



Changes in Maryland 2013 Tax Forms and Instructions

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Income Tax

Maryland Tax Forms

- ✓ Fill-in forms and the current Withholding Guide are available on www.marylandtaxes.com.
- ✓ We no longer distribute resident tax booklets through mass mailing.
- ✓ We have made a limited number of resident tax booklets available to libraries.

FORM 502 MARYLAND RESIDENT INCOME TAX RETURN

OR FISCAL YEAR BEGINNING 2008, ENDING 2009, ENDING

Your full name _____

Spouse's full name _____

Print address, city, and state _____

Name of county and incorporated city, town or special taxing area as resident on the last day of the taxable period. See instructions. _____

YOUR FILING STATUS—See instructions 1 to determine if you

1. Single (if you are or check on and the person's tax return)

2. Married filing joint return or spouse had no income

3. Married filing separately

4. Head of household

5. Qualifying widow(er) with dependent child

Print Using Blank or Black Ink Only

Check Only One Box

Maryland Tax Forms

- ✓ Forms may be requested through our Central Files Unit or one of our branch offices.
- ✓ We have discontinued the Package X.

FORM 502 MARYLAND RESIDENT INCOME TAX RETURN

OR FISCAL YEAR BEGINNING 2013, ENDING 2014

Your first name _____ last _____

Spouse's first name _____ last _____

Present address (No. and street) _____

Name of county and incorporated city, town or special taxing area a resident on the last day of the taxable period. (See Instruction 1.) _____

YOUR FILING STATUS—See Instruction 1 to determine if you are:

- Single (If you can be claimed on another person's tax return.)
- Married filing joint return or spouse had no tax liability.
- Married filing separately
- Head of household
- Qualifying widow(er) with dependent child

Print Using Blue or Black Ink Only

Check Only One Box

Maryland Tax Forms

- ✓ This will be the tenth year we will provide Spanish forms on our Web site. When there are questions as to the meaning of instructions, the English version of the forms will prevail.

FORMA 502 FORMA DECLARACIÓN DEL IMPUESTO SOBRE EL INGRESO DE RESIDENTES DE MARYLAND

O EL AÑO FISCAL QUE COMIENZA EL _____ DEL 2008 Y FINALIZA EL _____

Nº DE SEGURO SOCIAL _____ Nº DE SEGURO SOCIAL DEL CONYUGUE _____

Su nombre		Inicial	Apellido
Número del conyuge		Inicial	Apellido

DIRECCIÓN ACTUAL (Nº y calle) _____

Ciudad _____ Estado _____ Código postal _____

Form 502 -- Resident Return

- ✓ Attachment Sequence numbers have been added to the major Resident forms.

MARYLAND RESIDENT INCOME TAX RETURN FORM 502

OR FISCAL YEAR BEGINNING 2013, ENDING 2014

135020001

Attachment Sequence No. 02

Your First Name _____ Initial _____ Last Name _____

Spouse's First Name _____ Initial _____ Last Name _____

Present Address (No. and street) _____

City or Town _____ State _____ ZIP code _____

SOCIAL SECURITY NUMBER (REQUIRED) _____

SPOUSE'S SOCIAL SECURITY NUMBER (REQUIRED) _____

Name of county and incorporated city, town or special taxing area in which you resided on the last day of the taxable period. (See Instruction 1.) _____

Regional County _____ City, Town or Special Area _____

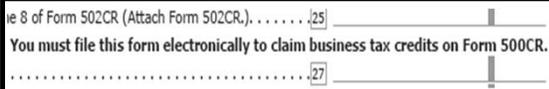
Forms 502 & 503 -- Resident Returns

- ✓ **Line 1b** – New line for taxpayers who are claiming an **Earned Income Tax Credit** to report their **earned income**.



Form 502 -- Resident Return

- ✓ **Line 26** – You must file your tax return **electronically** to claim a **business tax credit** on line 26 from **Form 500CR**.



