



2018

Maryland

Tax and Legislative

Update

Peter Franchot
Comptroller of Maryland

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Comptroller of Maryland Revenue Administration Division

Director's Office

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Sarah Dufresne , Assistant Director	sdufresne@comp.state.md.us	410-260-6181
Kathleen Henry , Assistant Director	khenry@comp.state.md.us	410-260-7919
Gary E. White , Assistant Director	gwhite@comp.state.md.us	410-260-7455
Bradley Roth , Acting Assistant Director	broth@comp.state.md.us	410-260-7447

Legal, Estate Tax, Forms and Media

Vacant, Manager		
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Returns Processing

Vacant, Manager		
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Revenue Accounting

Pharita Akbhasut, Acting Manager	pakhavasut@comp.state.md.us	410-260-7501
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Taxpayer Accounting

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

Patricia Guiles, Manager	pguiles@comp.state.md.us	410-260-6254
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Branch Operations

Dennis Gwinn, Manager	dggwinn@comp.state.md.us	410-260-7724
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Payment Processing

Linda Couch, Manager	lcouch@comp.state.md.us	410-260-7606
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Special Projects/Administration

Christian Miller, Manager	cmiller@comp.state.md.us	410-260-7236
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Project Management

Kathleen Taylor, Manager	ktaylor@comp.state.md.us	410-260-7652
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Processing Control

Bradley Roth, Manager	broth@comp.state.md.us	410-260-7447
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For Information About	Contact	Local Number	Toll-Free Number
Taxpayer Information	Taxpayer Service	410-260-7980	800-638-2937
Business Taxpayer Assistance	Taxpayer Service	410-260-7980	800-638-2937
Tax Practitioner Hotline		410-260-7424	
Automated Refund Inquiry		410-260-7701	800-218-8160
Telefile Zero Tax Due Businesses		410-260-7225	
Telefile Individual Extensions		410-260-7829	
Tax Forms	Central Files	410-260-7951	
Electronic Filing Help	Electronic Filing	410-260-7753	

Comptroller of Maryland Taxpayer Services

TAX INFORMATION AND ASSISTANCE:

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

WALK IN SERVICE

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

SPECIAL ASSISTANCE

Hearing impaired individuals may call:

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

TELEPHONE SERVICE

Telephone service is available 8:30am until 4:30pm, Monday through Friday. The Comptroller of Maryland offers extended hours for telephone assistance from February 1 to April 15, 2019. During this period, telephone assistance is available from 8:30am until 7:00pm, Monday through Friday except for State Holidays.

EMAIL SERVICE

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

REFUND INFORMATION

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

MAILING YOUR RETURN

Mail Returns with **No Payment To:**

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

Mail Returns with **Payment To:**

**Comptroller of Maryland
Payment Processing
PO Box 8888
Annapolis, Maryland 21401-8888**

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

BRANCH OFFICES

Annapolis

Revenue Administration Center
60 West Street, Suite 102
Annapolis, MD 21411

Baltimore

State Office Building
301 W. Preston Street, Room 206
Baltimore, MD 21201-2384

Cumberland

Allegany Museum
3 Pershing Street, Suite 101
Cumberland, MD 21502-3042

Elkton

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

Frederick

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

Greenbelt

Triangle Centre
6401 Golden Triangle Drive, Suite 100
Greenbelt, MD 20770-3202

Hagerstown

Crystal Building
1850 Dual Highway, Suite 201
Hagerstown, MD 21740-6686

Salisbury

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

Towson

Hampton Plaza
300 East Joppa Road, Suite PL 1A
Towson, MD 21286-3020

Upper Marlboro

Prince George's County Courthouse
14735 Main Street, Room 083B
Upper Marlboro, MD 20772-9978

Waldorf

1036 St. Nicholas Drive, Suite 202
Waldorf, MD 20603-4757

Wheaton

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

Comptroller of Maryland Compliance Division

Administration

Toll-Free 888-674-0020

Daniel C. Riley, Jr. , Director	driley@comp.state.md.us	410-767-1556
Robert R. Scheerer , Deputy Director	rscheerer@comp.state.md.us	410-767-1557
Kimberly G. Cordish , Assistant Director	kcordish@comp.state.md.us	410-767-1557
Andrew J. Maschas , Assistant Director	jmaschas@comp.state.md.us	410-767-1557
Vacant , Assistant Director	-----	-----
Benjamin Miller, Jr. , Assistant to Director	bmiller@comp.state.md.us	410-767-1570

Collections

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

Lani Sinfield , Manager, Business Tax Collections	lsinfield@comp.state.md.us	410-767-1562
Charles Weinreich , Asst. Mgr., Business Tax Collections	cweinreich@comp.state.md.us	410-767-1603
Paula Evans , Asst. Mgr., Business Collections	pevans@comp.state.md.us	410-767-1312
Sherray Miller , Manager, Individual Income Tax Collections	smiller@comp.state.md.us	410-260-7057
Jesse Wright , Asst. Mgr., Individual Income Tax Collections	jwright@comp.state.md.us	410-260-7057
Michelle Mitchell , Asst. Mgr., Individual Income Tax Collections	mmitchell@comp.state.md.us	410-260-7057

Compliance Programs

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

Barbara Esker , Manger	besker@comp.state.md.us	410-767-1322
Kim Carrington , Assistant Manager, Individual Nexus	kcarrington@comp.state.md.us	410-767-1484
Edna Anderson , Assistant Manager, Business Nexus	eanderson@comp.state.md.us	410-767-1578

Field Audit

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

Thomas W. Tartal , Chief Auditor	ttartal@comp.state.md.us	410-767-1504
Timothy M. Bowman , Assistant Chief Auditor	tbowman@comp.state.md.us	410-767-1526
Jerome Watkins , Assistant Chief Auditor	jwatkins@comp.state.md.us	410-767-1536

Hearings & Appeals

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

Charles Zephir , Manager	czephir@comp.state.md.us	410-767-4362
Kelly Adams , Assistant Manager	kadams@comp.state.md.us	410-767-4190
Jason Sobel , Assistant Manager	jsobel@comp.state.md.us	410-767-1534

Unclaimed Property

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

Eric Eichler , Manager	eeichler@comp.state.md.us	410-767-1705
Deborah Vulcan , Assistant Manager	dvulcan@comp.state.md.us	410-767-4123

For Information About	Contact	Local Number	Toll-Free Number
Bulk Sales	Deborah Cremen	410-767-1941	888-615-0369
Collections Attorneys	Kimberly Stephens	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
Mobile Homes	Sharon Edwards	410-767-1324	888-674-0020
Officers in Compromise	Benjamin Miller, Jr.	410-767-1570	888-674-0020
Refunds, <i>Sales and Use, Admissions & Amusement Taxes</i>	Beverly Banks	410-767-1530	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	410-767-1540	888-648-9638
Unclaimed Property	Unclaimed Property Unit	410-767-1700	800-782-7383
Vendor Offset	Lisa Marable	410-767-1648	888-614-6337
Voluntary Disclosures	Benjamin Miller, Jr.	410-767-1570	888-674-0020

Comptroller of Maryland Resources and Legislation

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.

<u>Source of information</u>	<u>Telephone</u>
Wayne P. Green, Director	(410) 260-7445
Debora Gorman, Legislation	(410) 260-7451
Wayne P. Green, Statistics	(410) 260-7445
Michele Santucci, Forms and Procedures	(410) 260-7022

Legislation

INCOME TAX – Subtractions	Tax Legislation Enacted in 2014
<p>House Bill 1228 (Chapter 372, Acts of 2014) and Senate Bill 1070 (Chapter 371, Acts of 2014) Income Tax – Subtraction Modification</p> <p>Volunteer Fire, Rescue, and Emergency Medical Services Members</p>	<p>The Acts increase the existing Honorable Louis L. Goldstein Volunteer Police, Fire, Rescue, and Emergency Medical Services Personnel Subtraction Modification Program for individuals who serve in a volunteer capacity and qualify for active duty service during the tax year from \$3,500 to \$5,000 over six years. For tax year 2014, the subtraction amount is \$3,750.</p> <p>The amounts increase to \$4,000 for tax year 2015, \$4,250 for tax year 2016, \$4,500 for tax year 2017, \$4,750 for tax year 2018, and then becomes \$5,000 for all tax years beginning January 1, 2019.</p>

INCOME TAX – Administrative	Tax Legislation Enacted in 2017
<p>House Bill 112 (Chapter 506, Acts of 2017) Interest Rate on Tax Deficiencies and Refunds – Rounding</p>	<p>The Act alters the interest rate calculation for refunds and money owed to the state. The rate is the greater of the statutory rate or 3 percentage points above the average prime rate of interest. The statutory rate for 2016 is 13% and will decrease .5% each year until 2023 when it is 9%. The 9% rate will remain in effect for years after 2023. The rate for calendar year 2018 is 11.5%. The rate for calendar year 2019 is 11%.</p> <p style="text-align: center;">This Act takes effect July 1, 2017.</p>

INCOME TAX – Credits	Tax Legislation Enacted in 2017
<p>House Bill 472 (Chapter 233, Acts of 2017) and Senate Bill 416 (Chapter 232, Acts of 2017) – Income Tax Credit Qualified Farms – Food Donation Pilot Program</p>	<p>The Act permits a qualified farm to claim a credit against the State income tax for eligible food donations made to a Tax Credit Certificate Administrator. A qualified farm is a farm business located in Anne Arundel County, Calvert County, Charles County, Montgomery County, Prince George's County or St. Mary's County. An eligible donation consists of farm fresh products for human consumption. Each farm may claim a credit up to \$5,000 in each taxable year. Issued certificates may not exceed \$250,000 each taxable year. Unissued amounts may be carried over to the following year. For each donation, a Tax Credit Certificate Administrator will issue a certificate which is 50% of the value of the eligible food donation or 75% of the eligible certified organic food donation. The value of food items will be published by the Department of Agriculture on a weekly basis. The credit is non-refundable; however, there is a 5-year carryover.</p> <p style="text-align: center;">This Act takes effect July 1, 2017. A tax credit certificate may not be issued after December 31, 2019.</p>

Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits	Tax Legislation Enacted in 2017
<p>House Bill 873 (Chapter 240, Acts of 2017) – Income Tax Credit</p> <p>Security Clearances – Employer Costs – Extension</p>	<p>This Act extends the termination date of the employer security clearance costs tax credit through tax year 2021. Previously the credit had to be claimed after December 31, 2012 but before January 1, 2017. § 10-732 provides a tax credit to an individual or corporation for security clearance administrative expenses, not to exceed \$200,000, expenses associated with rental payments if the individual or corporation is small business that performs security-based contracting, and certain construction and equipment costs. The deadline to claim the credit is now January 1, 2022.</p> <p style="text-align: center;">This Act takes effect July 1, 2017.</p>
<p>Senate Bill 57 (Chapter 502, Acts of 2017) – Income Tax Credit</p> <p>Class F Vehicles – Modification and Extension</p>	<p>This Act alters the credit for a Class F – Tractor vehicle. The Act extends the income tax credit for the cost of registering a tractor-trailer in Maryland. An individual or corporation may apply for the credit for the cost of registering a qualifying vehicle. The credit cannot exceed \$400 for each vehicle. The Motor Vehicle Administration (MVA) may issue a maximum of \$10,000 in tax credits to a single taxpayer and a total of \$500,000 in tax credits on a first-come, first-served basis. The MVA must certify the credits. For any taxable year, the amount of the credit cannot exceed the state income tax. The credit also cannot be carried forward.</p> <p style="text-align: center;">This Act takes effect July 1, 2017 and is applicable to all tax years beginning after December 31, 2016, but before January 1, 2020.</p>
<p>SB180 (Chapter 229, Acts of 2017)</p> <p>Independent Living Tax Credit Act</p>	<p>This Act creates a tax credit against State income tax for individuals in an amount equal to 50% of the qualified expenses incurred to renovate an existing home with accessibility and universal visitability features. Accessibility and universal visitability features mean components of renovation to an existing home that improve access to or within the home for individuals with disabilities. The credit allowed in any taxable year cannot exceed the lesser of \$5,000 or the state income tax imposed for the taxable year before the application of credits allowed under §§10-744, 10-701 and 10-701.1. The unused amount of the credit cannot be carried forward. In order to claim the credit, individuals must submit an application for the credit to the Department of Housing and Community Development by June 1 of the calendar year following the end of the taxable year in which the qualified expenses were incurred. The Department can approve up to \$1,000,000 for any calendar year. If the total amount of credits applied for exceeds \$1,000,000, the Department shall approve the credit for each applicant according to the formula provided in the statute. To claim the credit, the individual must file an amended tax return for the tax year in which the expense was incurred and attach a copy of the Department’s certification of the approved credit.</p> <p style="text-align: center;">(Bill cites §10-741 of Tax General Article but in Westlaw it is under §10-744)</p> <p style="text-align: center;">This Act takes effect July 1, 2017 and is applicable to all tax years beginning after December 31, 2017.</p>
<p>Senate Bill 317 (Chapter 149, Acts of 2017)</p> <p>More Jobs for Marylanders Act of 2017</p>	<p>SECTION 1. Effective June 1, 2017 and applicable to all taxable years beginning after December 31, 2017.</p> <p>This Act establishes the More Jobs for Marylanders Program (“Program”) within the Department of Commerce (“Department”) to provide certain</p>

Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits

Tax Legislation Enacted in 2017

More Jobs for Marylanders Act of 2017

manufacturing business entities tax credits and benefits for up to 10 consecutive years.

A “business entity” may apply to the Department to enroll an “eligible project” in the Program if the eligible project is in a “Tier I county” and the business entity intends to create at least 5 “qualified positions” at the project location; or is in a “Tier II county” and the business entity intends to create at least 10 qualified positions at the project location.

On application to the Department, a “new business entity” that has established and operates and eligible project may be certified as a “qualified business entity” if the new business entity notified the Department of its intent to seek designation of an eligible project before establishing its facility in the State; and offers an ongoing job skills enhancement training program or postsecondary education program that is approved by the Department.

On application to the Department, an “existing business entity” may be certified as a qualified business entity if the existing business entity increases the number of qualified positions required for an eligible project in a Tier I or Tier II county. An existing business entity may not be certified as a qualified business entity unless the business entity notifies the Department of its intent to seek designation of an eligible project prior to hiring any employees to fill the qualified positions necessary to meet the requirements; and offers an ongoing job skills enhancement training program or postsecondary education program that is approved by the Department.

