669
Mobile Homes	Isadora Ellis	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 &amp; Amusement Taxes</i>	Theresa Trentler	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	Pat Woodfolk	410-767-1648	888-614-6337
Voluntary Disclosures	Benjamin Miller, Jr.	410-767-1570	888-674-0020

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## 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
Rhea R. Reed, Director .....	(410) 260-7445
Wallace A. Eddleman, Legislation .....	(410) 260-6621
Rhea Reed, Statistics, Procedures .....	(410) 260-7445
Christopher Kolb, Forms .....	(410) 260-7755

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## II. Legislation

### Tax Legislation Enacted in 2008

#### INCOME TAX

**A. Senate Bill 314 (Chapter 391, Acts of 2008) – State Employment Opportunity Credit – Sunset Extension** This Act extends by one year the termination provisions and dates of applicability of the State Employment Opportunity Credit allowed under §10-704.3 of the Tax-General Article, to employers for certain wages and child care or transportation expenses of qualified employment opportunity employees. The termination provisions are extended to June 30, 2009. The dates of applicability are extended to all taxable years beginning after December 31, 1994 but before January 1, 2012.

Effective Date: This Act will take effect July 1, 2008.

**B. Senate Bill 565 (Chapter 140, Acts of 2008) – Income Tax Credit – Bio-Heating Oil** This Act adds new §10-727 to the Tax-General Article to establish a credit against the State income tax for an individual or corporation in the amount of three (3) cents for each gallon of bio-heating oil purchased for space or water heating. For purposes of this credit, bio-heating oil means heating oil with a blend of at least 5% biodiesel oil. The credit cannot exceed the lesser of \$500 or the State income tax for the taxable year. An individual may not carry forward any excess credit.

The taxpayer must apply to the Maryland Energy Administration (MEA) for an initial credit certificate. The initial credit certificate shall be

issued for the number of gallons purchased by the taxpayer and must contain the maximum amount of credit that the taxpayer may claim. By January 1, 2009 and each year thereafter, MEA is required to provide the Comptroller with a list of each taxpayer that has been issued an initial credit certificate and the maximum amount of credit allowed for each taxpayer.

Effective Date: This Act shall take effect July 1, 2008, and will be applicable to all taxable years beginning after December 31, 2007, but before January 1, 2013. This act will remain effective for a period of 5 years and at the end of June 30, 2013, without action required by the General Assembly, this act shall be abrogated.

### Tax Legislation Enacted in 2009

#### ADMISSIONS AND AMUSEMENT TAX

**A. House Bill 193 (Chapter 661, Acts of 2009) – Gaming – Bingo** This Act adds new §4-801 to a new subtitle in the Economic Development Article. This new subtitle, "Subtitle 8. Special Fund for Preservation of the Cultural Arts in Maryland" provides a new fund for the purpose of providing emergency grants to cultural arts organizations, including museums, or similar entities in the State. The Act provides that the Comptroller must account for the fund.

The Act also amends Tax-General Article §2-202 to provide for a new revenue distribution. The Act adds §2-202(1)(i) and (ii) to provide that after making the required distribution in §2-201 of the Tax-General Article, the Comptroller shall distribute specified amounts from the revenue from admissions and amusement tax on electronic bingo and electronic tip jars under §4-102(d). First, the Comptroller must distribute the revenue attributable to a tax rate of 20% to the General Fund and then the revenue attributable to a tax rate in excess of 20% to the Special Fund for Preservation of the Cultural Arts in Maryland. The remaining distribution schedule in §2-202(2) remains unchanged.

The Act also amends §4-105(a-1) of the Tax-General Article to provide that except as provided in new §4-105(a-1)(2), the rate of admissions and amusement tax imposed on electronic bingo or electronic tip jars under §4-102(d) is increased to 30% of the net proceeds subject to tax.

The Act adds new §4-105(a-1)(2) to the Tax-General Article, which provides that if net proceeds subject to the state admissions and amusement tax are also subject to a county or municipal corporation admissions and amusement tax, the total tax cannot exceed a rate of 35% when added together. The new §4-105(a-1)(2) also provides that the county or municipal corporation admissions and amusement tax that is applicable to net proceeds may not exceed the rate of the admission and amusement tax imposed by the county or municipal corporation as of January 1, 2009.

This Act also extends the termination date for the authority for the operating of certain instant bingo games using electronic machines from July 1, 2009 to July 1, 2012 provided that the machines have been in operation for a one-year period ending December 31, 2007 or that the machines were in operation under a commercial bingo license as of December 31, 2007. The Act also mandates that on or before July 1, 2012, a county or municipal corporation may not impose a fee or tax on electronic bingo in addition to any tax or fee imposed by the county as of January 1, 2009.

Effective Date: This Act will take effect June 1, 2009.

### **Tax Legislation Enacted in 2011**

#### **INCOME TAX**

**A. Senate Bill 346 and House Bill 11 (Chapters 221 and 222, Acts of 2011) – Income Tax – Subtraction Modification – Maryland Defense Force** The Acts expand the scope of the Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification Program under § 10-208(i-1) of the Tax-General Article, to include active members of the Maryland Defense Force, who may qualify for an income subtraction modification of \$3,500.

Effective Date: The Acts will take effect July 1, 2011, and shall be applicable to taxable years beginning after December 31, 2011.

**B. Senate Bill 959 (Chapter 566, Acts of 2011) – Bio-Heating Oil – Income Tax Credit** The Act expands the credit for bio-heating oil and extends

the termination dates for the credit. The Act amends Section 10-727(a)(3) to provide that bio-heating oil means a heating oil derived from the U.S. Environmental Protection Agency approved feedstocks, or accepted under 42 U.S.C. 7545(O) as per the U.S. EPA Renewable Fuel Standard 2 (RFS2) and the accompanying regulations under 40 C.F.R. Part 80 for diesel fuel replacement. The Act further extends the credit until December 31, 2017. The credit now abrogates without further action on June 30, 2018.

Effective Date: This Act shall take effect June 1, 2011, and is applicable to all tax years 2008 through 2017.

#### **C. House Bill 632 (Chapter 352, Acts of 2011) – Earned Income Credit Information Act**

This Act requires the Comptroller to publish the maximum income eligibility for the State earned income tax credit (EIC) on or before January 1 of each calendar year. This Act also requires the Comptroller to notify all employers in Maryland by mail the information on the State EIC. This notice must include the following statements, which each employer must provide electronically or in written form to each employee who may be eligible for the credit: (1) the employee may be eligible for the federal and State earned income tax credits; and (2) the employee may be eligible for the State earned income tax credit.

Effective Date: This Act will take effect January 1, 2012.

### **Tax Legislation Enacted in 2012**

#### **INCOME TAX**

**A. Senate Bill 8 (Chapter 451, Acts of 2012) – Maryland Income Tax Refund – Anne Arundel County – Warrants** This Act adds §§ 13-935 through 13-939 to the Tax-General Article under “Part VII. Income Tax Refund Withholding – Warrants.” It requires the Comptroller to withhold an individual’s income tax refund when that individual: 1) is a resident of Anne Arundel County with an outstanding warrant; or 2) has an outstanding warrant from Anne Arundel County. A withheld refund may not be paid out by the Comptroller until an official of the federal, state or local government notifies the Comptroller that the warrant is no longer outstanding. The Comptroller

may not withhold a refund if the individual is an active duty member of the U.S. Armed Forces or files a joint income tax return.

Effective Date: This Act will take effect on October 1, 2012. This Act will remain in effect for one year and will expire at the end of September 30, 2013.

**B. Senate Bill 167 (Chapter 467, Acts of 2012) – Tax Credits for Qualifying Employees with Disabilities – Sunset Extension**

The Act extends, by one year, to June 30, 2013, the termination date of the Qualifying Employees with Disabilities Tax Credit under § 10-704.7 of the Tax-General Article, for employees hired on or after October 1, 1997 but before July 1, 2013.

Effective Date: This Act takes effect on June 1, 2012.

**C. Senate Bill 234 (Chapter 3, Acts of 2012) – Maryland Health Improvement and Disparities Reduction Act of 2012**

The Act establishes a process for designation of “Health Enterprise Zones” (HEZs) to target State resources to reduce health disparities, improve health outcomes, and reduce health costs and hospital admissions and readmissions in specific areas of the State. The Act authorizes specified incentives for “Health Enterprise Zone practitioners” who practice in an HEZ, including tax credits against the State income tax.

The Act adds a new income tax credit under Title 10, Subtitle 7 of the Tax-General Article, which provides that a HEZ practitioner who practices health care in a Health Enterprise Zone may be eligible for a tax credit against the State income tax in accordance with a proposal approved by the Secretary of Health and Mental Hygiene, if the individual: (1) Demonstrates competency in cultural, linguistic, and health literacy in a manner determined by the Department of Health and Mental Hygiene (“DHMH”); (2) Accepts and provides care for patients enrolled in the Maryland Medical Assistance Program and for uninsured patients; and (3) Meets any other criteria established by DHMH.

A “Health Enterprise Zone practitioner” (HEZ practitioner) is defined in Health-General Article, § 20-1401, to mean a health care practitioner who is

licensed or certified under the Health Occupations Article and who provides: (1) primary care, including obstetrics, gynecological services, pediatric services, or geriatric services; (2) behavioral health services, including mental health or alcohol and substance abuse services; or (3) dental services. Generally, per Health Occupations Article, §§ 1-208, 1-219, a “health care practitioner” means a physician or any other person licensed or certified under the Article; or, in other words, an individual.

The credit has two parts; both require DHMH’s certification. The first is a nonrefundable tax credit against the State income tax in an amount certified by DHMH for the tax year, which is equal to 100% of the amount of the State income tax expected to be due from the HEZ practitioner from income to be derived from practice in the HEZ.

The second is a refundable, subject to recapture, tax credit of \$10,000 against the State income tax for hiring a qualified employee for a “qualified position” in the Health Enterprise Zone, as certified by DHMH for the taxable year. A HEZ practitioner may create one or more qualified positions during any 24-month period, and the refundable credit is taken over two taxable years, with one-half allowed in each year, beginning with the first taxable year in which the credit is certified.

A qualified position, among other things, is full time and of indefinite duration. It does not include a position that is filled for a period of less than 12 months. In addition, if the position is filled for a period of less than 24 months, the tax credit shall be recaptured in an amount as determined by DHMH and reported to the Comptroller.

A nonprofit community-based organization or a local government agency shall apply to the Secretary of Health and Mental Hygiene, under the new Subtitle 14 of Title 20 of the Health-General Article to designate an area as a HEZ. A nonprofit community-based organization or local government agency may also submit to DHMH for a request for certification for certain income tax credits on behalf of a HEZ practitioner practicing or seeking to practice in a HEZ.