Form 502 and 503 Instructions

Instruction 1. – We have updated the minimum filing level for 2013. The new amount for a single person under 65 now is **\$10,000**.

MINIMUM FILING LEVELS TABLES	
TABLE 1 MINIMUM FILING LEVELS FOR TAXPAYERS UNDER 65	TABLE 2 MINIMUM FILING LEVELS FOR TAXPAYERS 65 OR OVER
Single person (including dependent taxpayers) \$ 10,000	Single, age 65 or over \$ 11,500
Joint Return \$ 20,000	Joint Return, one spouse, age 65 or over \$ 21,200
Married persons filing separately \$ 15,000	Joint Return, both spouses, age 65 or over \$ 22,400
Head of Household \$ 13,000	Married persons filing separately, age 65 or over \$ 3,900
Qualifying widow(er) \$ 18,000	Head of Household, age 65 or over \$ 14,350
	Qualifying widow(er), age 65 or over \$ 17,300

Form 502 and 503 Instructions

- ✓ **Instruction 13.**
- The maximum allowable pension exclusion now is **\$27,800.**



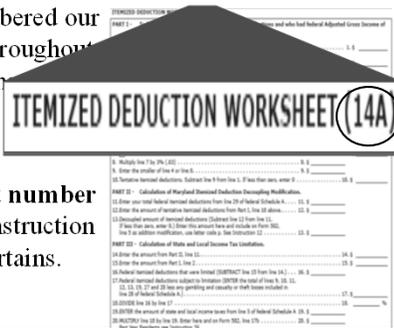
Form 502 and 503 Instructions

- ✓ **Instruction 12.** – Letter code “p” is used to report Maryland’s decoupling with the federal itemized deduction limitation threshold.



Form 502 and 503 Instructions

- ✓ We have numbered our worksheets throughout our instruction
- ✓ A **Worksheet number** ties into the instruction to which it pertains.



502 and 503 Instructions

- ✓ **Instruction 19.** – **Anne Arundel County** has returned to a local tax rate to **.0256**; **Talbot County** has increased its rate to **.0240**; and **Wicomico County** has increased its rate to **.0320**.

2013 LOCAL TAX RATE CHART	
Subdivision	Rate
Baltimore City	.0320
Allegany County	.0305
Anne Arundel County	.0256
Baltimore County	.0263
Calvert County	.0280
Caroline County	.0263
Carroll County	.0305
Cecil County	.0290
Charles County	.0290
Dorchester County	.0262
Frederick County	.0296
Garrett County	.0265
Harford County	.0306
Howard County	.0320
Kent County	.0285
Montgomery County	.0320
Prince George's County	.0320
Queen Anne's County	.0320
St. Mary's County	.0300
Somerset County	.0315
Talbot County	.0240
Washington County	.0280
Wicomico County	.0320
Worcester County	.0125

Form 502CR – Individual Tax Credits

- ✓ **Part E** - The maximum amount of credit that can be claimed for **long-term care premiums** in Part E has been increased to **\$360** for those insured age 40 or younger.

PART E - LONG-TERM CARE INSURANCE CREDIT: (THIS IS A ONE-TIME CREDIT)

Answer the questions and see instructions below before completing Columns A through D for long-term care insurance premiums.

Question 1 - Did the insured individual have long-term care insurance premiums paid for in this year?

Question 2 - Is the credit being claimed for the insured individual in this year?

Question 3 - Has credit been claimed by anyone for the insured individual in this year?

Question 4 - Is the insured individual for whom the credit is being claimed age 40 or younger?

If you answered YES to any of the above questions, that insured person qualifies for the credit.

Complete Columns A through D only for insured individuals who qualify for the credit. Enter the amount of premium paid for each insured person or:

- \$360 for those insured who are 40 or less, as of 12/31/13
- \$500 for those insured who are 41 or older, as of 12/31/13



Form 502CR – Individual Tax Credits



- ✓ **Part G** – Shows the new **Health Enterprise Zone Practitioner Tax Credit**.