Senate Bill 317 (Chapter 149, Acts of 2017)

More Jobs for Marylanders Act of 2017

Note: The defined terms stated in the preceding paragraphs that are in quotation marks can be found in Economic Development Article §6-801.

A business entity must begin hiring the employees to fill the qualified positions necessary to meet the requirements within 12 months after it notifies the Department of its intent to seek designation of an eligible project.

On enrollment in the Program a new business entity in a Tier I county is eligible for: (i) a credit against the State income tax, established under § 10-741(b) of the Tax – General Article; (ii) a credit against the State property tax, established under § 9-110 of the Tax – Property Article; (iii) a refund of sales and use tax paid during the immediately preceding taxable year, as provided under § 11-411 of the Tax – General Article; and (iv) a waiver of fees charged by the State Department of Assessments and Taxation, established under § 1-203.1 of the Corporations and Associations Article.

On enrollment in the Program an existing business entity that operates an eligible project is eligible for a credit against the State income tax, established under § 10-741(b) of the Tax – General Article unless the existing business entity moved its facility to another county in the State on or after June 1, 2017.

If the number of qualified positions at the eligible project decreases to a number less than the number established in the first benefit year, the project shall be removed from the Program and all program benefits terminate.

The Department shall provide to a qualified business entity a certificate

Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits

Tax Legislation Enacted in 2017

that certifies the eligible project that is enrolled in the Program; provides the duration of the certification; and provides any additional information necessary for the Comptroller and Department to administer the Program. The Department may not provide a qualified business entity a certificate on or after June 1, 2020.

The Department may revoke its certification, in whole or in part, if any representation made by a qualified business entity is determined by the Department to have been false when made. If the Department revokes its certification, the Comptroller may make an assessment against the qualified business entity to recapture any amount of a tax credit or any other benefit that the qualified business entity has received.

The Department may require that any information provided be verified by an independent certified public accountant that the qualified business entity and the Department select.

Acceptance by a qualified business entity of the Program benefits shall be deemed to authorize the Comptroller to share with the Department any information received from a qualified business entity about eligibility for a benefit allowed. Information that is received by the Department or Comptroller is subject to confidentiality requirements established by law.

The Secretary of Department may adopt any regulation necessary and appropriate to carry out the Program.

Senate Bill 317 (Chapter 149, Acts of 2017)

On or before December 1 each year, the Department shall report to the General Assembly, in accordance with § 2–1246 of the State Government Article, on the qualified business entities receiving final certification in the preceding fiscal year.

More Jobs for Marylanders Act of 2017

Tax-General Article §10–741 is added to create a new refundable tax credit for an individual or corporation that is a new business entity that operates an eligible project in a Tier I county or an existing business entity that operates an eligible project may claim a credit against the State income tax equal to the amount stated in the final tax credit certificate approved by the Department for an eligible project. On enrollment in the Program, a qualified business entity shall apply to the Department for a tax credit certificate. The amount of the credit is equal to the product of the State employer withholding amount, which is equal to the highest tax rate listed in Tax-General Article § 10–105(a); and the total amount of wages paid for each “qualified position” at an eligible project. In determining the allocation of the aggregate tax credit amounts available in a fiscal year, the Department shall give priority to applications for eligible projects in a Tier I county.

There is a More Jobs for Marylanders Tax Credit Reserve Fund. The money in the Reserve Fund shall be invested and reinvested by the Treasurer and interest and earnings shall be credited to the General Fund. The Department may not issue initial tax credit certificates for credit amounts in the aggregate totaling more than \$9,000,000 in a fiscal year. If the aggregate credit amounts under initial tax credit certificates issued in a fiscal year total less than the \$9,000,000, any excess amount shall remain in the Reserve Fund and may be issued under initial tax credit certificates for the next fiscal year. For any fiscal year, if funds are transferred from the Reserve Fund under the authority of any other provision of law, the maximum credit amounts in the aggregate for which the Department may

Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits

Tax Legislation Enacted in 2017

issue initial tax credit certificates shall be reduced by the amount transferred. For fiscal year 2019 and each fiscal year thereafter, the Governor shall include in the annual budget bill an appropriation to the Reserve Fund in an amount that is no less than the amount the Department reports is necessary to maintain the current level of manufacturing activity in the State; and attract new manufacturing activity to the State.

Within 15 days after the end of each calendar quarter, the Department shall notify the Comptroller as to each final credit certificate issued during the quarter, the maximum credit amount stated in the initial tax credit certificate for the qualified business entity; and the final certified credit amount for the qualified business entity. On notification that a final credit amount has been certified, the Comptroller shall transfer an amount equal to the credit amount stated in the initial tax credit certificate for the qualified business entity from the Reserve Fund to the General Fund.

On or before July 1 each year, the Department shall report to the Governor and the General Assembly on the amount of tax credits necessary to maintain the current level of manufacturing activity in the State; and attract new manufacturing activity to the State.

The Department and the Comptroller jointly shall adopt regulations to carry out the provisions of this tax credit and to specify criteria and procedures for the application for, approval of, and monitoring of continuing eligibility for the tax credit under this section.

Senate Bill 317 (Chapter 149, Acts of 2017)

More Jobs for Marylanders Act of 2017

Tax-General Article §11-411 is added to provide that a qualified business entity is entitled to a refund for the amount of sales and use tax paid by the qualified business entity during the immediately preceding calendar year for a sale of “qualified personal property or services” made on or after January 1, 2018, if the qualified personal property or services are purchased by the qualified business entity solely for use at an eligible project while the project is enrolled in the Program. The Department may not certify that an eligible project is enrolled in the program on or after June 1, 2020. A qualified business entity may claim the refund by filing a claim for refund with the Department on or after January 1 of the calendar year immediately following the purchase of the qualified personal property or services and providing the Department any evidence that the Department requires by regulation.

There is a More Jobs for Marylanders Sales and Use Tax Refund Reserve Fund. For fiscal year 2019 and each fiscal year thereafter, the Governor shall include in the annual budget bill an appropriation to the Reserve Fund. The Department of Commerce may not issue sales and use tax refunds in amounts in the aggregate totaling more than \$1,000,000 in a fiscal year. If the aggregate amount of sales and use tax refunds issued in a fiscal year totals less than \$1,000,000, any excess amount shall be transferred to the More Jobs for Marylanders Tax Credit Reserve Fund established under § 10-741 of this article. If funds are transferred from the Reserve Fund under authority of any provision of law, the maximum amounts in the aggregate for which the Department may issue sales and use tax refunds shall be reduced by the amount transferred. For fiscal year 2019 and each fiscal year thereafter, the Governor shall include in the annual budget bill an appropriation to the Reserve Fund.

The Department shall adopt regulations to carry out the refund and to

Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits

Tax Legislation Enacted in 2017

specify criteria and procedures for the application for, approval of, and monitoring of continuing eligibility for sales and use tax refunds under this section.

Corporations and Associations Article § 1–203.1 is amended to provide that a qualified business entity that is a new business entity in a Tier I county is not subject to the fees enumerated in § 1–203 of the Corporations and Associations Article.

Tax-General Article §1–303, which requires the evaluation of tax credits, is amended to provide that on or before July 1, 2021, an evaluation shall be made of the tax credit under § 10–741 of this article and the sales and use tax refund under § 11–411 of this article.

SECTION 2. Effective July 1, 2017 and applicable to all taxable years beginning after December 31, 2016, but before January 1, 2020. Remains in effect for a period of 3 years and, at the end of June 30, 2020, abrogates with no further force and effect.

Tax-General Article §10–742 is added to create a new tax credit a taxpayer may claim against the State income tax for the first year of employment of an eligible apprentice. “Eligible apprentice” means an individual who is enrolled in an apprenticeship training program registered with the Maryland Apprenticeship and Training Council in accordance with § 11–405 of the Labor and Employment Article; and has been employed by the taxpayer for at least 7 full months of the taxable year. For any taxable year, the credit allowed may not exceed the lesser of \$1,000 for each eligible apprentice; or the State income tax imposed for the taxable year calculated before the application of the credits allowed under this section and under §§ 10–701 and 10–701.1 of this subtitle but after the application of any other credit allowed under this subtitle. If the credit otherwise allowable exceeds the limit, an individual may apply the excess as a credit against the State income tax for succeeding taxable years until the full amount of the excess is used. For any taxable year, the total amount of credits approved by the Department of Labor, Licensing, and Regulation under this section may not exceed \$500,000.

A taxpayer claiming the credit allowed under this section shall attach to the taxpayer’s return, for each eligible apprentice for which the credit is claimed, proof of the enrollment of the eligible apprentice in a registered apprenticeship program; and the duration of the eligible apprentice’s employment by the taxpayer.

The Department of Labor, Licensing, and Regulation shall adopt regulations to implement the provisions of this section; and specify criteria and procedures for application for, approval of, and monitoring continuing eligibility for the tax credit under this section.

SECTION 3. Effective June 1, 2017 and applicable to all taxable years beginning after June 30, 2017.

Tax-Property Article §9–110 creates a new credit against the State property tax under this section imposed on real property owned by a qualified business entity enrolled in the Program. The property tax credit is equal to 100% of all State property tax that is due, but does not affect the amount of the county or municipal corporation property tax imposed on the property. By June 15 each year, the State Department of Assessments and Taxation shall submit to the Department a list that includes the

**Senate Bill 317 (Chapter 149,
Acts of 2017)**

**More Jobs for Marylanders
Act of 2017**

Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits	Tax Legislation Enacted in 2017
<p>Senate Bill 317 (Chapter 149, Acts of 2017)</p> <p>More Jobs for Marylanders Act of 2017</p>	<p>location of each qualified property; the amount of the base year value for each qualified property; and the amount of the State property tax assessed against each qualified property.</p> <p>SECTION 4. Effective June 1, 2017 and applicable to all taxable years beginning after December 31, 2018.</p> <p>The depreciation limitations under Tax-General Article §10–210.1(b)(1) and (b)(3) are amended to exempt property that is placed in service by a manufacturing entity on or after January 1, 2019. “Manufacturing entity” means a person conducting or operating a trade or business that is primarily engaged in activities that, in accordance with the North American Industrial Classification System (NAICS), United States Manual, United States Office of Management and Budget, 2012 Edition, would be included in Sector 31, 32, or 33, but does not include a refiner, as defined in § 10–101 of the Business Regulation Article.</p>
<p>Senate Bill 758 (Chapter 389, Acts of 2017) – Income Tax Credit</p> <p>Energy Storage Systems</p>	<p>The Act permits a taxpayer to claim a credit against the State income tax for the total installed costs of an energy storage system paid or incurred during the taxable year. The taxpayer must apply for a certificate from the Maryland Energy Administration. The Administration will issue a certificate in the lesser amount of: (1) \$5,000 for an energy storage system installed on a residential property, (2) \$75,000 for an energy storage system installed on a commercial property, or (3) 30% of the total installed costs of the energy storage system. The Administration may not issue certificates in an amount more than \$750,000 in a taxable year and any unissued amounts may not be carried forward to the next taxable year.</p> <p>This Act takes effect July 1, 2017 and shall be applicable to all taxable years beginning after December 31, 2017. A credit may not be claimed for an energy storage system installed before January 1, 2018, or after December 31, 2022.</p>
INCOME TAX – Credits	Tax Legislation Enacted in 2018
<p>House Bill 7 (Chapter 172, Acts of 2018) and Senate Bill 182 (Chapter 173, Acts of 2018) – Income Tax Credit</p> <p>Venison Donation – Feed the Hungry Organizations</p>	<p>The Act provides individuals who hunt and harvest antlerless deer with a credit of up to \$50 of the qualified expenses incurred by that individual if the individual complies with State hunting laws and regulations and donates the processed deer meat to a venison donation program administered by a 501(c)(3) organization. The credit claimed may not be carried over and may not exceed \$200 for any taxable year unless the credits are claimed in accordance with a deer management permit.</p> <p>The Act takes effect July 1, 2018, and applies to tax years 2018 through 2022.</p>
<p>House Bill 572 (Chapter 603, Acts of 2018)/Senate Bill 153 (Chapter 604, Acts of 2018) – Income Tax</p> <p>Oyster Shell Recycling Credit – Maximum Allowable Amount and Sunset Extension</p>	<p>The Act extended the sunset provision of the existing credit allowed for recycled oyster shells. The credit originally expired on June 30, 2018 but has been extended to June 30, 2023. Additionally, the Act increased the total amount of the credit that can be claimed from \$750 to \$1,500. An individual or corporation may claim a credit against State income tax equal to \$5 for each bushel of oyster shells recycled during the taxable year. The credit may not exceed the lesser of \$1,500 or the state income tax calculated before application of the credit allowed.</p> <p>The Act takes effect June 1, 2018, and applies to tax year 2018 and beyond.</p>