The amount of credit that DHMH may certify is limited by availability of budgeted funds for this

purpose, as determined by DHMH, and is issued on a first-come-first-served basis, as determined by DHMH in its sole discretion.

The Community Health Resources Commission (the Commission) shall administer the Fund, and shall use it for the State income tax credits, and for any authorized HEZ activities. On or before December 15 of each year, the Secretary and the Commission shall report to the General Assembly evidence and impact of the incentives granted under each HEZ.

Effective Date: This Act takes effect July 1, 2012, and shall be applicable to all taxable years beginning after December 31, 2012 but before January 1, 2016. The tax provision abrogates after four years on June 30, 2016.

**D. Senate Bill 296 (Chapter 478, Acts of 2012) – Security Clearances – Employer Costs** The Act creates a tax credit under Title 10, Subtitle 7, Tax-General Article (TG) for individuals and corporations against State income tax for: 1) qualifying security clearance administrative expenses incurred with regard to an employee in the State; and 2) construction and equipment costs incurred to construct or renovate sensitive compartmented information facilities located in Maryland. The credit for security clearance administrative expenses may not exceed \$100,000. The credit for sensitive compartmented information facilities is equal to 50% of those expenses, not to exceed \$100,000 for a single qualifying facility or \$250,000 for multiple qualifying facilities. Although the credit is only available to be claimed for tax years 2013 through 2016, any excess may be carried over until the credit is fully used.

To claim the credit, an individual or a corporation must submit an application for the credit to the Department of Business and Economic Development by September 15 of the calendar year following the end of the taxable year in which the costs occurred. The credit may then be claimed on an amended tax return for the year in which the costs were incurred.

If a credit is claimed, there is an addback under subsections of TG § 10-204 and TG § 10-305 for any costs from security clearance administrative expenses or expenses in constructing or

renovating a sensitive compartmented information facility to the extent those costs are deducted in computing federal adjusted gross income.

Effective Date: This Act shall take effect July 1, 2012, without a termination date. However, the credit is only available for tax years 2013 through 2016.

**E. Senate Bill 477 (Chapter 521, Acts of 2012) and House Bill 1107 (Chapter 522, Acts of 2012) – Job Creation Tax Credit – Termination Provisions** These Acts extend the termination date of the Job Creation Tax Credit from January 1, 2014 to January 1, 2020 by amending § 6-309(a) of the Economic Development Article. The Acts also repeal § 6-309(b) of the Economic Development Article, therefore eliminating the limitation that the business facility must commence operations before January 1, 2013 in order to be eligible for the Job Creation Tax Credit.

Effective Date: These Acts will take effect on July 1, 2012.

**F. Senate Bill 580 (Chapter 544, Acts of 2012) and House Bill 600 (Chapter 545, Acts of 2012) – Income Tax – Subtraction Modification – Mortgage Forgiveness Debt Relief** These Acts create a subtraction modification under Tax-General Article (TG), § 10-207, for cancellation of debt income from a discharge of qualified principal residence indebtedness.

When an individual borrows money from a commercial lender and the lender later cancels or forgives the debt, the cancelled amount of the debt is required under the Internal Revenue Code to be reported as income under certain circumstances. This income is referred to as cancellation of debt (COD) income and is taxable as ordinary income. However, certain COD income may qualify for an exclusion from federal and Maryland taxation. Currently, COD income from a qualified principal residence is not subject to federal or Maryland taxation. The federal provision under the Mortgage Forgiveness Debt Relief Act of 2007 (which was extended through the Emergency Economic Stabilization Act of 2008) allowing this exclusion is due to expire on December 31, 2012.

Under the Acts, the federal provision excluding COD income is treated as if it is extended through December 31, 2013 for State income tax purposes. The subtraction amount is the difference between the federal and state treatments. The Acts also provide an addback under TG § 10-207 to recapture the tax benefit if the taxpayer claiming the subtraction sells or otherwise disposes of the qualified principal residence for which the subtraction modification has been claimed. The addback applies to tax year 2013 and all subsequent tax years.

If the relevant federal provision excluding COD income from a qualified principal residence is extended without other amendment through December 31, 2013 by the United States Congress, the subtraction modification would not apply in general. If the federal provision is extended, COD income may be excluded by the taxpayer from federal adjusted gross income. Once COD income is excluded from federal adjusted gross income, it is not available as a subtraction modification because the language of the Acts only allows a subtraction modification for COD income to the extent included in federal adjusted gross income.

The subtraction modification under the Acts is COD income which does not include income from a foreclosure settlement as a result of the Attorney General's litigation. Income from a foreclosure settlement may be subject to a subtraction modification under House Bill 1374 (Chapter 156, Acts of 2012).

Effective Date: The Acts shall take effect July 1, 2012.

**G. Senate Bill 739 (Chapter 568, Acts of 2012) and House Bill 764 (Chapter 569, Acts of 2012) – Tax Credit Evaluation Act** These Acts repeal the following tax credits: the Commercial Fertilizer Costs Tax Credit (Tax-General Article (TG) § 10-704.9), the Qualified Ex-Felon Employee Tax Credit (TG § 10-704.10), the Multijurisdictional Electric Company Tax Credit (TG § 10-713), the Solar Water Heating Property or Photovoltaic Property Tax Credit (TG § 10-719), and the Job Creation and Recovery Tax Credit (TG § 10-728).

Taxpayers may still claim and carry forward these repealed tax credits if the credit was earned

before the effective date of these Acts.

The Acts also add the Tax Credit Evaluation Act under Subtitle 3 to Title 1 of the Tax-General Article, which provides for the evaluation of certain other tax credits before they expire.

Effective Date: The Acts take effect July 1, 2012.

**H. Senate Bill 807 (Chapter 587, Acts of 2012) – Income Tax – Subtraction Modification – Land Acquisition for Department of Transportation** This Act adds new subsection under § 10-207 of the Tax-General Article to provide for a subtraction modification in the amount of a gain resulting from a payment by the Maryland Department of Transportation for the acquisition of a portion of an individual's property on which the individual's principal residence is located. The amount of the subtraction modification may not exceed the amount that may be excluded from income on the condemnation of an individual's principal residence under § 121 of the Internal Revenue Code.

Effective Date: The Act takes effect July 1, 2012 and will apply to all taxable years beginning after December 31, 2011.

**I. Senate Bill 1086 (Chapter 344, Acts of 2012) and House Bill 1456 (Chapter 345, Acts of 2012) – Income Tax – Tax Credits – Electronic Filing Requirements** These Acts authorize the Comptroller's Office to require by regulation that a taxpayer claiming the Job Creation tax credit, the One Maryland tax credit, the Biotechnology Investment Incentive tax credit, and the Enterprise Zone Income tax credit, to submit a claim for the credit by electronic means as required by the Comptroller's regulation.

These Acts allow the Comptroller's Office to require by regulation any other tax credit claim to be submitted electronically, if the Comptroller's Office determines this requirement does not have a material adverse impact or undue administrative burden on the Comptroller's Office.

Effective Date: These Acts will take effect July 1, 2012, and will be applicable to all taxable years beginning after December 31, 2012.

**J. Senate Bill 1302 (Chapter 2, Acts of 2012 Special Session 1) – State and Local Revenue and Financing Act of 2012**

The Act raises individual State income tax rates, and establishes new State income tax brackets. The new rates and brackets are effective for all taxable years beginning after December 31, 2011.

**Single Filer, Dependent Filer, or Individual Married Filing Separate**

<u>Rate</u>	<u>MD Taxable Income</u>
4.75%	\$3,001 through \$100,000
5.00%	\$100,001 through \$125,000
5.25%	\$125,001 through \$150,000
5.50%	\$150,001 through \$250,000
5.75%	Over \$250,000

**Joint Filer, Head of Household, or Surviving Spouse**

<u>Rate</u>	<u>MD Taxable Income</u>
4.75%	\$3001 through \$150,000
5.00%	\$150,001 through \$175,000
5.25%	\$175,001 through \$225,000
5.50%	\$225,001 through \$300,000
5.75%	Over \$300,000

The Act reduces the amounts allowed for certain personal exemptions, effective for all taxable years beginning after December 31, 2011.

**Single Filer, Dependent Filer, or Individual Married Filing Separate**

<u>Exemption</u>	<u>Federal Adjusted Gross Income (FAGI)</u>
\$1,600	\$100,001 through \$125,000
\$800	\$125,001 through \$150,000
\$0	Over \$150,000

**Joint Filer, Head of Household, or Surviving Spouse**

<u>Exemption</u>	<u>Federal Adjusted Gross Income (FAGI)</u>
\$1,600	\$150,001 through \$175,000
\$800	\$175,001 through \$200,000
\$0	Over \$200,000

The Act provides for a new addition modification for the amount of income of an electing small

business trust (ESBT), effective for all taxable years beginning after December 31, 2012.

The Act repeals § 10-708 of the Tax-General Article, the telecommunications company credit against the State income tax for a portion of the company's property taxes, effective for all taxable years beginning after December 31, 2011. The Act also repeals the addition modification for the amount of the telecommunications credit, which is § 10-306(c) of the Tax-General Article.

**K. House Bill 438 (Chapter 2, Acts of 2012) – Civil Marriage Protection Act**

This Act expands the definition of marriage in the Family Law Article to include two individuals of the same-sex. It also expands the restrictions on marriage within certain degrees of familial relation. This Act prohibits officials of religious orders authorized to officiate marriages from being required to officiate same-sex marriages.

This Act has no impact on the administration of Maryland income and estate tax laws.

Effective Date: This Act takes effect on January 1, 2013 unless it is overturned via the veto referendum vote on November 6, 2012.

**L. House Bill 568 (Chapter 668, Acts Of 2012) – Sustainable Communities Tax Credit Program – Credit Allocation**

This Act amends § 5A-303 of the State Finance and Procurement Article to provide that the Sustainable Communities Tax Credit may be allocated among the partners, members, or shareholders of an entity in any manner agreed to by those persons in writing. This provision applies only to any commercial rehabilitation project for which an application was approved by the Maryland Historic Trust on or after July 1, 2012.

Effective Date: This Act will take effect July 1, 2012.

**M. House Bill 592 (Chapter 128, Acts Of 2012) – Tax Credit for Businesses That Create New Jobs – Enhanced Credit – Extension**

This Act extends, from 12 to 24 years, the duration of the enhanced property tax credit for businesses that create new jobs. This, in turn, extends the duration for which a business may claim a Businesses that Create New Jobs Tax Credit Tax-

General Article, § 10-704.8 if the business entity has been certified for the enhanced property tax credit under Tax-Property Article, § 9-230(d). For each of the 24-year period, the State Department of Assessment and Taxation must certify the amount of State income tax credit that a business entity may claim.

Effective Date: This Act takes effect July 1, 2012, and shall be applicable to all taxable years beginning after December 31, 2012.