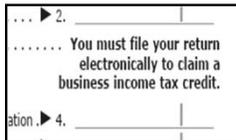
- ✓ Provides for a tax credit for health care practitioners working in a Health Enterprise Zone (HEZ).

Form 502CR – Individual Tax Credits



- ✓ Practitioners who have been **certified by DHMH** as working in a HEZ get a credit of up to 100% of income earned working in the HEZ.
- ✓ Credit is available only against the State portion of the tax.

Form 502CR – Individual Tax Credit



- ✓ **Part I – Line 3, Refundable Business Tax Credits from Form 500CR.**
- ✓ Language has been added to the form to remind taxpayers they must file their returns **electronically** to claim a credit on this line.

Form 502D – 2014 Estimated Tax

- ✓ **Caroline County** has increased to **2.73%**,
- ✓ **Carroll County** has decreased to **3.04%**, and
- ✓ **Charles County** has increased to **3.03%**.



Baltimore City . . . . .	.0320
Allegany County . . . . .	.0305
Anne Arundel County . . . . .	.0256
Baltimore County . . . . .	.0283
Calvert County . . . . .	.0280
Caroline County . . . . .	.0273
Carroll County . . . . .	.0304
Cecil County . . . . .	.0280
Charles County . . . . .	.0303
Dorchester County . . . . .	.0262
Frederick County . . . . .	.0296
Garrett County . . . . .	.0265
Harford County . . . . .	.0306
Howard County . . . . .	.0320
Kent County . . . . .	.0285
Montgomery County . . . . .	.0320
Prince George's County . . . . .	.0320
Queen Anne's County . . . . .	.0320
St. Mary's County . . . . .	.0300
Somerset County . . . . .	.0315
Talbot County . . . . .	.0240
Washington County . . . . .	.0280
Wicomico County . . . . .	.0320
Worcester County . . . . .	.0125
Nonresidents use . . . . .	.0125

Form 502H – Heritage Structure Rehabilitation Tax Credit

- ✓ We have discontinued the use of **Form 502H, Heritage Structure Rehabilitation Tax Credit.**



Form 502S – Sustainable Communities Tax Credit

- ✓ **Form 502S** is used to claim a tax credit for certified rehabilitations completed in 2013.



Form 502S – Sustainable Communities Tax Credit

- ✓ Corporations and PTEs **no longer can file a paper tax return with Form 502S.**
- ✓ They must file **electronically** to claim or pass on any **business tax credit.**



Form 505 Instructions

- ✓ **Instruction 29** – Clarifies that single-member entities **may NOT** file a composite return.
- ✓ **Instruction 16** - Contains three-part Itemized Deduction Worksheet (16A) to be used by itemizers with a federal AGI of \$178,150 or more (\$89,075 if married filing separately).

Form 505NR

- ✓ **Line 3a** – New line to report the amount of “earned income” reported on your federal income tax return.

PART II - CALCULATION OF MARYLAND TAX
3. Enter your federal adjusted gross income from Form 505 (or Form 515), line 17 (Column 1)..... 3.
3a. Earned Income (See instructions)..... 3a.
Enter your federal adjusted gross income plus additions from Form 505 (or 515) line 21.....4.





Corporation Returns

Form 500 - Corporate return

✓ **Lines 5 and 15c** – The word “Adjusted” was added before “Federal NOL” to clarify that the return is referencing the pro forma calculated amount.

✓ **Lines 15c and 15d** – Entry box on the paper version of **Form 500** was removed. This return must be filed **electronically** to claim a business tax credit.

Form 500 - Corporate return

✓ **Line 15e** – The Sustainable Communities Tax Credit box was removed on the paper version of **Form 500**.

✓ Text added telling taxpayers **Form 502S** must be claimed on **Form 500CR**.