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INCOME TAX – Credits	Tax Legislation Enacted in 2018
<p>House Bill 593 (Chapter 382, Acts of 2018) – Income Tax</p> <p>Student Loan Tax Credit</p>	<p>The Act extends the Student Loan Tax Credit to graduate student loan debt as well as undergraduate loan debt. The Act establishes a refundable income tax credit of up to \$5,000. In order to qualify, the individual must submit an application to MHEC and must have incurred at least \$20,000 in undergraduate and/or graduate student loan debt and have at least \$5,000 in outstanding undergraduate and/or graduate student loan debt at the time of application. The MHEC must establish and implement outreach and marketing plans to make eligible taxpayers aware of the availability of the tax credit.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax years 2018 and beyond.</p>
<p>House Bill 856 (Chapter 612, Acts of 2018)/Senate Bill 647 (Chapter 611, Acts of 2018) – Earned Income Tax Credit</p> <p>Individuals Without Qualifying Children – Repeal of Minimum Age Requirement</p>	<p>The Act extends eligibility of the State and local earned income tax credits to individuals who do not have a qualifying child. For individuals without a qualifying child, the credit allowable for a taxable year is calculated without regard to the minimum age requirement under §32(c)(1)(A)(ii)(II) of the Internal Revenue Code.</p> <p>The Act takes effect July 1, 2018, and applies to tax year 2018 and beyond.</p>
<p>House Bill 1295 (Chapter 584, Acts of 2018)/Senate Bill 989 (Chapter 583, Acts of 2018)</p> <p>One Maryland Economic Development Tax Credits Simplification and Alteration</p>	<p>The Act renames and redefines a “qualified distressed” county to “Tier I County”. “Tier I County” is a county, within the most recent 24 month period, that has an average rate of unemployment that exceeds 150% of the average rate of unemployment for the state, an average rate of unemployment that exceeds the state rate by at least two percentage points, or a median household income that is equal to or less than 75% of the median household income for the State. A Tier I County includes a county that no longer meets any of the above criteria, but has met at least one of the criteria at some point in the preceding 24 month period. The tax credit allowed is \$5,000,000 if the qualified business entity creates at least 50 qualified positions, \$2,500,000 at least 25, but fewer than 50, qualified positions were created, and \$1,000,000 if at least 10, but fewer than 25 qualified positions were created. The qualified business must report to and be certified with the Department of Commerce.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and is applicable to certifications of qualified business entities issued after June 30, 2018.</p>
<p>Senate Bill 933 (Chapter 419, Acts of 2018) – College Affordability – Maryland 529 Plans and Student Loan Debt Relief Tax Credit</p> <p>Revisions</p>	<p>This bill increases the State matching contribution from \$250 to \$500 for specified 529 investment account holders, extends the eligible contribution period, and makes related changes. This bill reduces the minimum amount of funding the Governor must provide for matching contributions to \$3 million beginning in fiscal year 2019, and increases the amount that may be certified for Student Loan Debt Relief Tax Credits each year to \$9 million. The bill also provides that account holders who made a contribution to an account in calendar year 2017 but failed to make the contribution in accordance with §18-19A-04.1(e)(1) of the Education Article and was otherwise eligible for a State contribution, a State contribution equal to \$250 shall be made by June 30, 2018. These individuals are also eligible for the subtraction modification under TG §10-208 for the taxable year 2017.</p> <p style="text-align: right;">The Act took effect June 1, 2018 and applies to tax years 2018 and beyond.</p>

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INCOME TAX – Credits	Tax Legislation Enacted in 2018
<p>Senate Bill 134 (Chapter 571, Acts of 2018)</p> <p>Small Business Relief Tax Credit</p>	<p>The Act allows small businesses that employ a qualified employee to claim a credit against state income tax. The credit may not exceed the lesser of \$500 for each qualified employee or an amount that equals the total amount of qualified employer benefits accrued by all qualified employees of the small business. A qualified employee is an individual who is employed by a small business, earns wages paid by the small business that are equal to or less than 250% of the annual federal poverty guidelines for single-person household, and earns paid sick and safe leave. To qualify for the credit, the business must apply and obtain a credit certificate from the Department of Commerce. The application must include (1) the name of the small business, (2) evidence that the small business is organized and in good standing in the jurisdiction where it is organized, current in the payment of all tax obligations to Maryland, and not in default under the terms of any contract with, indebtedness to, or grant from Maryland, (3) proof of the wages paid to each qualified employee, (4) proof of qualified employer benefits accrued to each qualified employee, and (5) any other information required by the Department of Commerce. The Department approves applications on a first-come, first-served basis, and will notify the small business within 45 days after receipt of the application whether the application is approved or denied. This is a refundable credit. The amount of credit certificates issued by the Department cannot exceed \$5,000,000.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax year 2018 and beyond.</p>
<p>Senate Bill 228 (Chapter 578, Acts of 2018)</p> <p>Cybersecurity Incentive Tax Credits</p>	<p>This bill extends through fiscal 2023 the termination date of the cybersecurity investment incentive tax credit. The bill also (1) alters the program by specifying that the investor who makes the qualifying investment in a Maryland cybersecurity company claims the tax credit instead of the cybersecurity company and (2) alters specified eligibility requirements. The bill also creates a tax credit against the State income tax for a qualified buyer who purchases cybersecurity technology or service from a Maryland company that meets specified requirements. The amount of the credit is equal to 50% of the qualified cost, not to exceed \$50,000 for each qualified buyer. The Department of Commerce (Commerce) must administer the program and may approve a specified maximum amount of tax credits in each year.</p> <p style="text-align: right;">The bill takes effect June 1, 2018, and applies to tax credit certificates issued after June 30, 2018.</p>
<p>Senate Bill 563 (Chapter 609, Acts of 2018) – Income Tax Credit</p> <p>Qualified Research and Development Expenses – Application for and Procedure to Claim Credit</p>	<p>The Act alters the date by which an individual or corporation is required to submit a research and development income tax credit and the date by which the Department of Commerce must certify R&D tax credits to November 15 of the calendar year following the end of the taxable year in which the qualified expenses were incurred. The Act allows the applicant to attach copy of the Department of Commerce’s certification of the approved credit amount to an income tax return filed for any of the seven taxable years after the year in which the qualified research and development expenses were incurred.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax years 2018 through 2020. The Act terminates December 31, 2020.</p>

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INCOME TAX – Credits	Tax Legislation Enacted in 2018
<p>Senate Bill 564 (Chapter 610, Acts of 2018) – Income Tax Credit</p> <p>Security Clearance Costs – Procedure to Claim Credit</p>	<p>This bill alters how individuals or corporations claim the existing security clearances costs income tax credit. Under this Act, individuals or corporations must attach a copy of the tax credit certification to an income tax return for any taxable year after the taxable year in which the costs were incurred. The tax credit certification is completed by the Department of Commerce. The maximum amount of credit that can be awarded is \$2,000,000. The expenses that qualify for this credit are those that are: 1) related to the processing of application requests for clearances; 2) related to maintaining, upgrading, or installing computer systems for federal security clearances; 3) related to training employees to administer application processes.</p>
<p>Senate Bill 1154 (Chapter 595, Acts of 2018) – Income Tax</p> <p>Film Production Activity Tax Credit) – Alterations</p>	<p>This bill alters the film production activity tax credit by: 1) eliminating the program’s reserve fund; 2) specifying that the Secretary of Commerce may award specified maximum amounts of tax credits in each fiscal year; 3) requiring the Secretary of Commerce to reserve 10% of all tax credits in each fiscal year for qualified or independent film entities. Film production does not include infomercials, or digital, animation, and multimedia projects. To qualify as a film production entity, total costs incurred in the State must exceed \$500,000. The bill lowers this threshold to \$250,000 and specifies that total direct costs do not include any salary, wages, or other compensation for writers, directors, or producers. The applicant is required to include the estimated number of Maryland resident and out-of-state employees and total wages. The definition of small or independent film entity is a film production entity that must have: 1) been incorporated in Maryland for at least one year; 2) Maryland residents comprising at least 40% of the workforce in the qualifying film production activity; 3) total direct costs incurred in the State of at least \$25,000; and 4) at least 50% of the film production activity occurring in the State. These entities can claim a tax credit equal to 25% of total qualifying direct costs, not to exceed \$125,000, as determined by the Secretary of Commerce. For qualified film production entities, the credit is set at 25% of qualified film production costs; for television it is set at 27%. This credit is refundable.</p>
<p>Senate Bill 848 (Chapter 614, Acts of 2018) House Bill 302 (Chapter 613, Acts of 2018) Income Tax Credit – Wineries and Vineyards</p> <p>Procedures to Claim Credit and Sunset Extension</p>	<p>This bill extends the deadline for claiming credit against certain expenses related to wineries and vineyards in the State. The new termination date is June 30, 2021. The bill provides a new process to claim the credit when the credit exceeds the total tax liability in a particular year. The credit may be applied as a credit for succeeding taxable years until the full amount of the excess is used or expiration of the 15th taxable year after the tax year in which qualified capital expenses were paid or incurred. To claim the carried forward credit, taxpayer must attach a copy of the Department’s certification of the approved credit amount to an income tax return filed for any taxable year after the year the qualified capital expenses were incurred. The maximum amount of credits awarded annually remains \$500,000.</p> <p style="text-align: right;">The Act took effect June 1, 2018 and applies to all credits certified after December 31, 2017.</p>
<p>Senate Bill 877 (Chapter 350, Acts of 2018) – PRIME ACT</p> <p>Promoting Extraordinary</p>	<p>This Act establishes tax incentives for a Fortune 100 company that establishes an eligible project in the State. The incentives are: 1) income tax credits based on the number of jobs created at an eligible project; 2) a tax credit against the State and local property tax imposed on real</p>

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INCOME TAX – Credits	Tax Legislation Enacted in 2018
<p>Innovation in Maryland’s Economy</p>	<p>property; and 3) a sales and use tax exemption for specified purchases. The Department of Commerce must administer the tax credit application, approval, and certification process and is required to submit an annual report to the general assembly. The Act also allows for a business to receive a tax credit under the Businesses That Create New Jobs tax credit program. To qualify, a business must be a Fortune 100 company, as well as submit to the Department of Commerce a project plan that commits to carrying out over a 17-year period; 1) the hiring of 40,000 qualified positions and; 2) states \$4.5 billion in specified expenditures. A qualified position is one that is; 1) full time and of indefinite duration; 2) pays at least \$60,000 but not more than \$500,000; 3) newly created and located at a single, eligible project in the State and; 4) filled for 12 months.</p> <p style="text-align: right;">The Act applies to all tax years beginning after December 31, 2017.</p>

INCOME TAX – Deduction	Tax Legislation Enacted in 2018
<p>House Bill 570 (Chapter 576, Acts of 2018)/Senate Bill 318 (Chapter 577, Acts of 2018)– Income Tax – Standard Deduction</p> <p>Alteration and Cost-of-Living Adjustments</p>	<p>The Act increases the maximum amount of standard deduction allowed to \$2,250 for individuals, \$4,500 for head of household and joint filers. The Act provides that for each year after December 31, 2018, each minimum and maximum standard deduction limitation amount will be increased by an amount equal to the product of the minimum and maximum standard deduction limitation amount by the cost-of-living adjustment. If an increase is not a multiple of \$50, the increase will be rounded down to the next lowest multiple of \$50.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax year 2019 and beyond.</p>
<p>Senate Bill 318 (Chapter 577, Acts of 2018) – Income Tax – Standard Deduction</p> <p>Alteration and Cost-of-Living Adjustments</p>	<p>The bill alters the standard deduction for individuals. The standard deduction for an individual is 15% of the individuals Maryland adjusted gross income, subject to the following limitations: For an individual who is not head of household, a surviving spouse, or a spouse filing a joint return, the deduction may not be less than \$1,500, nor more than \$2,250 (previous maximum \$2,000). For heads of household or surviving spouses, the deduction may not be less than \$3,000, nor more than \$4,500 (previous maximum \$4,000). For spouses on a joint return, the deduction may not be less than \$3,000, nor more than \$4,500 (previous maximum \$4,000). These limitations shall be increased by the cost-of-living adjustment determined by the IRC.</p>

INCOME TAX – Subtractions	Tax Legislation Enacted in 2018
<p>House Bill 43 (Chapter 303, Acts of 2018) – Income Tax – Subtraction Modification</p> <p>Perpetual Conservation Easements</p>	<p>The Act creates a subtraction for calculating Maryland adjusted gross income. The first \$50,000 of compensation received by an individual during the taxable year in exchange for the sale of a perpetual conservation easement on real property in Maryland is subtracted from the federal adjusted gross income of a resident in calculating Maryland adjusted gross income.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax year 2018 and beyond</p>

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INCOME TAX – Subtractions	Tax Legislation Enacted in 2018
<p>House Bill 96 (Chapter 36, Acts of 2018) – Income Tax – Subtraction Modification</p> <p>Living Organ Donors</p>	<p>The Act creates a subtraction of up to \$7,500 for organ donors who incur qualified expenses attributable to donation of that individual's organs. "Organ" means all or part of an individual's liver, kidney, pancreas, intestine, lung, or bone marrow. "Qualified expenses" means any unreimbursed travel or lodging expenses or lost wages.</p> <p>The Act takes effect July 1, 2018, and applies to tax year 2018 and beyond.</p>
<p>House Bill 296 (Chapter 581, Acts of 2018) – Income Tax – Subtraction Modification</p> <p>Retirement Income of Correctional Officers</p>	<p>This Act expands the existing subtraction modification under Tax-General § 10-209(b) for retired law enforcement officers, fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State to include retired correctional officers. The subtraction amount for retired correctional officers, law enforcement officers, fire, rescue or emergency services personnel, between the ages of 55 and 65 years old, is limited to the first \$15,000 of retirement income that is attributable to the resident's employment as a correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State. The statute defines "correctional officer" as an individual who was (1) employed in a state correctional facility, a local correctional facility, a juvenile facility, or a facility of the U.S. that is equivalent to a state, local, or juvenile facility and (2) is eligible to receive retirement income attributable to the individual's employment in one of the listed correctional facilities.</p> <p>The Act takes effect July 1, 2018, and applies to tax year 2018 and beyond.</p>
<p>House Bill 327 (Chapter 572, Acts of 2018) – Income Tax – Subtraction Modification</p> <p>Military Retirement Income</p>	<p>The Act reduces the age requirement for individuals that qualify for the subtraction modification under §10-207(q) of the Tax General Article relating to military retirement income. If an individual is under the age of 55 and receives military retirement income, the first \$5,000 of military retirement income can be subtracted from the federal adjusted gross income to determine Maryland adjusted gross income. For individuals over the age of 55, the first \$15,000 of military retirement income is subject to the subtraction modification.</p> <p>The Act takes effect July 1, 2019.</p>
<p>House Bill 671 (Chapter 466, Acts of 2018) – Income Tax – Subtraction Modification</p> <p>Classroom Supplies Purchased by Teachers</p>	<p>The Act creates a State income tax subtraction modification for classroom supplies that are purchased by full-time Kindergarten through grade 12 classroom teachers. The amount of the subtraction cannot exceed \$250 of the unreimbursed expenses paid for classroom supplies used by students in the classroom or by the teacher to prepare for or during classroom teaching. The subtraction does not include an expense that is subtracted from federal adjusted gross income under §62 of the Internal Revenue Code.</p> <p>The Act takes effect July 1, 2018, and applies to tax years 2018 and beyond. The bill takes effect July 1, 2018, and applies to tax years 2018 and beyond.</p>
<p>House Bill 1069 (Chapter 582, Acts of 2018) – Income Tax – Subtraction Modification</p> <p>Volunteer Fire, Rescue, and</p>	<p>The Act increases the value of the State income tax subtraction modification for qualifying volunteer fire, rescue, or emergency medical services personnel. The maximum subtraction is increased as follows: \$4,750 for tax year 2018; \$5,000 for tax year 2019; \$6,000 for tax year 2020; \$6,500 for tax year 2021; and \$7,000 for a taxable year beginning after December 31, 2021.</p>

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INCOME TAX – Subtractions	Tax Legislation Enacted in 2018
Emergency Medical Services Members	This Act took effect July 1, 2018.
Senate Bill 996 (Chapter 573, Acts of 2018)– Income Tax – Subtraction Modification – Retirement Income (Hometown Heroes and Veterans Act of 2018)	This bill expands the existing military retirement income tax subtraction modification by increasing the amount from \$10,000 to \$15,000 under TG §10-207. It also revises the age requirements for individuals eligible to take the subtraction. If the individual is under 55 years of age, the first \$5,000 of military retirement income may be subtracted. If the individual is 55 years or older at the end of the taxable year, the first \$15,000 of military retirement income may be subtracted. The bill also expands the subtraction modification under TG §10-209 to include retired correctional officers. The subtraction is available to residents that are at least 55 years or older and are retired correctional officers, law enforcement officers, or fire, rescue or emergency services personnel of the United States, the State, or political subdivision of the State. Correctional officer is defined as an individual who: (1) was employed in a state correctional facility, local correctional facility, a juvenile detention facility in the state, or a facility of the US that is equivalent to a state or local correctional facility or a juvenile detention facility in the state; and (2) is eligible to receive retirement income attributable to the individual's employment.