**N. House Bill 975 (Chapter 693, Acts of 2012) – Income Tax – Subtraction Modification – Forest Conservation and Management Program Expenses** This Act adds a new subsection under § 10-208 of the Tax-General Article, to allow an individual who has applied and received an approval to enter into a forest conservation and management plan with the Department of Natural Resources (DNR), to claim a subtraction modification of up to \$500 of qualified conservation program expenses paid by the individual. “Qualified conservation program expenses” means the amounts expended by an individual during the taxable year related to an application for the Forest Conservation and Management Program within DNR.

Effective Date: This Act takes effect July 1, 2012 and will apply to all taxable years beginning after December 31, 2011.

**O. House Bill 1289 (Chapter 715, Acts Of 2012) – Economic Development – Qualified Distressed Counties – One Maryland Economic Development Tax Credit** This Act modifies the definition of a “qualified distressed county” under Economic Development Article, § 1-101 to temporarily, for a period of 4 years, include a county which has an average rate of unemployment for the most recent 24-month period that is at least 2 % points above the average rate of unemployment for the State during that same 24-month period.

This Act also modifies the amounts of project tax credit and start-up tax credit that a certified taxpayer may claim in a taxable year. Previously, Code of Maryland Regulations 24.05.24.10.A(2) requires a certified taxpayer to maintain at least 25 qualified employees at the project to carry over a tax credit from the preceding year. Now, by this

Act, for both the project tax credit and the start-up tax credit a certified taxpayer may claim a *prorated share* of the credit if: (1) the number of qualified positions in the taxable year is less than 25 but at least 10; and (2) the taxpayer has maintained at least 25 qualified positions for at least 5 years. The prorated share of the credit is calculated based on the number of qualified positions filled for the taxable year divided by 25.

Effective Date: This Act takes effect July 1, 2012. The temporary definitional amendment is effective for a period of 4 years, ending on June 30, 2016. The tax calculation amendment is permanent and applicable to all taxable years beginning on and after January 1, 2011.

**P. House Bill 1374 (Chapter 156, Acts of 2012) – Real Property – Foreclosures and Mediation** The Act creates a subtraction modification under Tax-General Article § 10-208 for any payment to a Maryland resident made as a result of a foreclosure settlement negotiated by the Attorney General.

The subtraction modification includes only foreclosure settlement payments. This subtraction modification does not include cancellation of debt income as a result of foreclosure settlement because cancellation of debt income is not received in the form of a payment. However, a subtraction modification for cancellation of debt income may be available under Senate Bill 580 which was passed in the latest legislative session.

Effective Date: This Act shall take effect July 1, 2012 and shall be applicable to all taxable years beginning after December 31, 2011.

## **SALES AND USE TAX**

**A. Senate Bill 19 (Chapter 452, Acts of 2012) and House Bill 319 (Chapter 453, Acts of 2012) – Sales and Use Tax – Exemption – Veterans’ Organizations** The Acts make permanent the sales and use tax exemption for a sale to an organization of veterans of the armed forces of the United States, if the organization is qualified as tax exempt under Section 501(c)(19) of the Internal Revenue Code.

Effective Date: The Acts take effect June 1, 2011.

**B. Senate Bill 40 (Chapter 456, Acts of 2012) and House Bill 1301 (Chapter 457, Acts of 2012) – Sales and Use Tax – Machinery and Equipment – Energy Star Windows and Doors**

The Acts provide that the sales and use tax does not apply to the sale of machinery and equipment to be used directly and predominately to produce Energy Star windows or Energy Star entry doors for residential real property. The Acts also provide that the sales and use tax does not apply to the sale of electricity, fuel, and other utilities used to operate that machinery and equipment.

Effective Date: The Acts take effect July 1, 2012.

**C. Senate Bill 446 (Chapter 237, Acts of 2012) and House Bill 434 (Chapter 238, Acts of 2012) – Sales and Use Tax – Sales of Dyed Diesel Fuel**

These Acts revise how sales and use tax is collected on the sale of dyed diesel fuel by a marina and remitted to the Comptroller. These Acts revise Tax-General Article (TG) § 11-104 to provide that a marina selling dyed diesel fuel: 1) must pay sales and use tax to the Comptroller; and 2) may not collect the sales and use tax from the buyer as a separately stated item. Under the Act, the sales and use tax rate for dyed diesel fuel sales is 6% and is applied to 94.5% of the gross receipts from dyed diesel fuel sales.

Under the Acts, the tax treatment of dyed diesel fuel sales by a marina is similar to tax treatment of sales through vending machines. Under TG § 11-405, a vendor who sells tangible personal property through a vending machine must pay the sales and use tax to the Comptroller and may not collect the sales and use tax from the buyer as a separately stated item. Additionally, under TG § 11-104(b), the sales tax rate is also 6% applied to 94.5% of gross receipts from vending machines.

Effective Date: These Acts shall take effect July 1, 2012.

**D. Senate Bill 755 (Chapter 86, Acts of 2012) and House Bill 228 (Chapter 87, Acts of 2012) – Sales and Use Tax – Consuming Wine Not Bought on Premises – Restaurants, Clubs, and Hotels**

The Acts allow an individual, in a restaurant, club, or hotel for which a Class B or Class C license is issued, to consume wine not purchased from the license holder only if:

1. The wine is consumed with a meal during the hours of sale specified by the license;
2. The individual receives the approval of the license holder;
3. The wine is not available for sale on the license holder's wine list; and
4. The license holder obtains a permit from the local licensing board before allowing an individual the privilege of consuming wine not purchased from or provided by the license holder.

The Acts allow the license holder to determine and charge a fee to the individual for the privilege, on which the current sales tax rate of 6% is imposed.

The Acts require that the individual cannot be under 21 years old, and cannot be visibly under the influence of an alcoholic beverage, in order to be allowed by the license holder the privilege of consuming wine not purchased from the license holder.

Effective Date: These Acts will take effect July 1, 2012.

**E. Senate Bill 852 (Chapter 597, Acts of 2012) and House Bill 918 (Chapter 598, Acts of 2012) – Sales and Use Tax – Alcoholic Beverages – Calculation of Tax**

The Acts provide that for the sale of an alcoholic beverage, the sales and use tax rate is 9% of the charge for the alcoholic beverage, and is 6% of a charge that is made in connection with the sale of an alcoholic beverage. The 6% rate applies to charges that are separately stated as an item of the consideration, and are made known to the buyer at the time of sale for:

1. Any labor or service rendered;
2. Any material used; or
3. Any property sold.

The Acts provide that the sales and use tax rate is 6% for a mandatory gratuity or service charge in the nature of a tip for serving food or any type of beverage to a group of more than 10 individuals.

Effective Date: The Acts take effect July 1, 2012.

**F. Senate Bill 1302 (Chapter 2, Acts of 2012 Special Session 1) – State and Local Revenue and Financing Act of 2012** The Act repeals § 11-202 of the Tax-General Article which exempted from the sales and use tax a sale in the form of a demurrage charge made in the nature of a penalty for failure to return a gas cylinder within a designated period.

Effective Date: July 1, 2012.

### **ADMISSIONS AND AMUSEMENT TAX**

**A. Senate Bill 864 (Chapter 603, Acts of 2012) – Gaming – Electronic Machines – Regulation**  
The Act provides that an entity licensed to operate instant bingo under a commercial bingo license on July 1, 2007, or a qualified organization as defined in § 13-201 of the Criminal Law Article, may continue to operate a game of instant bingo in the same manner using electronic machines, provided that:

1. The machines were in operation for a 1-year period ending December 31, 2007, or the machines were in operation under a commercial bingo license on December 31, 2007;
2. The entity does not operate more than the number of electronic machines in operation on February 28, 2008; and
3. The conduct of the gaming and operation of the gaming and operation of the machines are consistent with all the other provisions of the Criminal Law Article.

The Act provides that the rate of State admissions and amusement tax imposed on electronic bingo or electronic tip jars in Calvert County is 33% of the net proceeds subject to the tax.

The Act clarifies that the State and local admissions and amusement tax applicable to electronic instant bingo must be determined on a tax included or separately stated basis. Other State and local admissions and amusement tax applicable to gaming may be determined on a tax-included or separately stated basis.

Effective Date: The Act takes effect July 1, 2012.

### **ESTATE TAX**

**A. Senate Bill 294 (Chapter 448, Acts of 2012) and House Bill 444 (Chapter 449, Acts of 2012) – Maryland Estate Tax – Family Farm Preservation Act Of 2012** These Acts exclude from the value of the gross estate for Maryland estate tax purposes, up to \$5,000,000 of the value of qualified agricultural property that passes from the decedent to or for the use of a qualified recipient. In addition, the Acts specify that the estate tax imposed on an estate with qualified agricultural property valued in excess of \$5,000,000 cannot exceed the sum of: (1) 16% of the amount by which the taxable estate, excluding the value of qualifying agricultural property, exceeds \$1,000,000; and (2) 5% of the value of the qualified agricultural property in excess of \$5,000,000.

“Qualified Agricultural Property” means real or personal property that is used primarily for farming purposes. “Qualified Recipient” means an individual who enters into an agreement to use qualified agricultural property for farming purposes after the decedent’s death.

The Maryland estate tax will be recaptured if, within 10 years after the decedent’s death, the qualified agricultural property ceases to be used for farming purposes. The amount of the estate tax imposed in the event of recapture would be the additional Maryland estate tax that would have been payable at the time of the decedent’s death but for the exclusion under these Acts.

Effective Date: These Acts will take effect July 1, 2012 and will be applicable to decedents dying after December 31, 2011.

### **TOBACCO TAX**

**A. Senate Bill 1302 (Chapter 2, Acts of 2012 Special Session 1) – State and Local Revenue and Financing Act of 2012** Except for premium cigars, the Act increases the current tobacco tax rate of 15% for other tobacco products (OTP). The tax rate for premium cigars remains at 15% of the wholesale price. The tax rate for cigars is 70% of the wholesale price, and the tax rate for all other OTP is 30% of the wholesale price.

The Act provides that floor stock in possession on July 1, 2012 is subject to the new tax, and requires a filing of the floor tax return by October 15, 2012 to remit the tax difference.

Effective Date: July 1, 2012.

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### III. Administrative Releases

#### A. Administrative Release No. 6

**Subject: Pass-through Entities Having Non-resident Members.** This release was revised to reflect the current highest State income tax rate of 5.75%, and the mandatory requirement to use Maryland K-1.

#### B. Administrative Release No. 14

**Subject: Interest Rates for Refunds and Delinquent Taxes.** This release was revised to add calendar year 2013 interest rates for refunds and delinquent taxes.

#### C. Administrative Release No. 18

**Subject: Net Operating Losses and Associated Maryland Addition and Subtraction Modifications.** This release was revised to reflect the new Form 500, and to clarify how it relates to the NOL, the decoupling modifications and the Maryland modifications.