✓ The return must be filed **electronically** to claim a business tax credit from **Form 500CR**.

Form 500 - Corporate return

✓ **Line 15e** consists of a checkbox to indicate that the filer is a nonprofit corporation.

e The Sustainable Communities Tax Credit is now claimed on line 1 of Part Z on Form 500CR. Check here if you are a non-profit corporation.



Form 500CR

Maryland Business Tax Credits

Form 500CR – Business Tax Credits

- ✓ **Form 500CR** – The paper version has been discontinued this year.
- ✓ You must file **electronically** to claim business tax credits on **Form 500CR**.



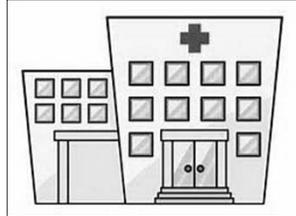
Form 500CR – Business Tax Credits

- ✓ **Part A – The Enterprise Zone Tax Credit** now requires certification to be included by taxpayers who want to claim the credit.



Form 500CR – Business Tax Credits

✓ **Part B** – A new refundable **Health Enterprise Zone Hiring Tax Credit** is available.



Form 500CR – Business Tax Credits

✓ The Maryland General Assembly has removed the expiration provisions from the **Maryland Disability Employment Tax Credit**. All date references have been removed.



Form 500CR – Business Tax Credits

✓ **Part H** – The **Work-Based Learning Tax Credit** expired at the end of 2012.



Form 500CR – Business Tax Credits

- ✓ **Part J-** A new Maryland Employer Security Clearance Tax Credit is part of Part J.
- ✓ **Part J-1** – This portion has two components:
On **line 1**, a qualified employer can claim the costs to construct, renovate Sensitive Compartmental Information Facilities (SCIFs) certified by DBED.
On **line 2**, an employer may claim the Security Clearance Administrative Expenses OK'd by DBED, not to exceed \$200,000.

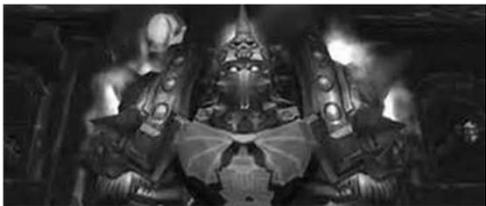
Form 500CR - Business Tax Credits

- ✓ **Part J-II** – Small businesses that perform security-based contracting may be eligible for a tax credit against first-year leasing costs, not to exceed \$200,000. DBED has special rules in place for 2013.



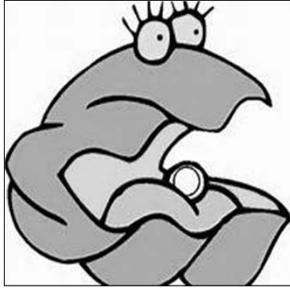
Form 500CR - Business Tax Credits

- ✓ **Part K-II** – Small businesses certified by DBED may be entitled to a refund of their R&D tax credit.



Form 500CR - Business Tax Credits

✓ **Part Q** – The **Oyster Shell Recycling Tax Credit** is available.



✓ The **Green Building Tax Credit** has expired.

Form 500CR - Business Tax Credits

✓ **Part T** – Provides for a new **Wineries and Vineyards Tax Credit**.



Form 500CR Instructions

✓ **Part Y**- We have expanded the **Refundable Business Tax Credits** to include: HEZ and Small Business R&D tax credits. Corporations and PTEs are referred to Part Z.

PART Z - CORPORATION AND PASS-THROUGH ENTITY (PTE) REFUNDABLE TAX CREDIT		
1. Enter the amount from Maryland Form 5025, Section II, line 1.....	1	
2. Total refundable business income tax credits from Part Y, line 7.....	2	
3. Total refundable business income tax credit. Add line 1 and line 2 and enter the amount here and on Form 500, line 15d. (If less than 0, enter as a negative amount.).....	3	

Note: If you are filing Form 530, enter the distributive or pro rata share of each tax credit on your member Form 310 Schedule K-1.