INCOME TAX – Exemptions	Tax Legislation Enacted in 2018
House Bill 365 (Chapter 574, Acts of 2018)/Senate Bill 184 (Chapter 575, Acts of 2018) – Income Tax	The Act allows for an exemption for the taxpayer, the spouse of the taxpayer if no joint return was filed and the spouse has no gross income and is not a dependent of another taxpayer, and each individual who is a dependent as defined in § 152 of the I.R.C. An individual may deduct \$3,200 for each exemption.
Personal Exemptions – Alteration	The Act takes effect July 1, 2018, and applies to tax years 2018 and beyond.

INCOME TAX – Administrative	Tax Legislation Enacted in 2018
House Bill 194 (Chapter 49, Acts of 2018) – Exemptions	The Act states that an individual who signs an individual tax return as the preparer is not exempt from the requirement to register with the State Board of Individual Tax Preparers.
State Board of Individual Tax Preparers – Requirement to Register	
House Bill 686 (Chapter 489, Acts of 2018)/ Senate Bill 742 (Chapter 28, Acts of 2018) – Income Tax – Wynne Case	This bill adds two years to the time period in which local jurisdictions must reimburse the local income tax reserve account resulting from the final decision of the <i>Wynne</i> case.
Local Government Repayments to the Local Reserve Account	The new withholding start date is February 2021. If a local government does not reimburse the account in a timely fashion, the Comptroller will withhold the amount owed to the Local Reserve Account from quarterly income tax distributions in twenty equal installments.

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ESTATE TAX – Credit	Tax Legislation Enacted in 2018
<p>House Bill 308 (Chapter 21, Acts of 2018)/Senate Bill 646 (Chapter 15, Acts of 2018)</p> <p>Maryland Estate Tax – Unified Credit</p>	<p>The Act limits the amount of unified credit used to determine the Maryland estate tax for a decedent to \$5,000,000 for a decedent dying on or after January 1, 2019. This Act decouples the Maryland estate tax exclusion from the federal exclusion amounts. The Act also allows any deceased spousal unused exclusion amount to be added to the \$5,000,000 exclusion for purposes of determining the Maryland estate tax. “Deceased spousal unused exclusion amount” means the applicable exclusion amount in effect at the time of the death of the last predeceased spouse of the decedent reduced by the taxable estate of the last predeceased spouse as reported on a Maryland estate tax return or on a federal estate tax return if the last predeceased spouse was not a Maryland resident and no property with a Maryland estate tax situs was includible in the gross estate of the last predeceased spouse. This provision is also known as “portability” because the unused exclusion amount from the predeceased spouse is portable to the decedent. Portability does not apply unless the following tests are met: (1) the last predeceased spouse died on or after January 1, 2019, a Maryland estate tax return is timely filed and includes the calculated deceased spousal unused exclusion amount and an irrevocable portability election; OR (2) if an election was made under §2010(C) of the IRC on the federal estate tax return of the last predeceased spouse that died before January 1, 2019 or the last predeceased spouse was not a Maryland resident and no property with a Maryland estate tax situs was includible in the gross estate of the last predeceased spouse.</p>

CORPORATE INCOME TAX – Apportionment	Tax Legislation Enacted in 2018
<p>House Bill 1794 (Chapter 342, Acts of 2018)/ Senate Bill 1090 (Chapter 341, Acts of 2018) Corporate Income Tax</p> <p>Single Sales Factor Apportionment</p>	<p>The Act phases in a single sales formula used to apportion income to the State for the corporate income tax over a five-year period beginning in tax year 2018. For a trade or business that is unitary, the apportionment fraction shall be as follows:</p> <p style="text-align: center;">Tax year 2018 = $\frac{\text{property factor} + \text{payroll factor} + (3 \times \text{sales factor})}{5}$</p> <p style="text-align: center;">Tax year 2019 = $\frac{\text{property factor} + \text{payroll factor} + (4 \times \text{sales factor})}{6}$</p> <p style="text-align: center;">Tax year 2020 = $\frac{\text{property factor} + \text{payroll factor} + (5 \times \text{sales factor})}{7}$</p> <p style="text-align: center;">Tax year 2021 = $\frac{\text{property factor} + \text{payroll factor} + (6 \times \text{sales factor})}{8}$</p> <p>For tax years after December 31, 2021, if a trade or business is a unitary business, the part of the corporation’s Maryland modified income derived from or reasonably attributable to a trade or business carried on in the State shall be determined using a single sales factor apportionment formula. The single sales factor apportionment formula requires the business to multiple its Maryland modified income by 100% of the sales factor.</p>

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CORPORATE INCOME TAX – Apportionment	Tax Legislation Enacted in 2018
	<p>The Act also defines “worldwide headquartered company” as a corporation included in a group of corporations including a parent that: (1) filed a Form 10-Q with the SEC for the quarterly period ending 7/30/17; (2) has its principal executive office in Maryland; and (3) employs at all times between 7/1/17 and 6/30/20, at least 500 full time employees at the parent corporation’s principal executive office located in Maryland. Worldwide headquartered companies that filed a federal corporate income tax return may elect to calculate its Maryland modified income derived from or reasonably attributable to trade or business carried on in the State using the three factor apportionment fraction: the numerator is the sum of the property factor, the payroll factor, and twice the sales factor, and the denominator is four. The numerator includes gross income from intangible investments, including dividends, interest, royalties, and capital gains from the sale of intangible property.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax year 2018 and beyond.</p>
ADMISSIONS & AMUSEMENT TAX	Tax Legislation Enacted in 2018
<p>House Bill 1459 (Chapter 118, Acts of 2018)/ Senate Bill 961 (Chapter 420, Acts of 2018) – Calvert county</p> <p>Youth Recreational Opportunities Fund and Distribution From Admissions and Amusement Tax Revenues</p>	<p>The Act makes permanent the distribution of revenue attributable to a 4% tax rate from the State admissions and amusement tax on electronic bingo and electronic tip jars in Calvert County to the Calvert County Youth Recreational Opportunities Fund, instead of requiring those revenues be distributed to the Calvert County Board of Education beginning in fiscal 2020 for school renovation and renewal projects. Money from the fund must be first used for completing the development of Ward Farm Recreation and Nature Park, and then Calvert County must adopt a plan to expand youth recreational opportunities at additional locations.</p> <p style="text-align: right;">The Act takes effect July 1, 2018.</p>
<p>Senate Bill 983 (Chapter 577, Acts of 2018)</p> <p>Maryland Historical Society – Funding</p>	<p>This bill requires for fiscal year 2020 and each fiscal year thereafter that \$250,000 of revenue from the State admissions and amusement (A&A) tax on electronic bingo and electronic tip jars in Anne Arundel and Calvert Counties be distributed to the Maryland Historical Society (MdHS) instead of being distributed to the Special Fund for Preservation of Cultural Arts in Maryland (POCA) or the State Arts Council (MSAC).</p> <p style="text-align: right;">The bill takes effect June 1, 2018.</p>
SALES AND USE TAX	Tax Legislation Enacted in 2018
<p>Senate Bill 81 (Chapter 50, Acts of 2018) – Sales and Use Tax</p> <p>Hygienic Aids – Exemption</p>	<p>The Act amends the article to clarify that sanitary pads, tampons, menstrual sponges, menstrual cups, or other similar feminine hygiene products are not subject to the sales and use tax.</p> <p style="text-align: right;">The Act takes effect July 1, 2018.</p>
<p>Senate Bill 743 (Chapter 852, Acts of 2018)</p> <p>Peer-to-Peer Car Sharing Program</p>	<p>This bill establishes 1) a regulatory framework for peer-to-peer (P2P) car sharing in the State, including insurance requirements; 2) a sales and use tax rate of 8% for sales and charges related to P2P car sharing for two years only; 3) related study and/or reporting requirements for the Consumer Protection Division of the Office of Attorney General (OAG), the</p>

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SALES AND USE TAX	Tax Legislation Enacted in 2018
<p>Senate Bill 743 (Chapter 852, Acts of 2018)</p> <p>Peer-to-Peer Car Sharing Program</p>	<p>Motor Vehicle Administration (MVA), and the Comptroller's office. The bill expands the definition of "taxable price" subject to Maryland sales and use tax to include short term vehicle rentals or shared motor vehicle uses for P2P car sharing and made available on P2P car sharing program under TG §11-101.</p> <p>"Peer-To-Peer car sharing" is defined as "the authorized use of a motor vehicle by an individual other than the vehicle's owner through a peer-to-peer car sharing program." "Peer-to-Peer Car sharing program" means a platform that is in the business of connecting vehicle owners with drivers to enable the sharing of motor vehicles for financial consideration. "Car sharing period" means the period of time during which a car is being shared through the peer-to-peer car sharing program; this bill specifies when this period officially begins and ends.</p> <p>Bill takes effect July 1, 2018; safety and inspection requirements take effect Jan 1, 2019; sales and use tax provision terminates June 30, 2020 and short term vehicle rental is no longer included in definition of "taxable price".</p>

Comptroller of Maryland Court Cases

Significant Court Cases September, 2017 – August, 2018

A. Potomac Edison

Potomac Edison is a supplier of electricity to customers in Maryland. It generates electricity out-of-state, but only transmits electricity in Maryland. In 2007, the Comptroller conducted a random “high revenue audit” of Potomac that revealed a sales tax deficiency and an assessment was issued to Potomac. Potomac did not question the audit initially, but then it claimed that it should not have to pay sales tax on its purchases of equipment used to transmit electricity in the state (poles, wires, transformers, nuts and bolts, etc.) Based on this theory, Potomac filed a refund request for the same period as the assessment (August, 2003 - July, 2007) for the tax it had paid on transmission equipment. At the same time, Potomac appealed the assessment, claiming it was entitled to a credit based on the refund, and a reduction in the tax assessed for any transmission equipment included in the audit. While the appeal of the assessment was pending, Potomac paid the tax portion of the assessment. Notices of Final Determination were issued by the Comptroller affirming the assessment and denying the refund request. In May, 2012 Potomac filed appeals in the Tax Court requesting the court to (1) reduce the assessment and give Potomac a credit based on its refund request and (2) refund the amount of sales tax Potomac had paid on its purchases of transmission equipment. The refund claim involved more than 19,000 purchases.

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

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

the transmission of electricity was defined as a “taxable service”.

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

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

On February 19, 2015 Potomac filed a Petition for Judicial Review with the Circuit Court for Baltimore City. The Court conducted a hearing on the Petition on April 20, 2016 and issued an order on September 7, 2016 affirming the Tax Court. Potomac appealed to the Court of Special Appeals. Oral argument was conducted before the Court of Special Appeals on September 8, 2017, and we are now awaiting a decision from the court.

B. Travelocity

Travelocity charged customers for the right to occupy a hotel room, which is tangible personal property under Maryland law, but did not charge and remit sales tax on the cost of the room. Travelocity was assessed sales tax for the full price of the room it charged customers. Travelocity also charged customers for car rentals, but did not charge and remit sales tax on those transactions, so sales tax was assessed on those transactions as well. Travelocity has claimed a credit for the amount of sales tax it paid to hotels for the rooms it ultimately rented to its customers. The Comptroller has contended that Travelocity lacks sufficient evidence to qualify for this credit.

Travelocity contends that it did not “sell” rooms to customers because it did not own rooms it could sell. Instead, Travelocity characterizes its activities as “facilitating room rentals” for which no tax should be charged. Travelocity contends that it obtained a figure for “estimated tax” for the rooms it rented from various hotels, and it included a charge for that amount as part of the cost of the room it charged its customers. Travelocity would

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then use the “estimated tax” funds to pay the sales tax it was charged by the hotels for the “net” cost of the room.

In May, 2015, the Tax Court ordered the Comptroller to disclose the sales tax returns for the 715 hotels that Travelocity does business with in Maryland. The Comptroller questioned whether the Tax Court could issue a “proper judicial order” to authorize the disclosure of this confidential information, and filed an interlocutory appeal of that order to the Circuit Court for Baltimore County. The Tax Court agreed to stay Travelocity’s appeal pending the outcome of the interlocutory appeal. After conducting a hearing, the circuit court ruled that the Tax Court did have the authority to order the disclosure of the tax returns. The Comptroller noted an appeal to the Court of Special Appeals. That appeal was subsequently withdrawn by the Comptroller when it became apparent that the resolution of the issue would significantly delay the trial in the Tax Court. The case was remanded to the Tax Court and a new trial date was set for November 7, 2016.

During the pendency of the appeal, the General Assembly passed an amended statute that redefined “taxable price” under the Tax Code that specifically applied to OTCs. This was seen as providing another argument for Travelocity: that the statute in effect at the time of the assessment was ambiguous and did not provide legal justification for the assessment.