#### E. Administrative Release No. 27

**Subject: Work, Not Welfare, Tax Incentive Act of 1995 with 1996, 1998, 2000, 2003, 2006, 2007, and 2008 Amendments (Employment Opportunity Credit).** This release was revised to reflect the law's abrogation effective December 31, 2011. However, excess credits earned while this law was in effect can be carried forward for up to five years beginning January 1, 2012.

#### F. Administrative Release No. 30

**Subject: Maryland Estate Tax.** This release was revised to reflect the law change by Senate Bill 294 (Chapter 449, Acts of 2012). For decedents dying after December 31, 2011 the Maryland General Assembly has enacted a provision that adds a new subsection to Tax-General Article § 7-309 excluding from the value of the gross estate for Maryland estate tax purposes up to 5 million dollars of agricultural and personal property used for farming purposes. To be eligible for the

exemption, the property must pass from a decedent to or for the use of an individual who enters into an agreement, in a form specified by the Comptroller, to use the property for farming purposes after the decedent's death.

To the extent that the value of a decedent's qualified property exceeds 5 million dollars, the estate tax imposed on that property is limited to 5% of the excess. The portion of the taxable estate not attributable to qualified agricultural property is still taxed under IRS tables with a limit of 16% of the excess over 1 million dollars.

The Maryland estate tax will be recaptured if, within 10 years after the decedent's death, use of the qualified agricultural property for farming purposes ceases. In the event of recapture, the amount of the estate tax imposed would be the additional Maryland estate tax that would have been payable at the time of the decedent's death had the exemption never been applied.

#### H. Administrative Release No. 33

**Subject: Tax Credits for Hiring Individuals with Disabilities.** This release was revised to reflect the law changes imposed by Senate Bill 167 (Chapter 467, Acts of 2012), which extended the termination date until June 30, 2013 and the dates of applicability to all tax years beginning before January 1, 2016 and employees hired before July 1, 2013.

#### J. Administrative Release No. 39

**Subject: Long-Term Employment of Qualified Ex-Felons Tax Credit.** This release was revised to reflect the law's abrogation effective December 31, 2011. However, excess credits earned while this law was in effect can be carried forward for up to five years beginning January 1, 2012

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### IV. Regulations

#### A. Proposed Action on Regulations:

##### INCOME TAX

#### 03.04.01 – General Regulations

.01 Withholding of Tax at Source – Regulation is amended to reflect the abrogation of Tax-General Article § 10-704.3 (State Employment Opportunity Tax Credit). Section 10-704.10 (Qualified Ex-Felon Employee Tax Credit)

is also abrogated; however, excess credits may still be carried forward for up to five years.

#### **03.04.02 – Individual**

.03 Nonresident Filing Status – Regulation is amended to correct by adding a *commissioned officer of the National Oceanic and Atmospheric Administration* to the list of individuals who is considered a nonresident, if the individual maintains a place of abode in this State for more than 6 months of the taxable year and is not domiciled in this State.

#### **03.04.03 – Corporations**

.06 Other Forms, Returns, Schedules and Statements<sup>1</sup> – Regulation is amended to reflect that Form 500DP is now replaced by Form 500D for remittance of estimated payments.

### **B. Regulations Submitted to Department of State Documents:**

#### **MISCELLANEOUS ADMINISTRATION**

#### **03.10.01 – Slot Machines for Nonprofit Organizations**

.01—.06 New slot machines regulations pursuant to the authority granted under Criminal Law Article § 12-304.

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### **V. Court Cases**

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

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. A decision is pending.

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. The Maryland Tax Court affirmed the assessment on December 10, 2009. The taxpayers appealed. On appeal they are only pursuing the Commerce Clause issue.

On June 29, 2011, the Circuit Court for Howard County issued its decision, reversing the decision of the Maryland Tax Court. The Circuit Court ruled that Tax-Gen. Art., § 10-703(a) was unconstitutional, violating the dormant Commerce Clause of the U.S. Constitution.

#### **B. Timothy Frey, et al. v. Comptroller of the Treasury, 422 Md. 111 (2011), cert. denied, 132 S. Ct. 1796 (2012)**

Assessment of State non-resident tax (SNRT) affirmed by Maryland Tax Court. On appeal to the Court of Appeals, assessment affirmed, holding that the SNRT does not violate the Commerce Clause, the Equal Protection Clause, the Privileges and Immunities Clause of the United States Constitution, does not violate Article 24 of the Maryland Declaration of Rights. Further holding that the Maryland Tax Court does have the power to review and abate interest assessments.

In Frey, et al., the Court of Appeals sustained the constitutionality of Tax-Gen. § 10-106.1. The

statute imposes a special state tax on non-residents equal to the lowest rate of tax set by any Maryland subdivision. Nonresidents are generally exempt from the local tax. The taxpayers (all out of state residents) argued that the tax was discriminatory and unconstitutional because it was not imposed on residents, but only on nonresidents. The Court of Appeals affirmed the Tax Court decision and upheld the tax, reasoning that the constitution does not look to labels such as "state" tax or "county" tax, but instead finds discrimination only if the actual dollars paid by a nonresident are greater than the amount paid by a resident. A second issue in the case is whether the Tax Court has discretionary authority to reduce an assessment of interest. The Comptroller argued (and the Tax Court agreed) that no such authority exists. The Court of Appeals held that the Tax Court does have authority to reduce the amount of interest, and remanded to the Tax Court for specific findings on this issue.

A dissenting opinion was filed in this matter. The dissent opines that the county tax and, thus, the SNRT are separate and distinct taxes from the general State income tax. With that conclusion, then the SNRT is not a valid compensatory tax and does not survive Commerce Clause scrutiny.

Taxpayers filed a Petition for a Writ of Certiorari to the U.S. Supreme Court which petition was denied.

**C. Nordstrom, Inc v. Comptroller of the Treasury; NIHC, Inc. v. Comptroller of the Treasury; N2HC, Inc. v. Comptroller of the Treasury**

Currently pending in the Maryland Court of Special Appeals.

The Tax Court affirmed the assessments against Nordstrom's two subsidiaries, NIHC and N2HC. The alternative assessment against Nordstrom was rescinded. Nordstrom and NIHC noted appeals to the Circuit Court for Baltimore County. The Comptroller filed a cross-petition in the Nordstrom case. N2HC did not appeal.

In August, 2009, the Circuit Court issued an order and memorandum opinion remanding the cases back to the Tax Court. The Circuit Court directed the Tax Court to decide: 1) whether or not the IRC § 311(b) gain of NIHC, or any part

thereof, constituted Maryland taxable income; 2) if so, whether the Maryland requirement of separate entity income tax returns prohibited taxing the § 311(b) deferred gain; and 3) whether Nordstrom's royalty payment deductions were ordinary and necessary business expenses.

The Tax Court initially affirmed the assessment against NIHC, but failed to answer the second question. On request of the Petitioner, the Tax Court revisited the matter and, on July 15, 2010, again affirmed the assessment. The Tax Court unequivocally determined that the income, characterized as § 311(b) gain was Maryland taxable income: "In the instant case, it is clear to this Court that but for the activities of Nordstrom and its use of the trademarks in Maryland, the gain of NIHC would not have been recognized...One cannot separate the value of the trademarks, the licensing of the trademarks and the gain recognized by NIHC from the Nordstrom activity in Maryland."

On the second question, the Court found that there is no prohibition arising from the separate reporting requirements when the income is attributed to the activity of the parent and its use of the marks in Maryland.

NIHC again noted an appeal to the Circuit Court.

On December 7, 2011, the Circuit Court affirmed in part and reversed in part the decision of the Maryland Tax Court. The circuit court affirmed the Tax Court's finding that constitutional nexus existed because of the lack of economic substance of the affiliates and that "Nordstrom's business activities and use of the trademarks in Maryland produced the gain reported by NIHC and therefore sufficient nexus exists between NIHC and Maryland so that imposition of the Maryland income tax on the I.R.C. § 311(b) gain does not violate the Due Process or Commerce Clause of the Constitution." The court further held that the §311(b) gain was reasonably attributable to NIHC's trade or business in Maryland and, therefore, Maryland taxable income.

The Circuit Court however reversed the Tax Court's decision with regard to the use of §311(b), holding that Maryland's requirement of separate

reporting required the affiliate to have restated its income, thus reporting the entire gain in 1999.

The Comptroller noted an appeal to the Maryland Court of Special Appeals on this last issue only. The Taxpayer did not note a cross-appeal. The matter is currently pending in the Court of Special Appeals.

#### **E. Gore Enterprise Holdings v. Comptroller; Future Value, Inc. v. Comptroller**

On November 9, 2010, the Tax Court affirmed the Comptroller's assessment against two Delaware holding company ("DHC") subsidiaries of W.L. Gore & Associates. One subsidiary earned patent royalties based on a percentage of sales made by the unitary parent; the second earned interest income from loans made out of accumulated royalty profits that were transferred to it from the DHC that owned the patents. The Tax Court held that the companies were engaged in a unitary business; that they had no real economic substance as separate business entities; that they depended on the operating parent company for their assets and income; and that there were direct connections between Maryland activity and the royalty and interest income.

On August 26, 2011, the Circuit Court for Cecil County (Judge Daniels, Retired, sitting by designation) reversed the Tax Court in the case of the patent royalty subsidiary, Gore Enterprise Holdings. He ruled from the bench that the company was not taxable by Maryland because patent royalties were different from trademark royalties under the Commerce Clause, and the conduct of a unitary business by the holding company and its operating parent does not create nexus or connection between Maryland and the DHC, because under the Commerce Clause nexus must exist independently of the unitary business.

On September 30, 2011, the circuit court reversed the Tax Court decision on the interest subsidiary (Future Value, Inc.) as well.

The Comptroller appealed. Both cases were consolidated for briefing before the Court of Special Appeals. Briefing will be completed by September 19, 2012, and the cases are

scheduled for oral argument during the second week of October.

#### **F. Wanda King v. Comptroller, 425 Md. 171 (2012).**

Refund denial affirmed by Maryland Tax Court. On February 15, 2011, the Court of Special Appeals reversed the unfavorable decision of the Circuit Court for Calvert County and remanded the case with a direction that the Circuit Court affirm the decision of the Tax Court denying income tax refunds to the taxpayer. Taxpayer appealed to the Court of Appeals. The Court of Appeals affirmed the Tax Court and the Court of Special Appeals.