Form 500CR Instructions

- ✓ **Part Z** – Corporation and PTE Refundable Tax Credit Summary
- ✓ **Line 1** – Report tax credit from Form 502S.
- ✓ **Line 2** -- Enter the total of refundable business tax credits from Part Y.

PART Z - CORPORATION AND PASS-THROUGH ENTITY (PTE) REFUNDABLE TAX CREDIT

1. Enter the amount from Maryland Form 502S, Section II, line 1.
2. Total refundable business income tax credits from Part Y line 7.
3. Total refundable business income tax credit. Add line 1 and line 2 and enter the amount here and on Form 500, line 15d. (If less than 0, enter as a negative amount.)

Note: If you are filing Form 510, enter the distributive or pro rata share of each tax credit on your members Form 510 Schedule K-1.

Form 500CR Instructions

- ✓ **Part Z – Line 3** – The sum of lines 1 and 2 entered here and on line 15d of the electronic Corporation income tax return.
- ✓ **PTEs** reminded that they will report the distributive and pro rata share of each credit to it members' **Maryland Form 510 Schedule K-1**.

Instructions to Form 500CR

- ✓ Tax exempt organizations which qualify for business tax credits against their withholding tax will now use **Form MW508CR** to claim the tax credit on **Form MW508**.

MARYLAND FORM MW508 Annual Employer Withholding Reconciliation Return
DUE DATE: February 28, 2013

Comptroller of Maryland
 Revenue Administration Division
 110 Carroll Street
 Annapolis, MD 21411-0001

Make check payable to Comptroller of MD - WH Tax

Name: _____
 Address: _____
 FEIN: _____ OFFICE USE ONLY
 CR#: _____

Enter the total gross Maryland payroll for the calendar year		
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Instructions to Form 500CR

✓ We have updated our language for PTEs and PTE members, as PTEs must file their returns **electronically** to pass on any business tax credit to their members.



Instructions to Form 500CR

✓ For any Tax Year after 2012, taxpayers who must file an **amended return to claim or to change a business tax credit** must file an **electronic** amended return.



Instructions to Form 500CR

✓ **Part Y** – We have updated the instructions for listing the refundable tax credits. The HEZ and Small Business R&D Tax Credit have been added. We also have provided text for corporations and PTEs to continue to Part Z.

PART Y – REFUNDABLE BUSINESS INCOME TAX CREDITS

1. Total refundable One Maryland Economic Development Tax: Credit from Part P-IV, line 30; if more than one project, see instructions	1		
2. Total Biotechnology Investment Incentive Tax: Credit from Part L, line 6	2		
3. Total Clean Energy Incentive Tax: Credit from Part N, line 5	3		
4. Total Health Enterprise Zone Hiring Tax: Credit from Part B, line 6	4		
5. Total Film Production Employment Tax: Credit from Part U, line 1	5		
6. Total refundable Small Business Research and Development Tax: Credit from Part K-II, line 6	6		
7. Total refundable business income tax credits (Add lines 1 through 6.)	7		

(If less than 0, enter as a negative amount.)
If you are filing Form 502 or Form 505, enter this amount on line 7 and on Part I, line 3 of Form 500CR. If you are filing Form 500 or Form 510, continue to Part Z.

Form 510C – Composite Tax return

- ✓ In the second column under Schedule A, Column F Instructions, a PTE filing a composite return **may not offset** one member's income by a loss from another member.

Schedule A Instructions. Complete the following for each eligible nonresident individual member who has elected to be included on this composite return.

Column A Member's full name and Social Security number.

Column B Member's number of exemption allowance.

Column C Member's exemption amount. See instruction for Form 510C, line 4.

Column D Member's standard deduction. See instruction for Form 510C, line 5.