Due to difficulties in the discovery process, the trial was moved back to May 18, 2017. Prior to the trial, the parties filed cross motions for summary judgment. After conducting a hearing on the motions, the Court granted and denied the motions in part. The Court ruled that Travelocity’s transactions were taxable, and that the statute that was in place at the time of the assessment provided adequate legal support for the assessment. The Court also ruled that there was no gross negligence on the part of Travelocity, and specifically cited the amended statute as evidence that the prior statute was ambiguous, giving Travelocity a good faith argument that it did not owe tax. This reduced the period of the assessment from eight years to four years. The Tax Court also concluded that Travelocity’s good faith claim warranted the waiver of the penalty and interest imposed by the Comptroller. Following the issuance of the Court’s order, Travelocity questioned the method for calculating the tax it owed. In order to resolve any uncertainty, the Court withdrew its order so that it could maintain

jurisdiction, and scheduled a status conference for September 6, 2017.

Travelocity contended that the “tax recovery charge” that it included in the charges it made to its customers should not be included in the taxable price of the rooms it sold. The tax recovery charge was an estimate of the taxes Travelocity would have to pay on the amount it was charged by hotels for the rooms it sold. The charge was not stated separately on the invoice Travelocity presented to customers. Instead, it was a line item for “tax recovery charge and fees.” The parties submitted memoranda on the issue on September 20, 2017 and the Tax Court, without conducting a hearing, issued an order on December 20, 2017, incorporating its earlier findings, and including a finding that the tax recovery charge should not be included in the taxable price of the rooms sold by Travelocity.

Travelocity appealed the case to the Circuit Court for Worcester County and the Comptroller filed a cross appeal. The Comptroller also filed a motion to remand the case to the Tax Court based on flaws in the order that was issued by the Tax Court. The circuit court granted the Comptroller’s motion on March 29, 2018 and the case was remanded to the Tax Court. The Comptroller filed a motion for reconsideration of the Tax Court’s order of December 20, 2018, and this motion is currently pending.

C. Comptroller of the Treasury v. Jason Pharmaceuticals, Inc.

The issue in this case was whether Jason Pharmaceuticals (“JPI”) was entitled to be paid interest on the Comptroller’s refund of sales and use tax erroneously paid by JPI. JPI leased printing equipment that was used to create brochures and other printed material that, depending on the nature of the printed material, was offered for sale to customers in some cases or provided free of charge in other cases. A lease of printing equipment to produce material for sale may be exempt from sales and use tax under § 11-210(b)(1) of the Tax-General Article (“TG”), if the equipment is “used directly and predominantly in a production activity....” By regulation, tangible personal property is used “predominantly” in a production activity when it is used more than 50% of the time directly in a production activity. For several years, JPI paid sales and use tax on its lease payments on the printing equipment, apparently not recognizing that it qualified for the sales tax exemption on the use of certain machinery in a production activity.

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After hiring a sales and use tax director, who determined that the printing equipment was used more than 50% of the time to print materials for sale, JPI filed two refund claims seeking a refund of the tax paid on the equipment leases. The Comptroller's auditor denied the refunds, concluding that JPI did not predominantly use the equipment to print material for resale. At a hearing before the Comptroller's hearing officer, the auditor's decision was reversed, and the refunds were granted. The Comptroller, however, denied JPI's claim for interest on the refund amount, because JPI paid the tax in error, and that error was not caused by or attributable to the State under TG § 13-603(b)(2)(i) ("A tax collector may not pay interest on a refund if the claim for refund is...based on...an error or mistake of the claimant not attributable to the State or a unit of the State government.)

JPI appealed to the Tax Court, arguing it was entitled to interest, because like the taxpayer in *SAIC v. Comptroller of the Treasury*, No. 04-IN-OO-0632, 2006 WL 2507134 (Md. Tax, May 11, 2006), it exercised reasonable judgment in paying the sales and use taxes. JPI argued that its error in paying the taxes was attributable to the State based on the auditor's error in denying the refund; it also argued that it acted reasonably in paying the taxes when there might be doubt about whether they were owed. The Tax Court held that interest was owed to JPI. The Comptroller appealed the decision to the circuit court, which affirmed the Tax Court's decision. The Comptroller then filed an appeal to the Court of Special Appeals, which reversed the Tax Court's award of interest. The Court of Special Appeals determined that JPI's payment of the sales and use tax on the equipment leases was not an error attributable to the State. Both by regulation and Comptroller policy, the law and policy were clear that when the use of equipment was used more than 50 % of the time to produce tangible personal property for sale, the equipment was exempt from tax. JPI erred in not recognizing that its use met the threshold, but nothing in the law led JPI to conclude that tax must be paid. The Court of Special Appeals explained:

[W]e cannot identify what law, regulation or policy JPI could have reasonably relied on in reaching its mistaken belief that the tax was owed. Once JPI was aware of the exemption, the only uncertainty or mistaken belief we can find in the record that prompted JPI's payment of the tax related only to whether JPI could

show—through its own invoices, samples, or other internal records—what proportion of the materials printed during the relevant time period were for sale.

Thus, the Court concluded that JPI's error was attributable to its own mistakes and not to any confusion about the law or its application.

The Court distinguished *SAIC*, in which the Comptroller's letter denying the refund claim, stated an erroneous policy for applying the relevant law. In the absence of any contradictory evidence, the *SAIC* Court concluded that this erroneous policy "was sufficient evidence of the Comptroller's incorrect position on the issue *when SAIC paid the tax.*" (emphasis added.) In contrast, in *JPI* "neither party's view of the meaning and application of [TG] § 11-210(b) changed from the time that JPI mistakenly paid the tax throughout the proceedings before the Tax Court. Nor did JPI express any uncertainty about how the exemption would apply to the printers it leased from Xerox. The plain language of the statute and its pertinent regulations were clear," and they created a "quantifiable measure for making that determination." Thus, any error in applying the quantifiable standard to its use of the printing equipment was JPI's error and was not attributable to the State.

D. Leadville Insurance Company v. Comptroller of the Treasury

The taxpayer is Leadville Insurance Company, a wholly owned subsidiary of Macy's Retail Holdings Inc. (Macy's). Leadville was a Vermont based captive insurance company formed in 1996 by the Macy's parent company and was licensed by Vermont's former Department of Banking, Insurance, Securities, and Health Care Administration (BISHCA). A captive insurance company is an insurance company created and wholly owned by one or more non-insurance companies to insure the risks of its owner(s). Captives are essentially a form of self-insurance whereby the insurer is owned wholly by the insured.

May NY was the parent company of the May Department Stores franchise until 1996 when after restructuring, May DE became the parent company. Both of the May companies are predecessors to the current Macy's parent company. Pursuant to the reorganization, in August 1996, May NY declared and paid a \$3.2 billion note receivable as a dividend to

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May DE. May DE subsequently transferred and reissued the note to Leadville as the payee; Macy's was the payor.

The Comptroller conducted an audit of Macy's and discovered that Macy's paid a substantial amount of interest to Leadville during tax years 1996-2003. The Comptroller took the position that based on *Comptroller of the Treasury v. Syl, Inc.*, 375 Md. 78 (2003) and other Maryland court cases and Leadville's lack of economic substance as a separate entity, the interest payments from Macy's to Leadville are in part, income taxable by Maryland. In 2010 the Comptroller assessed Leadville income tax, penalty and interest of \$23,831,054.34 for the seven years at issue.

The Maryland Tax Court never addressed the substance of the Comptroller's position. The Court granted Leadville's motion for summary judgment on the ground that it is an insurance company and under Tax General § 10-104(4) not subject to Maryland's income tax. *Leadville Insurance Co., v. Comptroller of the Treasury*, Dkt. No. 13-IN-OO-0035. In *National Indemnity Co. v. Comptroller of the Treasury*, Dkt. No. 14-IN-OO-0433, approximately two years earlier, the Tax Court also ruled that being an insurance company exempts imposition of the Maryland income tax per Tax General § 10-104(4). The Comptroller did not appeal the prior decision.

In *Leadville*, the Comptroller takes the position that (1) the plain language of Tax General §10-104(4) indicates that the income tax does not apply to the income of a person subject to taxation under Title 6 of the Insurance Article and (2) the plain language of Title 6 of the Insurance Article indicates that persons subject to tax under Title 4, Subtitle 2 of the Insurance Article, are not subject to taxation under Title 6. Unauthorized insurers, i.e. insurers who do not hold a certificate of authority issued by the Maryland Insurance Commissioner are subject to tax under Title 4, Subtitle 2 of the Insurance Article. Leadville does not hold a certificate of authority issued by the Maryland Insurance Commissioner and is an unauthorized insurer. Consequently, the Comptroller argues, to the extent Leadville would be subject to taxation under the Insurance Article at all, it would be subject to tax under Title 4, Subtitle 2 and not under Title 6. The plain language of the Tax General § 10-104(4) exemption only references a person "subject to taxation under Title 6."

The Comptroller has appealed the Tax Court's grant of summary judgment to the Anne Arundel County Circuit Court. The Circuit Court, in a decision effective December 12, 2017, affirmed the decision of the Maryland Tax Court. The Comptroller has appealed to the Court of Special Appeals. Argument will be held in February 2019.

E. ConAgra

This trademark holding-company case was tried in the Tax Court in October, 2010. The Tax Court stayed its decision pending the outcome of the appellate process in *Gore Enterprise Holdings, Inc. v. Comptroller*, 437 Md. 942 (2014). On February 24, 2015, the Tax Court affirmed the Comptroller's assessment of tax for TYs 1996-2003 in the amount of \$1,411,977. At the same time, the Court abated all penalties, along with over \$1.1mm of interest accruing from February 23, 2009 through February 24, 2015 – a time period corresponding to the time of filing of the Tax Court petition until the date of the decision.

ConAgra Brands, which was merged out of existence in 2007, filed a petition for judicial review in Anne Arundel County. The Comptroller cross-petitioned on the interest abatement issue. On October 19, 2015, the circuit court affirmed the Tax Court's income tax assessments and reversed the Tax Court's partial abatement of interest. The taxpayer filed an appeal to the Court of Special Appeals. Oral argument was held on November 10, 2016. We are awaiting the appellate court's decision.

F. Michigan Host, Inc. v. Comptroller

The Comptroller audited Host International, Inc. and Autogrill Group, Inc. for tax years including 2000-03. The former entity is a wholly owned subsidiary of HMSHost Corporation, which in turn is owned by Autogrill SpA, an Italian food service corporation. The audit uncovered substantial interest payments—in excess of \$128 million—paid by Host International to its wholly-owned affiliate, Michigan Host, Inc. over four years beginning in 2000. Michigan Host did not file Maryland corporation income tax returns during the 2000-03 tax years. Michigan Host operates all non-aviation passenger services and concessions at the Detroit Metropolitan Airport.

Both HMSHost Corp. and Host International are based in Bethesda, Maryland. Discovery revealed that Michigan Host, although it conducts almost all of its airport servicing operations in Michigan, was and is headquartered in Bethesda. Additional discovery revealed that Michigan Host is a

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Delaware corporation, and that its principal place of business—meaning its central administrative offices, including its officers and directors—is in Bethesda, Maryland. All routine corporate-level administrative services, including payroll, accounting, HR, legal, treasury, marketing, tax, IT, and purchasing services are performed for Michigan Host by Host International in Maryland and Michigan.

Based on a Delaware holding company approach, the Comptroller assessed \$1,706,825 in income taxes, interest, and penalties against Michigan Host, based only on the interest payments received from Host International. Michigan Host appealed to the Tax Court.

On May 25, 2016, we tried the case before the Tax Court (Martz, C.J.). On February 1, 2017, the Tax Court issued its written decision, affirming the Comptroller's tax assessments against Michigan Host for all four years, but waiving one-half of the assessed interest and all penalties. The Comptroller filed a petition for judicial review of the latter aspects of the decision in the Circuit Court for Montgomery County. Michigan Host cross-petitioned on the merits. The case was argued on November 28, 2017; the parties are awaiting a decision.

G. Richard Reeves Taylor v. Comptroller

Margaret Beale Taylor died testate on January 15, 2013, in Washington County, Maryland. At the time of her death, Mrs. Taylor was possessed of a federal gross estate—consisting entirely of personal property—valued at \$5,582,245. The personal representative of Mrs. Taylor's estate, Richard Reeves Taylor, filed a United States Estate (and Generation-Skipping Transfer) Tax Return with the Internal Revenue Service, and a Maryland Estate Tax Return with the Comptroller. On the Estate's federal return, the personal representative included Mrs. Taylor's interest in a marital trust ("qualified terminable interest property" or "QTIP") created by the last will and testament of her predeceased husband, John Wilson Taylor. But on the Estate's Maryland return, the personal representative excluded the value of the very same marital trust, decreasing the reported value of Mrs. Taylor's federal gross estate by \$4,108,048.02.

Upon examination of the Taylor Estate's Maryland estate tax return, the Comptroller disallowed the claimed exclusion of Mrs. Taylor's interest in the marital trust, adding back the value of the marital trust to the federal gross estate and the

resulting Maryland estate. The disallowance of the marital trust exclusion resulted in an increase of the Estate's Maryland estate tax liability from \$22,622 to \$429,372.32, along with assessments of interest and penalties for late payment and substantial valuation understatement. The Comptroller subsequently waived the substantial valuation understatement penalty. The personal representative appealed to the Tax Court.

The principal issue in the Tax Court involved whether the value of Margaret Beale Taylor's QTIP property—personal property transferred to her under her predeceased husband's will and for which a marital deduction was elected to reduce his federal estate tax liabilities—was properly included in her Maryland estate, and therefore subject to the Maryland estate tax. The question arose because Mrs. Taylor's predeceased husband was a Michigan resident when he died, and therefore, although he had made a federal QTIP election, had not made a Maryland QTIP election. On this basis, the personal representative contended that the QTIP should be excluded from the Maryland gross estate, based upon a counterintuitive interpretation of TG § 7-309(b)(6)(i). Following a trial, the Tax Court (Martz, C.J.) affirmed the Comptroller's assessment of tax and interest, but abated a late-filing penalty. The personal representative sought judicial review in the Circuit Court for Washington County. The Comptroller cross-petitioned the penalty abatement.

The circuit court reversed the Tax Court's assessments of taxes and interest against the Estate. Although the circuit court acknowledged that death taxes are exactions on the transfer of property rather than on the property itself, the court nevertheless held that the Tax Court had erred by "imposition of the Maryland Estate tax on the assets of John Taylor's Michigan QTIP trust." This fundamental misunderstanding by the circuit court let it to conclude—erroneously—that because "there is no Maryland statute that permits the Comptroller to impose tax upon the 1989 QTIP Trust assets," the Comptroller's assessment of estate taxes against the Margaret Taylor estate was unlawful.