The taxpayer, Wanda T. King, sought a refund following receipt of a final adjustment report of the Internal Revenue Service dated January 3, 2006. King was due a substantial federal refund based on the final adjustment report. She contended that based on the downward adjustment of her federal adjusted gross income by the IRS, as reflected in the final adjustment report, her corresponding Maryland adjusted gross income would have generated refunds in 1999 and 2000. Unfortunately for King, she waited almost 13 months after the date of the IRS's final adjustment report to file her Maryland refund claims for 1999 and 2000. Because King's refund claims were filed more than one year after the date of the IRS's final adjustment report, the Comptroller determined that King's refund claims were untimely under Tax-Gen. § 13-1104(c)(2).

The Tax Court agreed with the Comptroller in a decision dated August 28, 2008. On judicial review, the Calvert County Circuit Court reversed the Tax Court. As indicated above, the Court of Special Appeals reversed the Circuit Court and ordered that the favorable decision of the Tax Court be reinstated. The Court of Appeals affirmed the Court of Special Appeals.

#### **G. Annapolis Accommodations**

This case involves Annapolis Accommodations, a business that specializes in renting residential homes in the Annapolis area to out-of-town guests. Many of the leases were for people who wanted to spend a week in Annapolis, usually for the Naval Academy's "Commissioning Week" or

the Annapolis Boat Show. The taxpayer did not collect or remit sales tax on rentals of less than thirty days. The taxpayer was assessed \$67,190.47 for unpaid sales tax for the period January 1, 2005 to December 31, 2008, plus interest and a penalty of \$6,719.07

This case was tried before Judge Silberg on April 25, 2012. The taxpayer did not contest the manner in which the audit was conducted. The taxpayer objected to the assessment on two grounds: first, that the meaning of the phrase “room or lodgings” as applied to the taxpayer’s business was ambiguous; and second, that the taxpayer and her employee had contacted the Comptroller’s Office on a number of occasions and were told that no tax was due on the weekly rentals. The Comptroller took the position that advice given by an employee of the Comptroller’s Office could not relieve a taxpayer from a lawful tax obligation. The judge agreed with the Comptroller and found the taxpayer liable for the tax, and abated the interest and penalty. The judge said he waived the penalty and interest because he believed the taxpayer did all she could reasonably do to determine whether any tax was owed.

The taxpayer appealed the Tax Court’s ruling, and the Comptroller appealed the Court’s waiver of interest and penalty. The appeal is currently pending in the Circuit Court for Anne Arundel County.

#### **H. Gray & Son v. Comptroller**

This case involves a refund request by Gray & Son, a contractor that constructs stormwater management systems and sanitary sewer systems, among other projects. The Petitioner claimed that it was entitled to a refund for the sales tax it paid on materials that it included in a number of stormwater and sewer projects between 2004 and 2007. The refund claimed is \$392,000.

The Petitioner argues that its purchases of material for these projects were exempt from sales tax under Tax-Gen. § 11-210, which is entitled “Machinery and equipment.” Specifically, the Petitioner cited § 11-210(b)(3) as justifying the exemption. That subsection applies the exemption to: “a foundation to support other

machinery or equipment or an item required to conform to an air or water pollution law and normally considered part of real property.” This subsection appears under the heading “Production generally,” and the exemption has always been limited to property used in a manufacturing operation. The Petitioner presented evidence that the stormwater and sewer systems were constructed in accordance with water pollution laws, and relied on two cases, *Fletcher Construction, Inc. v. Comptroller of the Treasury* [Maryland Tax Court, Sales Tax No. 93, November 26, 1982] and *Gray Concrete Pipe Co., Inc. v. Comptroller* [Maryland Tax Court, Sales Tax No. 120, March 9, 1984] for the proposition that the second phrase of § 11-210(b)(3), concerning items required to conform to pollution laws, was intended to be a stand alone exemption that was not limited to manufacturing operations.

The Comptroller presented evidence that the statute at issue was always intended to be limited to manufacturing operations, and that the wording of the statute through various enactments clearly demonstrated this intent. The Comptroller also demonstrated that counsel for the Petitioner had misread both the *Fletcher* and *Gray* cases and the statutes that were involved in those cases.

The Court ruled in favor of the Comptroller on the grounds of the legislative history of the statute, the wording of the current statute, including the fact that the subsection is under the heading “Production generally,” and the fact that there was no proof that the phrase in question was ever intended to be a “stand alone” exemption.

The Petitioner appealed this decision.

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#### **VI. Changes in Tax Forms**

Beginning this year, we will discontinue our mass mailing to taxpayers, who filed a Maryland paper tax return to us in the previous tax year. However, we will make available a limited supply of the paper version of the tax booklet to libraries.

We have discontinued the CD-ROM version of the tax forms.

Tax forms will continue to be available through various sources this year. Fill-in forms and a

Package X will be available on the Comptroller's Web site at [www.marylandtaxes.com](http://www.marylandtaxes.com).

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. A list of this year's tax forms can be found on pages 34-35.

## A. Resident Returns

### Forms 502

We have reformatted the Exemptions area on the face of Form 502. Also, line C asks for an entry from line 3 of Maryland Dependent Form 502B.

### Instructions to 502 and 503

- Instruction #1 – The minimum filing requirements have changed. The new amount for a single person under 65 is \$9,750.
- Instruction #10 – We have updated the Exemption Amount Chart to reflect a change in the phase out of exemptions. The \$3200 exemptions for a taxpayer who is single or Married Filing Separately begin to be reduced when federal AGI exceeds \$100,000. The exemption is reduced to -0- when the AGI exceeds \$150,000.

For taxpayers filing jointly, head of household, or as a qualifying widow(er) with a dependent, the exemption phaseout begins when AGI exceeds \$150,000 and is reduced to -0- when it exceeds \$200,000.

- Instruction #12 – letter code “e” has been modified to remove the addition modification for the two credits which have been removed from Form 500CR.
- Instruction #12 – we have retained letter code “o” for any Tuition and Fees Deduction taken on the federal return because of the possibility of the credit

being returned by federal legislation. However, at the time this is being created, this deduction has expired.

- Instruction #13 – Maximum allowable pension exclusion is \$27,100.
- Instruction #13 – We have updated letter codes to reflect three new letter codes (See Form 502SU).
- Instruction #13 – letter code “v” has been modified to add the Maryland Defense Force to the list of organizations whose members may qualify for the Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification Program.
- Instruction #17 – We have updated the Maryland tax rate schedules to reflect the new rates. The highest state tax rate is now 5.75% for single taxpayers with taxable net income over \$250,000 and joint taxpayers with taxable net income over \$300,000.
- Instruction #18 – In line 26 instructions we reflect the sunset of the Work Opportunity Tax Credit, as well as the repeal of the Telecommunications Property Tax Credit. We have also removed the reference to the addition modification related to these two credits.
- Instruction #18 – We have updated the Poverty Income guidelines, which begin at \$11,170.
- Instruction #19 – Two counties have changed their 2012 local tax rates. Anne Arundel County has reduced its rate to 2.49% and Queen Anne's County has increased its rate to 3.2%.
- Instruction #23 – under “Tax Preparers,” we have removed reference to the Paid Preparer's use of a Social Security Number. The preparer who is signing the resident return, must use a PTIN.

- Following the tax tables in the resident instruction booklet on page 24, we have updated the Maryland tax computation worksheets for taxable net incomes of \$100,000 or more.

### **Form 502B**

We have modified Form 502B to have three separate lines to summarize the Maryland dependent information:

- Line 1 requests the total number of boxes checked for the regular dependency exemption (box 6)
- Line 2 requests the total number of additional boxes checked when a dependent is age 65 or over.
- Line 3 is the total of line 1 and 2 and is carried over to line C of the Exemption on Forms 502, 505, or 515.

We have removed the line requesting the ID or license number when there is business income and a refundable earned income credit is claimed on the tax return.

### **Form 502CR**

PART E – The maximum amount of credit that can be claimed for long-term care premiums in Part E has been increased to \$350 for those insured who are age 40 or less. This change has also been made to the related instructions.

We have also added Question 4 to PART E to clarify that the credit for Long-Term Care Premiums can only be taken for a Maryland resident.

### **Form 502D**

The highest 2013 tax rate is now reflected as 5.75%.

Anne Arundel County's rate has returned to 2.56% beginning in 2013. Also, Talbot County has increased its rate to 2.4%, and Wicomico has increased its rate to 3.2% beginning in 2013.

### **Form 502H**

In Section 2, we have updated a line reference to the Corporation income tax return, Form 500. The new reference is to line 15e. The same line reference change was made to the instructions to Form 502H, page 2.

### **Form 502S**

In Section 2, we have updated a line reference to the Corporation income tax return, Form 500. The new reference is to line 15e. The same line reference change was made to the instructions to Form 502S, page 2.

### **Form 502SU**

- Letter code "jj" was added to the form to provide a subtraction for a gain resulting from a payment from the Maryland Department of Transportation as a result of the acquisition of a portion of the property on which the principal residence is located.
- Letter code "kk" was added to the form to provide for a subtraction for qualified conservation expenses up to \$500 for an application approved by the Department of Natural Resources to enter into a Forest and Conservation Management Plan.
- Letter code "ll" was added to the form to provide for a subtraction for a payment received as a result of a foreclosure settlement negotiated by the Maryland Attorney General.

### **Form 502UP**

We have added an important note in the header of the form for taxpayers with income over \$100,000 to see Special Instructions for line 2.

We have added 2012 special instructions for line 2, to provide an alternative calculation for taxpayers who may be subjected to a higher penalty as a result of the changes in exemption or tax rate. The instructions instruct taxpayers to use the exemption amounts and tax rates in effect for 2011, in computing line 2, when their income exceeds \$100,000 (\$150,000 for joint taxpayers).

They will also use Code 301, when using this alternative calculation.

### **Form 502V**

We have changed the Form 502V to reflect the new charitable travel expenses modification. For the travel expenses incurred during 2012, the rate is 55.5 cents per mile.

### **Form 502X--Instructions**

We have updated the tax schedules and local tax rate charts.

On page 4, in Instruction 12, under "Tax Preparers," we have removed reference to the Paid Preparer's use of a Social Security Number. The preparer who is signing the amended return, must use a PTIN.

### **Form 502XS – Discontinued Form**

We have discontinued Form 502XS, Short Amended Tax Return.

## **B. Nonresident Returns**

### **Form 505**

We have added a space for Pennsylvania residents to enter their county of residence, in addition to their City, Borough, or Township.

### **Instructions to Form 505**

- Instruction #4 – The minimum filing requirements have changed. The new amount for a single person under 65 is \$9,750.
- In Instruction #4 – we have modified the "Maryland Tax Withheld in Error" instructions to remove the reference to line 33 (earned income tax credit). This was done because nonresidents must have Maryland earned income to be able to take this tax credit.
- Instruction #6 – We have updated obsolete language which referred to the label of the paper return. It now has information emphasizing the importance of

correct name and address information on the return.