Column E Member's share of decoupling modification flow-through from the PTE. See instruction for Form 510C, line 7.

Column F Member's pro rata share of income allocable to Maryland. This is generally the member's portion of what is reported on line 4 of Form 510. If amount is less than 0, enter 0. A PTE filing a composite return is not permitted to offset one member's income allocable to Maryland by a loss from another member.



Fiduciaries – Form 504 Fiduciary return

- ✓ On the front of **Form 504**, under **Type of Entity**, we tell users to check the box or boxes corresponding to the federal return.
- ✓ **Electing a Small Business Trust** has been added as No. 7.

TYPE OF ENTITY	
Check the box(es) on the return corresponding to your federal return.	
1.	<input type="checkbox"/> Decedent's estate
2.	<input type="checkbox"/> Simple trust
3.	<input type="checkbox"/> Complex trust
4.	<input type="checkbox"/> Grantor type trust
5.	<input type="checkbox"/> Bankruptcy estate
6.	<input type="checkbox"/> Qualified funeral trust
7.	<input type="checkbox"/> Electing Small Business Trust
8.	<input type="checkbox"/> Other



Fiduciaries – Form 504 Fiduciary return

- ✓ **Line 3** – On **line 3**, we have the new addition modification for Electing Small Business Trust (ESBT).
- ✓ **Line 3a** – This line is to be used for “Other additions to income.”

ADDITIONS	
1. Interest on state and local obligations other than Maryland	1 -
2. Income taxes deducted on federal return	2 -
3. Income from Electing Small Business Trust (ESBT)	3 -
3a. Other additions to income (Specify)	3a -
4. Total additions (Add lines 1 through 3a.)	

**Form 504CR – Fiduciary Business
Income Tax Credits New Form**

✓ Since we do not yet have an electronic Fiduciary Form 504, we have exempted fiduciaries from the electronic filing requirement.





Business Taxes

Withholding Tax Guide

✓ We have provided guidance to taxpayers that certain out-of-state entities providing disaster-related assistance that are not currently registered with Maryland are not required to register in the event of a disaster or declaration of emergency.



Form 202 – Sales and Use Tax Return

✓ We have provided a new section for sellers of prepaid wireless telecommunications services to report and remit Prepaid Wireless E 9-1-1 fees that have been collected. The fee is calculated at \$.60 per transaction.



60 cents per transaction

Motor Fuel Tax Form 799 – Tax Adjustment NEW FORM

✓ **Form 779** was created to report inventory of fuel. The General Assembly has tied increases to the Consumer Price index as well as creating a Sales and Use Tax Equivalent.





2013 Tax Year Procedures



New for the Filing Season

New for tax year 2013

✓ Taxpayers must file **electronically** to claim a business tax credit from **Form 500CR**. The paper version had been discontinued.

✓ More information is available at our Web site at www.marylandtaxes.com.

MARYLAND BUSINESS INCOME TAX CREDIT FORM 500CR
 ATTACH TO YOUR 500, 502, 505, OR 506

or fiscal year beginning _____ 2013, ending _____
 Taxpayer Identification Number _____
 Name as shown on Form _____

SEE INSTRUCTIONS Note:
 Check here if any of the following credits are derived from the entity's Federal Employer Identification Number: If Maryland Form S-10 Schedule K-1 from PTEs or state tax credits. For One Maryland Economic Development Tax Credit.

PART A - ENTERPRISE ZONE TAX CREDIT ** Must Include
PART A - I CREDIT FOR ECONOMICALLY DISADVANTAGED EMPLOYEES

1. Number of qualified employees. First year
 2. Credit for first year (limited to \$3,000 of wages paid) _____
 3. Credit for second year (limited to \$2,000 of wages paid) _____
 4. Credit for third year (limited to \$1,000 of wages paid) _____
 5. Total (Add lines 2, 3 and 4.) _____

New for tax year 2013

✓ **Amended Returns Go Electronic** – New is the opportunity to file amended returns electronically. Filing electronically will speed the transmission of the return. However, it still will be processed manually.