The Comptroller appealed the circuit court's decision to the Court of Special Appeals, which affirmed the circuit court on July 25, 2018. A petition for a writ of certiorari was filed by the Comptroller on September 27, 2018.

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H. Carroll Independent Fuel Co.

Carroll Independent Fuel Co., a Baltimore motor fuel retailer, was audited by the Comptroller for gasoline and diesel fuel accounts for 48 monthly taxable periods ranging from July 1, 2008 through June 30, 2012. Over that period, CIFIC “netted” its overpayments and underpayments across monthly taxable periods. The Comptroller disallowed CIFIC’s netting and assessed deficiencies for numerous periods. CIFIC filed two petitions in the Maryland Tax Court, seeking set-off or recoupment and refund of protective payments. During the audit, CIFIC merged with and into Carroll Independent Fuel, LLC. CIFIC filed no refund claims at any time, but sought equitable recoupment of its monthly overpayments vis-à-vis corresponding underpayments during the audit period.

Equitable recoupment is a defensive equitable doctrine. In the field of taxation, equitable recoupment generally applies when the tax collector attempts to characterize the same *transaction* differently for two different taxes. It cannot be utilized in the U.S. Tax Court because that court, like the Maryland Tax Court, has no non-statutory equitable powers.

On cross-motions for summary judgment, the Tax Court granted CIFIC’s motion, holding that equitable recoupment was applicable since the Comptroller had made a single assessment for all 96 taxable periods at issue (48 monthly periods for gasoline, 48 monthly periods for diesel). (In fact, the Comptroller had made two assessments, one for gasoline and one for diesel.) The Tax Court held that the purported single assessment was the requisite “single transaction” at issue. The Comptroller sought judicial review of the decision in the Anne Arundel County Circuit Court.

On May 22, 2018, the circuit court reversed the Tax Court and remanded the case for entry of a decision in favor of the Comptroller. CIFIC appealed. The parties are currently engaged in briefing, with argument set for early May, 2019.

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

I am pleased to inform you that by an opinion dated August 9, 2018, the Court of Special Appeals affirmed the assessments against Staples, Inc. (Staples) and Staples the Office Superstore, Inc. (Superstore).

This is a holding company case that was originally tried in the Maryland Tax Court in August 2011. The assessments against both entities were for the period of 1999 through 2004. The tax assessment against Superstore was in the amount of \$6,340,835 plus penalty of \$1,585,210 and interest as it continued to accrue (as of the date of the assessment interest was \$5,968,207). The tax assessment against Staples was in the amount of \$213,325, plus penalty of \$53,331.00, and interest as it continued to accrue (as of the date of the assessment interest was \$231,456).

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

Staples and Superstore filed a petition for judicial review in the Circuit Court for Anne Arundel County. The Comptroller cross-petitioned on the interest abatement issue. The circuit court’s decision affirmed the tax assessment, agreeing with the Maryland Tax Court that the Comptroller’s assessment was legally correct. In addition, the circuit court held that the apportionment formula that the Comptroller’s Office employed was appropriate and reasonably reflected the income earned by the petitioners in Maryland.

On the issue of abatement of the interest, the circuit court held that the Maryland Tax Court did not explain, nor did the record reflect, the basis for finding reasonable cause to waive any portion of the accrued interest. The circuit court found contradictory the Tax Court’s conclusion that the petitioners made good faith legal arguments during the assessment period, a period in which the law was evolving, and the Tax Court’s statement that Maryland courts have consistently concluded that the basis for nexus sufficient to justify taxation is the economic reality that an affiliate’s activities in Maryland may be the basis for the production of income of the out-of-state affiliate. Furthermore, the circuit court was unable to find in the decision of the Maryland Tax

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Court any explanation of the facts supporting a finding of reasonable cause to waive interest. For these reasons, the circuit court remanded the matter back to the Maryland Tax Court for a **de novo** evidentiary hearing on the issue of whether interest and penalties should be waived.

Staples and Superstore appealed the decision of the circuit court to the Court of Special Appeals (COSA). The Comptroller cross appealed the interest issue.

On August 9, 2018, the COSA issued an unreported decision. For essentially the same reasons as articulated by the Tax Court and Circuit Court, the COSA affirmed the assessments. Unfortunately, on the interest issue, the COSA affirmed the decision of the Tax Court to abate the interest from the date of the appeal to the Tax Court to the date of the Tax Court's decision. The COSA did not spend much time on this point other than to state that it felt there was sufficient evidence in the record to support the decision of the Tax Court.

J. Branch Banking and Trust

On September 30, 2016, the Maryland Tax Court issued a decision in the above referenced matter reversing the Comptroller's decision to deny a refund claim made by Branch Banking & Trust Co. ("BB&T") for tax years 2007 and 2008. The respective amounts of the refund claims were \$2,632,240.00 and \$2,048,909.00.

At issue is whether a net subtraction modification, created because of the Maryland subtraction modification for federal interest obligation income, can create a Maryland net operating loss which can be carried over to other tax years. Maryland law does not provide for a Maryland net operating loss or the carryover of such a loss. If Maryland law provided such a loss carryover, BB&T would have had such a loss in the years 1999-2008, which loss, if carried over would have reduced its Maryland taxable income and, thus, Maryland tax due in the years 2007 and 2008. (BB&T had no Maryland taxable income or Maryland tax due for the years 1999-2006.)

BB&T argued that the denial of the net operating loss carryover created in this manner violated 31 U.S.C. § 3124 (U.S. government stocks and obligations are exempt from state taxation) and the Supremacy Clause of the U.S. Constitution. This argument was in part based on the fact that interest income from Maryland obligations is excluded from federal taxable income and, thus,

can create a federal net operating loss which can be carried over to other tax years under federal law. BB&T, in support of its argument, relied on a previous Maryland Tax Court ruling in *Kraft General Foods, Inc. v. Comptroller of the Treasury*, MTC No. 98-IN-OO-0353 (2001). In that case the Maryland Tax Court ruled that the policy of not allowing a subtraction modification to increase a taxpayer's net operating loss arising from a deduction for domestic corporation dividends vs. foreign corporation dividends was unconstitutional on its face because it favored domestic commerce. The Comptroller's Office did not appeal the ruling in *Kraft*.¹

The Comptroller's Office took the position that the Maryland statutes are clear and unambiguous. Namely, that there is no provision in Maryland law for a net operating loss carryover created as a result of net Maryland subtraction modifications and that the application of Maryland law neither violated the federal statute nor was it unconstitutional.

The Comptroller also argued that, even if the failure to allow a net operating loss carryover under these circumstances was unconstitutional, BB&T had failed to adequately substantiate the refund claim it was making. The basis for this argument was the lack of original documents to verify the amounts of federal interest obligation income earned by BB&T between 1999 and 2008. The law clearly places the burden on a taxpayer to support the amount of any refund it is claiming.

The Maryland Tax Court, relying on the reasoning stated in the prior *Kraft* decision, ruled that the policy of not allowing carry forwards of un-subtracted exempt federal obligation income discriminates against the holders of federal obligations in favor of similarly situated holders of Maryland obligations. The Court's memorandum decision did not address the substantiation issue. The Court did order interest on the refund.

The Comptroller paid the refunds but did not pay any interest to BB&T on those claims. The Comptroller appealed the interest issue to the Circuit Court for Anne Arundel County. Argument was originally heard on that appeal on May 30, 2017. The Circuit Court judge who heard

¹ No statutory changes have been made to Maryland law as a result of the *Kraft* decision. Nonetheless, the Comptroller's Office has interpreted and applied existing Maryland statutes consistent with the ruling. See, Administrative Release #18. Consequently, BB&T also argued that, in this case, the Comptroller's Office denial of the refund claim was contrary to Tax General Art., § 10-307.

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the original arguments unfortunately had to retire before rendering a decision. The case was reargued on August 27, 2018. At the conclusion of the argument the presiding judge issued a brief oral decision affirming the decision of the Maryland Tax Court.

Court proceedings related to the decision in:

Comptroller v. Wynne, 135 S.Ct. 1785 (2015) and 2014 Senate Bill 172

In anticipation of a decision by the U.S. Supreme Court that would uphold the decision that Maryland's credit scheme for taxes paid to other states was unconstitutional, the General Assembly, in 2014, enacted legislation to ease the financial burden and uncertainty that the counties would face. Specifically, the legislation (Section 16 of SB 172, 2014 Budget Reconciliation and Financing Act) provided that any interest due on a refund claim based on the final decision in the *Wynne* case would, to the extent interest was due, be payable at the prime interest rate between banks in 2015 (approximately 3%) rather than the rate specified in Tax General Art. 13-603.

A. Class Action

On November 13, 2015, a class action lawsuit was filed in the Circuit Court for Baltimore City, *Michael J. Holzheid, et al., v. Comptroller of the Treasury, et al.*, Case No. 24-C-15-005700. The Complaint is filed on behalf of the named plaintiffs and all others who did not receive the full credit, filed amended returns claiming the credit, received refunds, but only received interest on those refunds at the lower rate. The Complaint alleges that Section 16: 1) violates the 14th Amendment as an unconstitutional taking of private property without due process and just compensation; 2) violates the Commerce Clause of the U.S. Constitution; 3) is an unconstitutional retroactive law; and 4) violates 42 U.S.C. § 1983.

The defendants moved to dismiss, arguing that the plaintiffs, who had not filed administrative appeals pursuant to the Tax General Article, had not exhausted all available administrative remedies. The court denied the Motion to Dismiss.

Subsequently, both sides filed motions for summary judgment. Among the issues presented in the motions for summary judgment, the defendants renewed the argument that the plaintiffs had not exhausted their administrative remedies. Argument was held on those motions on January 30, 2017.

On January 16, 2018, the circuit court issued its decision. The court dismissed the case on the grounds that the plaintiffs had not exhausted their administrative remedies. The court found that no exception existed in this case that would permit the plaintiffs to seek relief directly in the circuit court, bypassing the administrative remedies available to a taxpayer whose refund claim has been denied.

Despite this ruling, and its finding that the motion for class certification and motions for summary judgment were moot, the circuit court proceeded to opine on the underlying issues. In doing so the court stated that had it issued a substantive ruling on class certification, it would not have certified the class. But, on the issue of whether the Section 16 of the 2014 BRFA was constitutional, the court expressed its view that Section 16 was probably unconstitutional for the same reasons as stated by the Supreme Court in *Comptroller v. Wynne*. The circuit court did not opine any of the other constitutional grounds raised by the plaintiffs.

The plaintiffs noted an appeal to the Court of Special Appeals. The matter is currently be briefed. Argument will be in February 2019.

B. Maryland Tax Court

Brian and Karen Wynne, the same parties from the Supreme Court case, also appealed the denial of payment of interest at the 13% rate, *Brian and Karen Wynne v. Comptroller*, MTC No. 16-IN-OO-0216.

The Wynnes received a refund of the taxes they paid on the initial assessment made against them. They were paid interest at the rate provided for in Section 16. They requested interest at the rate provided for in TG § 13-603. The Comptroller denied that request. They requested an administrative hearing. A Notice of Final Determination was issued affirming the denial of interest at the higher rate. The Wynnes appealed that decision to the Maryland Tax Court, raising the same arguments as were raised in the class action lawsuit.

In a short opinion dated May 23, 2018, the Maryland Tax Court reversed the decision of the Comptroller, ordering that interest be paid at the 13% rate rather than rate dictated by the General Assembly in Section 16. The decision simply stated that for the same reasons expressed by the Supreme Court in the *Wynne* case regarding the Commerce Clause, Section 16 of the

Comptroller of Maryland Court Cases

BRFA was unconstitutional. The Maryland Tax Court did not address any other constitutional grounds raised by the Wynnes.

The Comptroller has appealed the decision to the Circuit Court for Anne Arundel County. Argument is currently scheduled for December 10, 2018.

C. Tax General Art., §13-1104(j)

In related matters, several taxpayers have filed petitions with the Maryland Tax Court asserting that the Comptroller's determination that they had not filed amended returns requesting refunds based on the *Wynne* decision within the applicable statute of limitations. These taxpayers are asserting that they had one-year from the date of the Supreme Court's decision to file their amended returns under Tax Gen. § 13-1104(j), not the 3-years from the date of the return as required by Tax Gen. § 13-1104(c). There are 40 such cases currently pending the Maryland Tax Court, as well

as similar appeals pending before the Comptroller's Hearings & Appeals section. Of the 40, 39 have been stayed pending the outcome in the first of these to have gone to trial, *Jonathan & Beatriz Maizel v. Comptroller*, MTC Nos. 16-IN-OO-1100 and 17-IN-OO-0011.

The *Maizel* cases went to trial on September 19, 2017. On October 11, 2017, the Maryland Tax Court issued a decision rejecting all of the petitioners' arguments, holding that §13-1104(j) did not pertain to all persons in general, but only to the taxpayer who was party to the proceedings in the other forum. The Maizels appealed the decision to the Circuit Court for Montgomery County, which upheld the decision of the Maryland Tax Court. The Maizels have since appealed to the Court of Special Appeals. No argument date has yet been set.

Comptroller of Maryland

Changes in Tax Forms

Changes in Tax Forms

Tax forms will continue to be available through various sources this year. Fill-in forms will be available on the Comptroller's Web site at www.marylandtaxes.gov. Paper forms will be available upon request. A limited number of paper tax booklets have been made available to libraries which have requested them.

A. Resident Returns

Form 502 – Maryland Resident Return

NOTE: As of tax year 2016, there are two versions of Form 502 (HANDFILL and ONLINE). The difference between the forms is graphical layout – the content is uniform. Purpose of split – request of RAD Director to split forms – to ensure the HANDFILL version has enough room for handwritten returns to process efficiently, that the ONLINE version has enough room for the 2-D barcode, and that neither form expands beyond three pages.

Added "+ 4" to the end of "ZIP Code" field (throughout).