- Instruction #10 -- We have reformatted the Exemptions area on the face of Form 505. Also, line C asks for an entry from line 3 of Maryland Dependent Form 502B.
- Instruction #10 – We have updated the Exemption Amount Chart to reflect a change in the phase out of exemptions. The \$3200 exemptions for a taxpayer who is single or Married Filing Separately begin to be reduced when federal AGI exceeds \$100,000. The exemption is reduced to -0- when the AGI exceeds \$150,000.  
  
For taxpayers filing jointly, head of household, or as a qualifying widow(er) with a dependent, the exemption phaseout begins when AGI exceeds \$150,000 and is reduced to -0- when it exceeds \$200,000.
- Instruction #12 – letter code "a" has been modified to change reference to federal Schedule K-1 to Maryland Schedule K-1.
- Instruction #12 – letter code "e" has been modified to remove the addition modification for the two credits which have been removed from Form 500CR.
- Instruction #13 – We have updated letter codes to reflect three new letter codes (See Form 505SU).
- Instruction #19 – We have updated tax schedules to reflect the new 2012 rates.
- Instruction #20 – We have updated the Poverty Income guidelines, which begin at \$11,170.
- Instruction #24 – under "Tax Preparers," we have removed reference to the Paid Preparer's use of a Social Security Number. The preparer who is signing the nonresident return, must use a PTIN.
- Instruction #29 – the marginal tax rate that is used for composite returns is now 5.75%.

## Form 505SU

- Letter code “jj” was added to Part I of the form to provide a subtraction for a gain resulting from a payment from the Maryland Department of Transportation as a result of the acquisition of a portion of the property on which the principal residence is located.
- Letter code “kk” was added to Part II of the form to provide for a subtraction for qualified conservation expenses up to \$500 for an application approved by the Department of Natural Resources to enter into a Forest and Conservation Management Plan.
- Letter code “ll” was added to Part II of the form to provide for a subtraction for a payment received as a result of a foreclosure settlement negotiated by the Maryland Attorney General.

## Form 505X Instructions

We have updated the tax schedules in Instruction 5, on page 2.

On page 4, in Instruction 12, under “Tax Preparers,” we have removed reference to the Paid Preparer’s use of a Social Security Number. The preparer who is signing the amended return, must use a PTIN.

## Form MW506NRS

We have updated the 2012 and 2013 Maryland Returns of Income Tax Withholding for Nonresident Sale of Real Property (Forms MW506NRS) to reflect the individual tax rate on line h(2) as 7%.

## Form MW506R

We have updated the 2012 and 2013 Applications for Tentative Refund of Withholding on Sales of Real Property by Nonresidents (Forms MW506R) to reflect the individual tax rate on line 5b as 7%.

## Form 515

We have added a space for Pennsylvania residents to enter their county of residence, in addition to their City, Borough, or Township.

## Instructions to Form 515

- Instruction #2 – The minimum filing requirements have changed. The new amount for a single person under 65 is \$9,750.
- Instruction #2 – We have modified the “Maryland Tax Withheld in Error” instructions to remove the reference to line 34 (earned income tax credit). This was done because nonresidents must have Maryland earned income to be able to take this tax credit.
- Instruction #9 -- We have reformatted the Exemptions area on the face of Form 515. Also, line C asks for an entry from line 3 of Maryland Dependent Form 502B.
- Instruction #9 – We have updated the Exemption Amount Chart to reflect a change in the phase out of exemptions. The \$3200 exemptions for a taxpayer who is single or Married Filing Separately begin to be reduced when federal AGI exceeds \$100,000. The exemption is reduced to -0- when the AGI exceeds \$150,000.  
  
For taxpayers filing jointly, head of household, or as a qualifying widow(er) with a dependent, the exemption phaseout begins when AGI exceeds \$150,000 and is reduced to -0- when it exceeds \$200,000.
- Instruction #18 – We have updated tax schedules to reflect the new 2012 rates.
- Instruction #19 – We have updated the Poverty Income guidelines, which begin at \$11,170.
- Instruction #20 – We have updated the local tax rate changes. Anne Arundel County decreased its rate to 2.49% and

Queen Anne County increased its rate to 3.2%.

- Instruction #23 – under “Tax Preparers,” we have removed reference to the Paid Preparer’s use of a Social Security Number. The preparer who is signing the Form 515, must use a PTIN.

## C. Corporation Returns

### Form 500

We have expanded the Corporation Return, Form 500, to a three-page return. This was done to incorporate the data elements from Form 500A, which has been eliminated.

This reformatting of the returns breaks up the additions and subtractions further into adjustments and modifications.

#### Instructions to Form 500

On page 2, in the first column, we have updated a page reference in our corporation instructions related to the apportionment schedule which in on page 3 of Form 500.

On page 2, in the second column, we have updated instructional text related to Taxable Income to follow the reformatted Form 500.

On page 2, in the second and third columns, we have updated instructional text related to **Maryland modified Income** to include reference to statutory addition and subtraction adjustments, as well as modifications.

We have added the clarifying language to the paragraph on “Maryland taxable income,” as well.

On page 2, in the third column, we have updated the line references in the instructional text related to **Maryland Business Income** Tax Credits on Maryland Form 500CR.

On page 4, **Specific Instructions**, we have removed previously existing text referencing the discontinued Form 500A, Calculation of Modified Income.

Beginning on page 4, we have modified the line-by-line instructions to correspond with the newly designed Form 500.

We have retained most of the codes used on Form 500, but they are used on different lines. Addition Codes A through D, plus G are used on line 7f, “Other Additions.” Addition Codes E, F, CD, DM, and DP are used on line 2b, “Decoupling Modification Addition Adjustment.” Addition Code H (which was an addition coming from Form 500A) has been discontinued.

Subtraction Codes A through I, and L, M, N, and P are used on line 8b, “Other Subtractions.” Subtraction Codes J, K, CD, DM, and DP are used on line 3d, “Decoupling Modification Subtraction Adjustment.” Subtraction Code O (which was a subtraction coming from Form 500A) has been discontinued.

On pages 6 and 7 we have removed the tax credits which have sunset or have been repealed.

On page 8 we have added text for lines 23 and 24 for entries on the Form 500 which are not part of the current tax year calculations.

On page 8, in the second column, under “Signature and Verification,” we removed reference to the Paid Preparer’s use of a Social Security Number. The preparer who is signing the corporation return, must use a PTIN.

#### Form 500A – Discontinued Form

We have discontinued Form 500A, Calculation of Modified Maryland Income, as the calculation has been incorporated into the Maryland Form 500.

#### Form 500CR – Maryland Business Income Tax Credits

Part B – The Credit for Employment Opportunity Employees has been allowed to expire. It has been removed from the Form 500CR.

Part C – The header for the Maryland Disability Employment Tax Credit reflects an extension of the credit for another tax year. It applies to employees hired before July 1, 2013.

Part J – The Telecommunications Property Tax Credit was repealed during the 2012 Special Session. We have removed it from this form.

Part P – Parts P-I and P-II of the One Maryland Economic Development Tax Credit have been reformatted, to allow a prorated share of the credit for certain qualified business entities to be claimed. These entities must have had the requisite number of qualified positions for at least five years AND must currently have 10 or more qualified positions.

Part T – Entities can no longer qualify for the Job Creation and Recovery Tax Credit; however, there are members of PTEs who had the 2011 credit passed through to them in the member's 2012 tax year. Part T has been modified to allow the claiming of this credit in this limited situation.

Part W – We have blocked the use of lines 2, 10, and 20 to reflect the sunset or repeal of the three 2012 credits referenced above.

We also made a reference change on line 24 of Part W. The carryover of excess credits comes from Part X, line 7 of the 2011 form.

We also updated other referenced in Part W and Part X that related to referenced to the three expired credits and related addition modifications.

Part Y – Line 4 now refers taxpayers to the instructions because of the limitations placed on the claiming of Part T.

### **Instructions to Form 500CR**

In the **General Instruction** section we have updated the chart of tax credits to show the discontinuation of two credits.

Also, in the **General Instruction** section, we have added a new paragraph to provide guidance on how to claim a tax credit received from a fiscal year pass-through entity.

Part B – We have removed the instructions for the Work Opportunity Tax Credit, which has been permitted to sunset.

Part C – We have modified the instructions to reflect the extension of the sunset provision on

the Maryland Disability Employment Tax Credit to January 1, 2016.

Part D – We have modified the instructions to reflect the extension of the sunset provision on the Job Creation Tax Credit to January 1, 2020.

Part J – We have removed the instructions for the Telecommunications Property Tax Credit, which has been repealed.

Part P – We have modified our instructions for the One Maryland Economic Development Tax Credit to reflect a retroactive legislative provision. As on January 1, 2011, qualifying entities who have maintained at least five qualifying positions, may claim a prorated credit, provided they have at least 10 qualified positions.

We have updated the instructions in Part P, Section A, in the second column of Page 6 to provide guidance on completing the reformatted section of Part P.

We have also added a new instructional paragraph to Part P, Section B, dealing with the application of the prorate factor to the tax liabilities computed on lines 7a and 8a, when an eligible qualified business entity has between 10 and 24 employees

Part P also contains special instructions for PTEs, that have been updated as a result of the prorate allowance. These instructions provide guidance of the eleven items that PTEs must provide on Form 500CR if they are eligible for the One Maryland Economic Development Tax Credit.

We have also updated our special instructions to PTE members who receive a Schedule K-1 showing that they are entitled to claim the One Maryland Economic Development Tax Credit. The update deals with how to handle the reporting when the PTE reports that it has fewer than 25 qualified positions on the Schedule K-1.

Part T – The Job Creation & Recovery Tax Credit is no longer in effect for 2012. Our instructions have been updated to provide guidance to those employers who were fiscal year PTEs who earned the credit in Tax Year 2011, but is passing the credit on to 2012 taxpayers.

The chart at the end of the instructions has been modified to show the removal of the two obsolete credits.

#### **Form 500DM**

We have updated the header information for the corporation return, Form 500, which now has addition (and subtraction) adjustments, as well as modifications.

In column 2 of page 2 of the form, we have clarified the handling of line 7 and code dp.

#### **Form 500MC**

We have updated the text on lines 1 and 7 to reflect the changes in line references on Form 500 as a result of the expansion of that form to three pages.

Line 6A has been updated to 7%.

#### **Form 500UP**

Line 1 of Form 500UP, Underpayment of Estimated Maryland Income Tax for Corporations and Pass-Through Entities, has been updated to reflect the new reference on Form 500.

#### **Form 500X**

We have moved the questions related to the filing of the amended corporation return to page 2 of the form, underneath the apportionment schedule.

We have expanded the first five lines of Form 500X to nine lines to help keep the flow of the amended return intact, while trying to faithfully represent the changes to the form.

We have added a checkbox above the signature area on the Form 500X. This box should be checked when page three is attached to the Form 500X. Part D is now on Page 3 to provide an Explanation of Changes to Income, Modifications, Apportionment Factor and Credits.