New software designations

- ✓ Software approved as **Basic Maryland** software (individual and/or business) will be able to complete simple returns and some that are more complex.

Tax Alert 8-13

Beginning with 2013 tax returns, approved Maryland e-File software products for both business and income tax will be designated as either Basic or Comprehensive.

- Software packages designated as Basic will be used to file simple tax returns. Software packages designated as Comprehensive will support the electronic transmission of all forms, including amended returns, Maryland Form 500CR and PDFs of supporting documents and schedules.

New software designations

- ✓ Software approved as **Comprehensive Maryland** software (individual and/or business) will be able to complete complex returns such as amended returns, Form 500 CR and provide binary attachments (PDFs) of certifications, returns and schedules needed to claim deductions and credits.

- Senate Bill 1086, which was passed in the 2012 Legislative Session, mandates electronic filing to claim certain business credits. Therefore, tax returns that will include a Form 500CR will require the Comprehensive software packages.

New software designations

- ✓ The new designations will help taxpayers and tax professionals determine which software is best suited to meet their needs.
- ✓ A list of software vendors approved for each designations will be provided and updated throughout the tax season at **www.marylandtaxes.com**.

**Documentation requirements
for out of state credits**

- ✓ Taxpayers claiming credits for taxes paid to other states will have those credits disallowed unless we receive a copy of the return submitted to the other state(s) with the return.



**Updates
and Reminders**

Go Paperless – Go Green

- ✓ Resident tax booklets will be available in limited supply at local area participating libraries beginning in January 2014.
- ✓ Forms CDs are discontinued.
- ✓ You may access the booklet online electronically or print the tax booklet from our Web site at www.marylandtaxes.com.
- ✓ Many forms and instructions are available for downloading and printing at our Web site.

Threshold for W-2 Submissions

- ✓ For calendar year 2013, employers/payors with 25 or more W-2/1099R forms with wages/payments subject to Maryland withholding are required to file these statements and the annual withholding reconciliation electronically.
- ✓ These forms can be filed either by using our free bFile application or by submitting on a CD or diskette in the approved format.



Filing Deadline

- ✓ The filing deadline for tax year 2012 is Monday April 15, 2014.
- ✓ The payment due date for electronic filers is extended to April 30 for efilers who opt to pay the balance due by direct debit or credit card.



Certification Requirement for Electronic Returns

- ✓ Supporting documentation for certain credits must be submitted within 14 calendar days for the credit to be allowed.
- ✓ The preferred submission method is as a PDF attachment with the return.
- ✓ Documentation can also be sent by fax, e-mail or regular mail.
- ✓ See our eFile handbooks for details.

MeF – Modernized Efile

- ✓ We continue to welcome software vendors who support MeF.
- ✓ MeF supports PDF attachments, allowing supporting documents to be submitted along with tax returns.
- ✓ Using software which supports the MD Schedule K-1 may eliminate the need to fax or email credit documentation.

Social Security Number Validation

- ✓ All Social Security Number(s) (primary, secondary and dependent) will be validated through the Internal Revenue Service before processing the return.
- ✓ Filings with invalid SSNs may experience processing delays and denial of credits.





Taxpayer Communication

Taxpayer Communication

- ✓ Phone lines will be open Feb. 3 to April 15, Monday to Friday from 8 a.m. to 7 p.m.



Important Information

- ✓ Web site at www.marylandtaxes.com.
- ✓ Tax practitioner hotline: **410-260-7424**.
- ✓ Tax practitioner e-mail:
taxprohelp@comp.state.md.us.
- ✓ E-file tax practitioner hotline: **410-260-7753**.

Important Information

- ✓ E-file tax practitioner e-mail:
efil@comp.state.md.us.
- ✓ Tax forms e-mail:
taxforms@comp.state.md.us.



Questions?