- **Page 1** Primary and Spouse's "Initial" field updated to "MI"
- **Page 1** Renamed "Physical Address" language to "Maryland Physical Address" to clarify instructions and reduce errors in local taxation and distribution – The information in these fields is completed based upon the taxpayer's physical address as of December 31, 2018 or last day of the taxable year.
- **Page 1** Update side text for attaching wages. This text on the left side of Page 1 specifies that money orders/checks should be attached to Form PV, not the Form IND PV.
- **Page 1** Exemptions – Bolded text, "**must attach the Dependents' Information Form 502B...**"
- **Line 1e** Updated investment income amount from \$3,450 to \$3,500
- **Lines 10a and 10b** Standard Pension Exclusion previously on line 10 of Form 502 is now moved to line 10a. Pension Exclusion for Retired Correctional Officer, Law Enforcement Officer, or Fire, Rescue, or Emergency Services Personnel has moved from code letter "rr" of Form 502SU to line 10b of the Form 502. Bullets added for data capture. Accepted Forms Recommendation #10 – Clarify business rules and ensure no one claims the Standard Pension Exclusion and the Pension Exclusion for Retired Correctional Officer, Law Enforcement Officer, or Fire, Rescue, or Emergency Services Personnel.
- **Line 17a** Updated Total federal itemized deductions reference from line 29, federal Schedule A to line 17, federal Schedule A. Reason – federal Form changes.
- **Line 24** Changed Other income tax credits reference from Part K, line 11 of Form 502CR to Part AA, line 12 of Form 502CR. Reason – Renamed Income Tax Credit Summary on Form 502CR from Part K of Form 502CR to Part AA of Form 502CR for administrative ease.
- **Line 31** Revised Local tax credit reference from Part L, line 1 of Form 502CR to Part BB, line 1 of Form 502CR. Reason – Renamed Local Income Tax Credit Summary on Form 502CR from Part L of Form 502CR to Part BB of Form 502CR for administrative ease.
- **Lines 34 and 39** Added separating lines below and above, respectively
- **Lines 35-38** New text – CONTRIBUTIONS See Instruction 20." Indented dollars and cents fields to the left.
- **Line 40** Re-worded language, "Enter total from your W-2 and 1099 forms if MD tax is withheld and attach" to "Enter total from your W-2 and 1099 forms and attach if MD tax is withheld."

Comptroller of Maryland

Changes in Tax Forms

Form 502 – Maryland Resident Return

- **Line 41** Year change from 2016 to 2017
- **Line 43** Form 502CR reference change from Part M, line 6 to Part CC, Line 6. Reason – Renamed Refundable Income Tax Credits on Form 502CR from Part M of Form 502CR to Part CC of Form 502CR for administrative ease.
- **Line 47** Year change from 2018 to 2019
- **Line 50** Updated text – “INCLUDE FORM IND PV” to “INCLUDE FORM PV”.
- **Page 3** Return Mailing Address – Eliminated “IND” from “Form IND PV” throughout.

Instructions to 502

- **Instruction 6** Renamed "Physical Address" language to "Maryland Physical Address" to clarify instructions and reduce errors in local taxation and distribution (Pages 2-3) – The information in these fields is completed based upon the taxpayer’s physical address as of December 31, 2018 or last day of the taxable year. Accepted Forms Recommendation #5.
- **Instruction 10** EXEMPTIONS (Page 4) Removed prior year’s language pertaining to federal exemptions, “You are permitted the same number of exemptions which you are permitted on your federal return; however, the exemption amount is different on the Maryland return. Even if you are not required to file a federal return, the federal rules for exemptions still apply to you. Refer to the federal income tax instructions for further information.” 2018 House Bill 365/Senate Bill 184 altered the determination of the number of exemptions that an individual may use to calculate a certain deduction under the Maryland income tax.
- **Page 4** Update to the Filing Status chart – The filing threshold for single dependent taxpayers has been increased from \$10,400 to \$12,000 based on changes to the Minimum Filing Levels Table.
- **Instruction 11, Line 1b** Revised language to, “Enter your earned income used to calculate your federal earned income credit (EIC), Maryland Earned Income Credit, or poverty level credit (PLC).” Now “Maryland Earned Income Credit” is specifically listed due to 2018 House Bill 856/Senate Bill 647 altering the Maryland earned income tax credit to allow certain individuals without certain qualifying children to claim the credit.
- **Instruction 11** Deleted schema crosswalk for Maryland and Federal Forms due to the elimination of Federal Forms 1040A and 1040EZ.
- **Instruction 11** Revised the amount on line 1e instructions to place a “Y” in the box if the amount of your investment income is more than \$3,500 (increased from \$3,450).
- **Instruction 12** Line 5. OTHER ADDITIONS TO INCOME, code letter “e”. Cellulosic Ethanol Technology Research and Development Tax Credit has been removed. This tax credit has expired.
- **Instruction 12** Line 5. OTHER ADDITIONS TO INCOME, code letter “m”. The addition modification has been updated to reflect a net addition modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Instruction 13** Change in maximum pension exclusion amount from \$29,900 to \$30,600 in PENSION EXCLUSION COMPUTATION WORKSHEET (13A). Revise

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Changes in Tax Forms

Instructions to 502

- Worksheet 13A language to indicate, use of separate RETIRED CORRECTIONAL OFFICERS, LAW ENFORCEMENT OFFICER, OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL PENSION EXCLUSION COMPUTATION WORKSHEET (13E) if applicable. Update line references from Line 10, Form 502 to Line 10a, Form 502.
- **Instruction 13** Pension Exclusion for Retired Correctional Officer, Law Enforcement Officer, or Fire, Rescue, or Emergency Services Personnel has moved from code letter “rr” of subtractions from income on Form 502SU to line 10b of the Form 502. Accepted Forms Recommendation #10 - Clarify business rules and ensure no one claims the standard Pension Exclusion and the Pension Exclusion for Retired Correctional Officer, Law Enforcement Officer, or Fire, Rescue, or Emergency Services Personnel.
 - **Instruction 13** Revise the subtraction modification under the State income tax for certain military retirement income for individuals who are at least age 55 to \$15,000 (Previously at least age 65 and \$10,000, respectively) under code letter “u” of Instruction 13.
 - **Instruction 13** Increase of the Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification amount from \$4,500 to \$4,750 under code letter “va” of Instruction 13.
 - **Instruction 13** Increase of the Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification amount from \$4,500 to \$4,750 under code letter “vb” of Instruction 13.
 - **Instruction 13** Code letter “xe”. Added a note pursuant to Sections 4 and 5 of 2018 Senate Bill 933 for certain account holders who made contributions to an account in calendar year 2017, but failed to make contributions in accordance with § 18–19A–04.1(e)(1) of the Education Article as enacted by Chapters 689 and 690 of the Acts of the General Assembly of 2016 and were otherwise eligible for a State contribution, received a State contribution of \$250 by June 30, 2018.
 - **Instruction 13** Code letter “cc” of Instruction 13. Revised reference to net subtraction modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
 - **Instruction 13** Change in maximum pension exclusion amount from \$29,900 to \$30,600 in RETIRED CORRECTIONAL OFFICERS, LAW ENFORCEMENT OFFICER, OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL PENSION EXCLUSION COMPUTATION WORKSHEET (13E). Update line references from Line rr, Form 502SU to Line 10b, Form 502.
 - **Instruction 14** Eliminated ITEMIZED DEDUCTION WORKSHEET (14A). 26 U.S.C. § 68(f), as amended by the Tax Cuts & Jobs Act, Pub. L. No. 115-97, § 11046(a), 131 Stat. 2061, 2088, suspended § 68, popularly referred to as the “Pease limitation” or the “Pease rule,” for tax years 2018 through and including 2025. Consequently, there is no need for a Pease rule itemized deduction worksheet in the Maryland resident instruction booklet for TY 2018.
 - **Instruction 13** New subtraction modification to replace code letter “rr” of Instruction 13 2018 House Bill 43, created a new subtraction for any amount included in federal adjusted gross income for the first \$50,000 of compensation received by an individual during the taxable year in exchange for the sale of a perpetual conservation easement on real property located in the State of Maryland.

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Changes in Tax Forms

Instructions to 502

- **Instruction 13** New subtraction modification code letter “ss”. 2018 House Bill 7/Senate Bill 182 established a new subtraction modification so that a living individual may deduct up to \$7,500 of unreimbursed travel expenses, lodging expenses or lost wages, paid or incurred, during the taxable year that are attributable to the donation of all or part of one or more of the individual’s liver, kidney, pancreas, intestine, lung, or bone marrow to another individual for organ transplant.
- **Instruction 13** New subtraction modification code letter “tt”. Pursuant to 2018 House Bill 671, a full-time classroom teacher who teaches Kindergarten to grade 12 in an elementary or secondary school in the State of Maryland for an academic year ending during the taxable year may subtract up to \$250 of unreimbursed expenses paid or incurred during the taxable year for the purchase of classroom supplies used by: 1) students in the classroom; or 2) the teacher to prepare for or during classroom teaching.
- **Instruction 16** STANDARD DEDUCTION METHOD. 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.
- **Instruction 18** EARNED INCOME CREDIT 2018 House Bill 856/Senate Bill 647 alters the Maryland earned income tax credit to allow certain individuals without certain qualifying children to claim the credit. New text – “If you do not meet the minimum age requirement under the federal credit and are otherwise eligible for the federal credit for those without a qualifying child, you may claim the state earned income credit (calculate federal earned income credit disregarding the minimum age requirement).”
- **Instruction 21** Change year reference from 2016 to 2017 for line 41b instructions. Change of refundable credit calculations from 27% to 28% in line 42 Instructions and REFUNDABLE EARNED INCOME CREDIT WORKSHEET (21A). Revise Line 41 NOTE to replace language on Form 502D with new Form PV found on the PAYMENT VOUCHER WORKSHEET FOR ESTIMATED TAX AND EXTENSION PAYMENTS (PVW). Revise text from Student Loan Debt Relief Tax Credit as per 2018 House Bill 1341/Senate Bill 933 on the line 43 instructions to include graduate student loan debt. Line 3 of line 43 instructions includes new Small Business Relief Tax Credit - a new business tax credit claimed on the Form 500CR; delete Health Enterprise Zone Hiring Tax Credit.
- **Instruction 22** INTEREST FOR LATE FILING (Page 16). Change to the language regarding the interest calculation. The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604. The annual interest rate changes again on January 1, 2020.
- **Instruction 23** Change year references in second paragraph. Change to ATTACHMENTS and MAILING YOUR RETURN language for both paragraphs. The language specifies that payments are to be attached to the Form PV, not the Form IND PV. Change to EXTENSION OF TIME TO FILE (Page 18) language to indicate the use of the Form PV and PAYMENT VOUCHER WORKSHEET FOR ESTIMATED TAX AND EXTENSION PAYMENTS (PVW).
- **Instruction 26** Renamed "Physical Address" language to "Maryland Physical Address" to clarify instructions and reduce errors in local taxation and distribution – The information in these fields is completed based upon the taxpayer’s physical address as of December 31, 2018 or last day of the taxable year. Accepted Forms Recommendation #5. In Section f, deleted language pertaining to federal exemptions.

Comptroller of Maryland Changes in Tax Forms

Changes and New Credits for Individuals

- **Page 1** Change to Minimum Filing Levels Table
- **Page 12 , Line 16A** Change to STANDARD DEDUCTION WORKSHEET 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.
- **Pages 12-13, Line 18B** Change to text on STATE POVERTY LEVEL CREDIT WORKSHEET State Poverty Level Credit and. New text – substitute “number of persons in family/household” in place of “number of exemptions” throughout.
- **Page 13** Change to Poverty Income Guidelines
- **Page 13** New credit – Venison Donation – Feed the Hungry Organizations Tax Credit, code letter “g”

2018 House Bill 7/Senate Bill 182 provides individuals who hunt and harvest an antlerless deer in compliance with State hunting laws and regulations, and donate the processed meat to a venison donation program administered by a qualified tax exempt organization, may claim a credit against their State personal income tax for up to \$50 of qualified expenses to butcher and process an antlerless deer for human consumption
- **Page 13** New credit – Independent Living Tax Credit, code letter “k” 2017 Senate Bill 180 allows an individual to claim a credit against their Maryland State income tax equal to 50% of the qualified expenses incurred during a taxable year to install accessibility and universal visitability features to or within a home.
- **Page 14** One Maryland Economic Development Tax Credit under code letter “i”. Revised language per 2018 House Bill 1295 to replace “distressed county” with “Tier I County” and eliminate “start-up cost”.
- **Page 14** Oyster Shell Recycling Tax Credit under code letter “m “. Increase maximum credit amount from \$500 to \$1,500 pursuant to House Bill 572/Senate Bill 153
- **Page 14** New credit – Energy Storage Systems Tax Credit under code letter “n” 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration
- **Page 14** New credit – Cybersecurity Incentive Tax Credit under code letter “o”. 2018 Senate Bill 228 authorizes certain buyers of certain technology to claim a credit against the State income tax for certain costs
- **Page 14** Changes to 2018 Local Tax Rate Chart. Local tax rate change for Cecil County from 2.8% for 2017 to 3.00% for 2018

Form 502AC – Subtraction for Contribution of Artwork for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **Page 1** Added “+ 4” to the end of “ZIP Code” field

Form 502AE – Subtraction for Income Derived within an Arts and Entertainment District for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **Page 1** Added “+ 4” to the end of “ZIP Code” field

Comptroller of Maryland

Changes in Tax Forms

Form 502B – Dependents Information for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”

Form 502INJ – Injured Spouse for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **Page 1** Added “+ 4” to the end of “ZIP Code” field

Form 502R – Retirement Income for Individuals

Updated federal Form references from lines 15b and 16b, federal Form 1040 to lines 1 and 4a, federal Form 1040. Eliminated all references to federal Form 1040A since it no longer exists (throughout).