#### **Form 500X Instructions**

We have updated the instructions in Part A to clarify the handling of a federal NOL.

In the second column, we have included instructions to tax preparers, reminding them that they must use PTINs.

We have also removed reference to Form 500A from instructions.

### **D. Pass-Through Entities (PTEs)**

#### **Form 510**

The tax on line 7 is now 5.75%.

#### **Instructions to Form 510**

On page 1, in the second column, we updated the tax rate to 5.75%, in addition to the special nonresident tax rate of 1.25%.

On page 2, in the second column, under the heading, "Statements to Members," we have removed language permitting a modified federal Schedule K-1 as an alternative to the Maryland Form 510, Schedule K-1.

On page 4, in the first column, we updated the tax rate to 5.75%, in the line 7 instructions.

On page 4, in the third column, under "Signature and Verification," we removed reference to the Paid Preparer's use of a Social Security Number. The preparer who is signing the PTE return, must use a PTIN.

#### **Form 510C**

The tax on line 11 is now 7%

In the instruction page of Form 510C, we have modified line 4 instructions to provide that when it is not practicable to determine the separate Maryland income factors of all of the nonresidents electing to be part of the composite filing, the PTE will use the factor using line 6 of Form 510 as the numerator and line 2 of Form 510 as the denominator after it has been adjusted for nonparticipating members.

#### **Form 510D**

The 2013 tax rate on line 2 has been changed to 5.75%.

## **Form 510, Schedule K-1**

On page 1, Part E, the Employment Opportunity Tax Credit has been removed from form.

On page 2, Part E, the Telecommunications Property Tax Credit has been removed from form.

On page 2, Part E, the Job Creation and Recovery Tax Credit has been removed from form.

We have modified the One Maryland Economic Development Tax Credit section of the form. If the number of qualified employees reported on line 21a is fewer than 25 employees, we ask the PTE to indicate whether or not they have maintained at least 25 qualified employees for five years. On line 22 we ask for the Tax Year in which the project was initiated.

## **E. Fiduciaries**

### **Form 504**

We have added a checkbox to Form 504, Fiduciary Tax Return, for filers to identify a return which is electing a small business trust.

### **Instructions to 504**

Instruction #4 – In the second column of page 2, we have added language about checking the box on Form 504 related to “Electing Small Business Trust (ESBT).” The instructions explains that a fiduciary filing as an ESBT, and computes tax on the S-portion of income on a separate federal schedule pursuant to IRC 641(c), instead of including this income in the trust’s federal adjusted gross income, will be required to add such income to the federal income when preparing the 2013 fiduciary income tax return.

Instruction #19 – On page 5, in the third column, under “Tax Preparers,” we removed reference to the Paid Preparer’s use of a Social Security Number. The preparer who is signing the Fiduciary income tax return, must use a PTIN.

### **Form 504D**

The highest 2013 fiduciary tax rate is now reflected as 5.75%.

Anne Arundel County’s rate has returned to 2.56% beginning in 2013. Also, Talbot County has increased its rate to 2.4%, and Wicomico has increased its rate to 3.2% beginning in 2013.

## **G. Withholding**

### **Withholding Tax Guide**

We have updated the 2012 Withholding Tax Guide to reflect a change in tax rates and tax brackets as a result of the law changes enacted in the Special Session of the General Assembly. We also added a new local rate to address counties which have a local rate between 2.4% and 2.5%.

We have updated the 2013 Withholding Guide to add a new local rate to address counties which have a local rate between 2.3% and 2.4%.

The Withholding Tax Guides are available online.

### **Form MW506 and Form 506M**

We have assigned added barcodes to the 2013 withholding tax returns, and the accelerated withholding tax return to enhance processing of the document.

In addition we are looking for ways to provide a downloadable version that will contain a unique user-specific scan line.

### **Form MW507**

The exemption worksheet on page two of Form MW507 has been updated to assist employees, with incomes over \$100,000, in the calculation of the exemption amount to be provided to their employer.

## **H. Sales and Use Tax Return**

### **Form 202 – New Format**

We have completely redesigned the paper version of the Sales and Use Tax coupon into a full-page, two-column return. It is now Form 202.

However, we are phasing the return in. Prior to November 2012, the paper coupon is used. After

the November reporting period, the Form 202 becomes the standard form.

In addition we are looking for ways to provide a downloadable version that will contain a unique user-specific scan line.

## **I. Business Registration**

### **Combined Business Registration Application (CRA)**

We have broken Question 19 into two questions (19a and 19b). 19b now asks if the user is a non-profit organization under IRC Section 501(c)(3). If “no” the user is asked to identify the code section.

Questions 7a and 7b have been added to Section B, Part 1 of the application, which deals with unemployment insurance. These questions are addressed to Limited Liability Companies (LLC) only. Question 7a asks whether the LLC employs anyone who is not a member of the LLC. Question 7b asks if the LLC is automatically classified as a corporation or whether it has elected to be treated as a corporation by filing federal Form 8832.

A Sales and Use Tax Exemption Certificate Checklist has been added to Page 4 of the application.

We have added a note to the first column of page 2 of the CRA Instructions, to provide guidance to nonprofits which wish to purchase an item for resale.

We have added a paragraph about Powers of Attorney in the first column of page 3 of the CRA Instructions.

## **J. Estate Tax**

### **MET-1**

We are updating Section IV of the 2012 Maryland Estate Tax Return, Form MET-1, to provide for a “Tax Reduction for Qualified Agricultural Property.”

## **K. Other Taxes**

### **Form 315 – Maryland Direct Wine Shipper Tax Return**

We have updated our Form 315 to clarify that the sales of pomace brandy to consumers in Maryland is subject to the distilled spirit tax rate of \$1.50 per gallon. “Pomace brandy” is defined as “brandy that is distilled from the pulpy residue of the wine press, including the skins, pips, and stalks of grapes.”

### **Form 609 – Maryland Other Tobacco Products (OTP) Wholesaler Tax Return**

- Line 1b -- We now show that the previous 15% OTP tax rate now applies only to premium cigars sold to retailers and tobacconists.
- Line 2b – the OTP tax rate on cigars (other than premium cigars) sold to retailers and tobacconists has increased to 70%.
- Line 4g – the OTP tax rate on all other untaxed OTP sold to retailers and tobacconists is now 30%.

### **Form 610 – Maryland Other Tobacco Products (OTP) Tax Return**

- Line 1b -- We now show that the previous 15% OTP tax rate now applies only to untaxed premium cigars.
- Line 2b – the OTP tax rate on untaxed pipe tobacco is now 30%.
- Line 4b – the OTP tax rate on untaxed cigars (other than premium cigars) has increased to 70% sold by tobacconists.
- Line 5b – the OTP tax rate on all other OTP is now 30% for tobacconists only.

**Form 610C – Maryland Other Tobacco Products (OTP) Tax Return –OTP Tax Credit for Out-of-State Sales**

We have updated the OTP Tax Credit Schedule for Out-of-State Sales, Form 610C with the same tax rates reflected on Form 610.

**Form 610F – Other Tobacco Products Floor Tax Return**

We have created an Other Tobacco Products (OTP) Floor Tax Return, Form 610F, for retailers and wholesalers to account for the inventory on hand and to remit the additional tax due on these items. The return was due by October 15, 2012.

**Form 610R – Claim for Refund of Overpayment of Other Tobacco Products Floor Tax**

We have created a refund claim form for an overpayment of the Other Tobacco Products (OTP) Floor Tax.

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**VII. 2012 RAD Fiscal Year Statistics**

A. Total 2011 personal tax returns (received through 6/30/12)	2,690,414
B. Total number of refund returns (does not include Amended)	2,143,999
C. Total refunds issued on above returns	\$2,414,597,280
D. Amount paid with returns	\$460,831,338
E. Amount of refunds applied to 2012 estimated tax (56,938)	\$105,360,357
F. Amount of refunds transferred to DHR (32 <sup>nd</sup> year – 11,112 returns)	\$6,856,382
G. Amount of refunds transferred to CCU (28 <sup>th</sup> year – 96,383 returns)	\$43,413,542
H. Amount of refunds applied to business taxes (23 <sup>rd</sup> year – 967 returns)	\$730,454
I. Amount of refunds transferred to other states	\$1,489,003
• Connecticut (6 <sup>th</sup> year – 99 returns)	\$ 55,571
• Delaware (14 <sup>th</sup> year – 735 returns)	\$229,007
• New Jersey (7 <sup>th</sup> year – 257 returns)	\$ 86,167
• New York (6 <sup>th</sup> year – 485 returns)	\$231,193
• District of Columbia (1 <sup>st</sup> year – 1,395 returns)	\$887,065
J. Employer withholding receipts	\$11,102,250,444
K. Personal estimated tax	\$1,426,285,874
L. Amount of local tax distributed	\$4,439,087,437
M. Amount of corporate tax distributed	\$231,458,285
N. Amount of earned income credit claimed	\$80,235,184
O. Amount of refundable earned income credit claimed	\$151,238,907
P. Amount of poverty level credit claimed	\$4,398,206
Q. Chesapeake Bay Endangered Species Fund contributions	\$999,798
R. Developmental Disabilities Waiting List Equity Fund	\$201,896
S. Maryland Cancer Fund	\$417,399

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**VIII. 2012 Compliance Fiscal Year Statistics**

A. Number of active delinquent individual income tax cases as of 6/30	222,452
B. Number of active delinquent business tax cases as of 6/30	35,546
C. Number of payment agreements entered	97,488
D. Number of cases certified to IRS for offset	130,036
E. Number of tax liens filed	89,226
F. Number of salary garnishments filed	4,745
G. Number of bank attachments filed	12,551
H. Dollars collected on delinquent income tax cases	\$308,021,554
I. Dollars collected on delinquent business tax cases	\$305,153,375

J. Dollars collected from MITS activities .....	\$57,977,477
K. Estimated number of business tax accounts as of 6/30 .....	430,292
L. Number of 1st notices sent for individual income tax .....	176,611
M. Number of business tax discovery notices sent .....	10,080
N. Number of business tax audits and investigations .....	1,514
O. Dollars assessed for business tax audits (millions) .....	\$195.0
P. Percent of auditors (employed at least 18 months) cross-trained .....	64%
Q. Dollars assessed on business tax discovery activities .....	\$1,464,330
R. Dollars assessed for individual income tax (millions) .....	\$352.3
S. Percent of business tax accounts audited or investigated .....	0.35%
T. Number of unclaimed property holder reports received .....	11,563
U. Number of notices sent to owners .....	85,401
V. Number of unclaimed property claims paid .....	54,372
W. Dollars of unclaimed property reported (millions) .....	\$126.7
X. Dollars of unclaimed property paid to owners (millions) .....	\$54.3
Y. Percent of names added to system within 90 days .....	100%

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## IX. 2012 Tax Year Procedures

### A. Electronic Filing Program (e-FILE)

This past filing season, we received 2,092,825 electronically-filed returns. This represents a 7.84% increase over the prior year, and 78% of the total returns received through 6/30/12.

Of the 2,092,825 returns filed, 1,673,998 (80%) were refund returns; 307,635 (15%) were balance due returns; and 111,192 (5%) were balance out returns.

1. 1,289,421, or about 77% of refund electronic returns, requested a direct deposit of their refunds.
2. 90,421, or 29% of balance due electronic returns, requested a direct debit of their balance due.
3. The 2,092,825 returns were filed via the following methods:
  - a. Professionally prepared – 1,287,275
  - b. Online or tax software – 658,445
  - c. Maryland iFile – 147,125

### B. New for the next filing season:

#### 1. Resident Tax Booklets

Resident tax booklets for tax year 2012 will be available in local libraries beginning in 2013.

Resident tax booklets will no longer be mailed to taxpayers. Taxpayers may file electronically or print the tax booklet from our website at [www.marylandtaxes.com](http://www.marylandtaxes.com) or contact the nearest branch office for assistance.

#### 2. Electronic Filing Mandate

Preparers who completed 100 or more original Maryland income tax returns for Tax Year 2011 are required to file all original individual income tax returns electronically for Tax Year 2012.

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.

### 3. Earned Income Credit

Effective January 1, 2012, pursuant to the 2011 Earned Income Credit Information Act, the Comptroller shall publish the maximum income eligibility for State earned income credit (EIC) on or before January 1, of each calendar year.

A mass mailing to employers was done in October of this year with a special tax alert along with the Withholding Tax Alert to inform employers of the above.

### 4. Threshold for W-2 Submissions

For calendar year 2012 and beyond, employers/payors with 25 or more Forms W-2/1099 with wages/payments subject to Maryland withholding are required to file these statements and the annual withholding reconciliation (Form MW508) electronically. These forms can be filed either by inputting the data to our free bFile application, or by creating a file in the approved format and uploading the file in bFile or on magnetic media. *Please note: waivers issued for calendar year 2012 expire at year-end. There are no waivers for calendar year 2013 and beyond.*

### 5. Quick Response Codes

On select forms we are using Quick Response Codes which smartphone and tablet users can scan and go straight to our web pages to iFile, see estimated payments history, check their refund status, review 1099G, etc.

### 6. Tax Preparer's Website

In 2012 the Comptroller's Office introduced pServices, designed to assist tax preparers accessible through the Comptroller's website [www.marylandtaxes.com](http://www.marylandtaxes.com). It currently allows tax preparers who have been authorized by their clients to view those clients' Forms 1099-G. Future enhancements to pServices are planned to include the ability to view clients' estimated payments, tax liabilities, and prior returns, and to bulk-file extensions for their clients. As these enhancements become available, they will be announced on the Comptroller's website.

### C. Updates and reminders for next filing season:

1. Income tax returns are due April 15, 2013. If the return is for a fiscal year taxpayer, they are due on the 15<sup>th</sup> 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 15<sup>th</sup>. **However, you will have until April 30<sup>th</sup> to make your payment.** (If you file electronically and pay by check, your payment is due by April 15<sup>th</sup>).

2. **Going Green** - In our continuing effort to "Go Green", we are encouraging taxpayers to file electronically to help us reduce costs and process more efficiently.

We are continuing to discontinue the mailing of the Employer Withholding and Sales and Use Tax coupon booklets unless the taxpayer has elected to continue to receive it.

Our "Going Green" effort has paid off in that we mailed approximately 15,000 Sales and Use tax coupon booklets in 2012, compared to 2011 when we mailed 2500 still less than 2010. To continue to receive coupon booklets an e-mail can be sent to [lwantmySUTreturns@comp.state.md.us](mailto:lwantmySUTreturns@comp.state.md.us).

We had some success in 2012 with our "Going Green" also for Withholding Tax coupon booklets in that we will only be mailing approximately 15,000 coupon booklets. Compared to 2010 when we mailed 85,000 To continue to receive coupon booklets an e-mail can be sent to [lwantmyWHcoupons@comp.state.md.us](mailto:lwantmyWHcoupons@comp.state.md.us).

New accounts will not receive coupons unless it is requested on the Combined Registration Application.

We are currently planning to develop a version of the withholding and Sales and Use Tax Return which can be downloaded from our website.

3. **Social Security Number Validation** – All taxpayers' Social Security numbers primary and secondary will be validated through the Internal

Revenue Service before the processing of the return is complete. Filings with invalid Social Security numbers may result in processing delays and denial of any credits.

If you have a dependent who was placed with you for legal adoption and you do not know his/her Social Security number you must apply for an ATIN from the IRS.

If you have contacted the IRS concerning identity theft and received a 6 digit IP PIN you should enter it in the shaded box near the signature area of the return.

#### **4. Electronic Returns, with Balance Due**

– As we have done last year, 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.

**5. Tax Returns submitted without W-2s or 1099s** – Tax returns received with a withholding amount and without an attached wage statement, W-2 or 1099, will be returned to the taxpayer.

**6. 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.

**7. 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.

**8. Certification Requirement for Electronically Filed Returns** – We will continue to require supporting documentation for certain credits to be submitted within 14 calendar days for the credits to be allowed. It is preferable that the documentation be transmitted with the return as a PDF attachment. Alternatively, it may be submitted either by fax (410-974-2274), by email at [cert@comp.state.md.us](mailto:cert@comp.state.md.us), or by mail at:

Revenue Administration Division  
Electronic Processing Section  
P.O. Box 2364

Annapolis, MD 21404

The eFile Handbook lists the credits requiring certification on page 6.

#### **D. Free Internet Filing for Individuals (iFILE)**

1. Taxpayers may file their resident and nonresident returns for 2004 through 2011 on our Web site.

2. Amended returns may also be filed, provided the taxpayer has iFiled the original return. You may access our Web site at [www.marylandtaxes.com](http://www.marylandtaxes.com).

3. Personal extension requests, estimated payments, pay a bill, set-up a payment plan and sign up to electronically receive your 1099G may be made through iFile.

#### **E. Free Internet Filing for Businesses (bFILE)**

1. bFile allows businesses to file their employer withholding and Sales and Use returns on our Web site and pay by direct debit or credit card. Employers may also key up to 250 W-2s and their 508s, directly to our Web site: [www.marylandtaxes.com](http://www.marylandtaxes.com)

##### **2. bFile Advantages**

- bFile allows the user 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 that 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 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 2 previous years.
- bFile calculates the discount on timely filed SUT filings when applicable.
- Multiple accounts may be accessed by a single registration.

**F. Electronic Funds Withdrawal (Direct Debit) is available for the following:**

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

**G. Alternative Payment Methods**

For alternative methods of payment, such as a credit card, visit the Comptroller’s website at [www.marylandtaxes.com](http://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 15th.

For Fiscal Year 2012, we received the following credit card payments:

- 42,277 2011 personal tax return payments for \$15,349,714
- 65,374 delinquent tax payments for \$15,353,666
- 3,085 estimated tax payment for \$3,427,422
- 2,874 extension payments for \$1,112,407
- 1,426 sales & use tax payments for \$3,058,415
- 1,147 employer withholding payments for \$1,485,546

**H. 2D Barcodes**

We continue to have the ability to process tax returns by reading a 2D barcode which contains all

of the tax return data. Through June 30, 2012, we received 339,635 returns containing a 2D barcode and 249,607 or 73% were read successfully. If your software does not produce a 2D barcode, please contact your software company and request it since it provides for a more accurate and efficient processing of the return.

We are proceeding with the development of the Form 502 (Internet version) using the following option: Form 502 with 2D barcode which includes data from the Form 502B (as an attachment or a third page).

If the Form 502 has all of the required data in the 2D barcode and all three pages are submitted, the form should process without encountering problems.

If the Form 502 has all of the required data in the 2D barcode but the third page, Form 502B, is not attached, the data will not be picked up. The dependent deduction will be disallowed just like when a non-2D paper return is received.

Please switch your 2D barcode default to “ON” if your software supports 2D technology. Remember, if you use 2D, we cannot read any hand written changes on the form (i.e., direct deposit information).

**I. 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.

**J. 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. 505NR and 504NR not included with the return.
5. Poverty level credit.
6. Form 502CR and 500CR submitted incomplete or required documentation not attached.
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 (K-1) not attached.

#### **K. Taxpayer Service**

The tax information lines will be staffed from 8:00 a.m. to 7:00 p.m. from February 1 through April 15, 2013.

#### **L. Important Information**

Web site address: [www.marylandtaxes.com](http://www.marylandtaxes.com)

Tax Practitioner hotline: 410-260-7424

Tax Practitioner e-mail address: [taxprohelp@comp.state.md.us](mailto:taxprohelp@comp.state.md.us)

eFile Tax Pro hotline: 410-260-7753

eFile Tax Pro e-mail address: [efile@comp.state.md.us](mailto:efile@comp.state.md.us)

Tax Forms e-mail address: [taxforms@comp.state.md.us](mailto:taxforms@comp.state.md.us)

**Guide to Business Tax Credits** is available on our Web site, and you may go directly to that page by entering the following Web address:  
<http://business.marylandtaxes.com/taxinfo/taxcredit/tax-credit-guide.pdf>

## 2012 Maryland Income Tax Forms

### Availability

We strongly encourage you to electronically file your income tax returns. Individual Maryland income tax forms can be picked up at any of our taxpayer service locations throughout Maryland. In addition, many public libraries and post offices have small quantities of the most used forms 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](http://www.marylandtaxes.com)

### Reproducible forms

You may photostatically reproduce 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
500CR	Business Income Tax Credits
500D	Maryland Corporation Declaration of Estimated Income Tax
500DM	Decoupling Modification
500E	Application for Extension of Time to File Corporation Income Tax Return
500MC	Report of Maryland Multistate Manufacturing Corporation
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
503	Maryland Tax Return (Resident Individual) Short 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
502H	Heritage Structure Rehabilitation Tax Credit
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
504K-1	Maryland Schedule K-1 (Form 504) – Beneficiary Information
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
	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)
588	Direct Deposit of Maryland Income Tax Refund to More Than One Account.

## 2012 Maryland Income Tax Forms

(List Continued from Previous Page)

MW507	Employee's Maryland Withholding Exemption Certificate 
MW507M	Military Spouse Withholding Exemption Certificate
MW507P	Request for Maryland Withholding for Annuitant, Sick Pay and Retirement Distributions
COM/ST-118A/B	Consumer Use Tax Return for Out-of-State Purchases
CRA	Combined Registration Application 

 Denotes Form is included in Appendix