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **PART 4, Line 1** Revise language to address inclusion of disability pension included on Line 1 of the federal Form 1040
- **PART 4, Line 8** Added text, “disability pension”
- **PART 4, Line 1** Instructions to emphasize treatment of disability pension included on Line 1 of the federal Form 1040

Form 502S – Heritage Structure Rehabilitation Tax Credit for Individuals

- **Page 1** Added “+ 4” to the end of “ZIP Code” field
- **Line 6** Form 502CR reference change from Part M to Part CC. Reason – Renamed Refundable Income Tax Credits on Form 502CR from Part M of Form 502CR to Part CC of Form 502CR for administrative ease.
- **Line 6** Form 500CR reference change from Part EE to Part DDD. Reason – Renamed Corporation and Pass-Through Entity (PTE) Refundable Tax Credit on Form 500CR from Part EE of Form 500CR to Part DDD of Form 500CR for administrative ease

Form 502SU – Maryland Subtractions From Income for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **Page 2, Code Letter “cc”** Revised reference to net subtraction modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Page 3, Code Letter “rr”** 2018 House Bill 43, created a new subtraction for any amount included in federal adjusted gross income for the first \$50,000 of compensation received by an individual during the taxable year in exchange for the sale of a perpetual conservation easement on real property located in the State of Maryland.
- **Page 3, Code Letter “ss”** 2018 House Bill 7/Senate Bill 182 established a new subtraction modification so that a living individual may deduct up to \$7,500 of unreimbursed travel expenses, lodging expenses or lost wages, paid or incurred, during the taxable year that are attributable to the donation of all or part of one or more of the individual’s liver, kidney, pancreas, intestine, lung, or bone marrow to another individual for organ transplant

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Changes in Tax Forms

Form 502SU – Maryland Subtractions From Income for Individuals

- **Page 3, Code Letter “tt”** Pursuant to 2018 House Bill 671, a full-time classroom teacher who teaches Kindergarten to grade 12 in an elementary or secondary school in the State of Maryland for an academic year ending during the taxable year may subtract up to \$250 of unreimbursed expenses paid or incurred during the taxable year for the purchase of classroom supplies used by: 1) students in the classroom; or 2) the teacher to prepare for or during classroom teaching.

Form 502TP – Computation of Tax Preference Income Modification for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **Page 1, Line 5** Text change from “Schedule A, line 3 of Form 504” to “line 3 of Form 504, Schedule A”. Reason – Starting with tax year 2017, the Schedule A was detached from Form 504 and renamed Form 504 Schedule A.

Form 502UP – Underpayment of Estimated Maryland Income Tax

- **Instructions, Line 16** Change interest factors on Line 16 for columns 1-4 and update factors in Instructions to Line 16.

Form 502V – Use of Vehicle for Charitable Purposes for Individuals

- **Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- **Line 2, 3rd paragraph** Change of mileage rate from 53.5 cents per mile to 54.5 cents per mile

Form 502X – Amended Maryland Tax Return

- **Line 16** Updated from “Estimated tax payments and payments made with Form 502E and Form MW506NRS” to “Estimated tax payment, extension and payments made with Form MW506NRS”.
- **Instruction 5, Line 6** 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.
- **Instruction 6** In first paragraph added new sentence, “Refer to the Resident Instructions and worksheet to compute the allowable credit.”
- **2018 Local Tax Rate Chart** Local tax rate change for Cecil County from 2.8% for 2017 to 3.00% for 2018.
- **Page 8, Instruction 11** INTEREST FOR LATE FILING. Change to the language regarding the interest calculation.
 - The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604.
 - The annual interest rate changes again on January 1, 2020.
- **Instruction 15** Revised reference from “5-year carryback” to “2-year carryback (farming loss only)”. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).

Maryland Payment Voucher Worksheet (PVW)

The new Maryland Payment Voucher Worksheet (PVW) found in the 2018 Resident Booklet must be used to determine the amount of the estimated payment or extension payment required. It was developed using Forms 502D and 502E as a foundation. Payment must be sent using the new Form PV.

Comptroller of Maryland

Changes in Tax Forms

Form 502PV – Income Tax Payment Voucher for Individuals

The paper Forms 502D and 502E have been discontinued. The new Form PV replaces the Forms IND PV, 502D and 502E for remitting payments. The Form PV must be used to remit payments for Forms 502 or 505, and Estimated and Extension payments.

Note that the return address with payments using Form PV is:

Comptroller of Maryland
Payment Processing
PO Box 8888
Annapolis, MD 21401-8888

Form 502CR — Personal Income Tax Credits

- **Page 1** Primary and Spouse's "Initial" field updated to "MI"
- **Part K to AA** Change all references to Part K to AA (throughout). Reason – Renamed Income Tax Credit Summary on Form 502CR from Part K of Form 502CR to Part AA of Form 502CR for administrative ease.
- **Part L to BB** Change all references to Part L to BB (throughout). Reason – Renamed Local Income Tax Credit Summary on Form 502CR from Part L of Form 502CR to Part BB of Form 502CR for administrative ease
- **Part M to CC** Change all references to Part M to CC (throughout). Reason – Renamed Refundable Income Tax Credit Summary on Form 502CR from Part M of Form 502CR to Part CC of Form 502CR for administrative ease.
- **Part J** Update "Department of Health and Mental Hygiene" to "Maryland Department of Health" (throughout).
- **Part E, Page 2** Long-Term Care Insurance Credit. The premium cap has increased from \$410 in 2017 to \$420 in 2018 for those insured who are 40 or less.
- **Part G** New credit – Venison Donation – Feed the Hungry Organizations Tax Credit (Page 3). 2018 House Bill 7/Senate Bill 182 provides individuals who hunt and harvest an antlerless deer in compliance with State hunting laws and regulations, and donate the processed meat to a venison donation program administered by a qualified tax exempt organization, may claim a credit against their State personal income tax for up to \$50 of qualified expenses to butcher and process an antlerless deer for human consumption.
- **Part K** New credit – Independent Living Tax Credit (Page 3). 2017 Senate Bill 180 allows an individual to claim a credit against their Maryland State income tax equal to 50% of the qualified expenses incurred during a taxable year to install accessibility and universal visitability features to or within a home.
- **Part AA** Income Tax Credit Summary (Page 3). New line 7 for credit from Part G. (see #8). New line 11 for credit from Part K. (see #9).

Instructions to 502CR

- **Page 1** Addition of Venison Donation Program and Independent Living Tax Credit.
- **Page 2, Part A** Update language under note paragraph to state, "The credit amount shown on lines 13 and 14 of Part A, Form 502CR then must be included as an addition to income on line 5 of the Form 502 you will file. (See Instruction 12 – Additions to Income - in the Resident Instruction Booklet) The states which generally result in a credit that requires an addition to income are Arkansas, New Hampshire, New Jersey, New York, Ohio, Tennessee, and Wisconsin. If the S corporation files a

Comptroller of Maryland

Changes in Tax Forms

Form 505 – Nonresident Tax Return

- **Page 3** Return Mailing Address: Eliminated “IND” from “Form IND PV” throughout.

Instructions to Form 505

- **Instruction 4** Change to Minimum Filing Levels Table
- **Instruction 10 – Exemptions** Removed prior year’s language pertaining to federal exemptions, “You are permitted the same number of exemptions which you are permitted on your federal return; however, the exemption amount is different on the Maryland return. Even if you are not required to file a federal return, the federal rules for exemptions still apply to you. Refer to the federal income tax instructions for further information.” The language was revised to account for the federal Tax Cuts and Jobs Act of 2017’s suspension of all personal and dependent exemptions for tax year 2018 and the Maryland General Assembly’s adoption of 2018 HB365/SB184 altering the determination of the number of exemptions that an individual may use to calculate a certain deduction under the Maryland income tax.
- **Instruction 12, Line 19 – OTHER ADDITIONS TO INCOME**
 - Code letter “c” – Cellulosic Ethanol Technology Research and Development Tax Credit has been removed. This tax credit has expired
 - Code letter “k”. The addition modification has been updated to reflect a net addition modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
 - Code letter “l” – Deleted text, “(line 35 of Form 1040)” in relation to amount deducted on the federal income tax return for Domestic Production Activities attributable to Maryland-source income only due to federal Form 1040 changes.
- **Instruction 13** Code letter “cc” – Revised reference to net subtraction modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Instruction 13** Code letter “xe” – Added a note pursuant to Sections 4 and 5 of 2018 Senate Bill 933 for certain account holders who made contributions to an account in calendar year 2017, but failed to make contributions in accordance with § 18–19A–04.1(e)(1) of the Education Article as enacted by Chapters 689 and 690 of the Acts of the General Assembly of 2016 and were otherwise eligible for a State contribution, received a State contribution of \$250 by June 30, 2018.
- **Instruction 13** Code letter “va” Increase of the Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification amount from \$4,500 to \$4,750.
- **Instruction 13** Code letter “u” – Revise the subtraction modification under the State income tax for certain military retirement income for individuals who are at least age 55 to \$15,000 (Previously at least age 65 and \$10,000, respectively).
- **Instruction 13** New subtraction modification code letter “rr”. 2018 House Bill 43, created a new subtraction for any amount included in federal adjusted gross income for the first

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Changes in Tax Forms

Instructions to Form 505

- \$50,000 of compensation received by an individual during the taxable year in exchange for the sale of a perpetual conservation easement on real property located in the State of Maryland.
- **Instruction 13** New subtraction modification code letter “ss” of Instruction 13. 2018 House Bill 7/Senate Bill 182 established a new subtraction modification so that a living individual may deduct up to \$7,500 of unreimbursed travel expenses, lodging expenses or lost wages, paid or incurred, during the taxable year that are attributable to the donation of all or part of one or more of the individual’s liver, kidney, pancreas, intestine, lung, or bone marrow to another individual for organ transplant.
- **Instruction 13** New subtraction modification code letter “tt” of Instruction 13. Pursuant to 2018 House Bill 671, a full-time classroom teacher who teaches Kindergarten to grade 12 in an elementary or secondary school in the State of Maryland for an academic year ending during the taxable year may subtract up to \$250 of unreimbursed expenses paid or incurred during the taxable year for the purchase of classroom supplies used by: 1) students in the classroom; or 2) the teacher to prepare for or during classroom teaching.
- **Instruction 15** Change to STANDARD DEDUCTION WORKSHEET (15A). 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.
- **Instruction 16** Itemized Deductions. Updated prior year’s reference from “Schedule A, line 29” to “Federal Form 1040, Schedule A, line 17” due federal form changes
- **Instruction 16** Eliminated ITEMIZED DEDUCTION WORKSHEET (16A). 26 U.S.C. § 68(f), as amended by the Tax Cuts & Jobs Act, Pub. L. No. 115-97, § 11046(a), 131 Stat. 2061, 2088, suspended § 68, popularly referred to as the “Pease limitation” or the “Pease rule,” for tax years 2018 through and including 2025. Consequently, there is no need for a Pease rule itemized deduction worksheet in the Maryland resident instruction booklet for TY 2018.
- **Instruction 20** New credit – Cybersecurity Incentive Tax Credit under Line 35. 2018 Senate Bill 228 authorizes certain buyers of certain technology to claim a credit against the State income tax for certain costs.
- **Instruction 20** Change to text on State Poverty Level Credit and STATE POVERTY LEVEL CREDIT WORKSHEET (20A). New text – substitute “number of persons in family/household” in place of “number of exemptions” throughout.
- **Instruction 20** New credit – Venison Donation – Feed the Hungry Organizations Tax Credit, code letter “g.” 2018 House Bill 7/Senate Bill 182 provides individuals who hunt and harvest an antlerless deer in compliance with State hunting laws and regulations, and donate the processed meat to a venison donation program administered by a qualified tax exempt organization, may claim a credit against their State personal income tax for up to \$50 of qualified expenses to butcher and process an antlerless deer for human consumption.
- **Instruction 20** New credit – Independent Living Tax Credit, code letter “k”. 2017 Senate Bill 180 allows an individual to claim a credit against their Maryland State income tax equal to 50% of the qualified expenses incurred during a taxable year to install accessibility and universal visitability features to or within a home.
- **Instruction 20, Line 35** New credit – Energy Storage Systems Tax Credit under Line 35. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration.
- **Instruction 20** Remove credit – Cellulosic Ethanol Technology Research and Development Tax Credit under Line 35. This tax credit has expired.

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Instructions to Form 505

- Instruction 22, Line 46** (Refundable Income Tax Credits). Form 502CR reference change from Part M, line 6 to Part CC, Line 6. Reason – Renamed Refundable Income Tax Credits on Form 502CR from Part M of Form 502CR to Part CC of Form 502CR for administrative ease. Part a – Revise text on Student Loan Debt Relief Tax Credit as per 2018 House Bill 1341/Senate Bill 933 to include graduate student loan debt. Part d – include new Small Business Relief Tax Credit – a new business tax credit claimed on the Form 500CR; rename “Cybersecurity Investment Incentive Tax Credit” to “Cybersecurity Incentive Tax Credit ” per 2018 Senate Bill 228; and remove Health Enterprise Zone Hiring Credit per 2014 House Bill 668.
- Instruction 24** Change to attachments language for both paragraphs. The language specifies that payments are to be attached to the Form PV, not the Form IND PV. Also, the language specifies that the Form PV is placed on top of (but not attached to) the Form 505.
- Instruction 25** Payment by check or order has been revised to specify that payments are to be attached to the Form PV, not the Form IND PV. Extensions with payments are made with the Form PV, not the Form IND PV.

Form 505NR – Nonresident Income Tax Return

- Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- Instruction, Line 3a** Replaced “If you are claiming a federal earned income credit (EIC), enter the earned income you used to calculate your credit” to “Enter your earned income.”

Form 505SU – Nonresident Subtraction Modification

- Page 1** Primary and Spouse’s “Initial” field updated to “MI”
- Page 1** Code letter “u” – Revise the subtraction modification for certain military retirement income for individuals who are at least age 55 to \$15,000 (Previously at least age 65 and \$10,000, respectively).
- Page 2** Code letter “cc” – Revised reference to net subtraction modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- Page 2** New subtraction modification under code letter “rr”. 2018 House Bill 43, created a new subtraction for any amount included in federal adjusted gross income for the first \$50,000 of compensation received by an individual during the taxable year in exchange for the sale of a perpetual conservation easement on real property located in the State of Maryland.
- Page 3** New subtraction modification under code letter “ss”. 2018 House Bill 7/Senate Bill 182 established a new subtraction modification so that a living individual may deduct up to \$7,500 of unreimbursed travel expenses, lodging expenses or lost wages, paid or incurred, during the taxable year that are attributable to the donation of all or part of one or more of the individual’s liver, kidney, pancreas, intestine, lung, or bone marrow to another individual for organ transplant.
- Page 3** New subtraction modification under code letter “tt”. Pursuant to 2018 House Bill 671, a full-time classroom teacher who teaches Kindergarten to grade 12 in an elementary or secondary school in the State of Maryland for an academic year

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Form 505SU – Nonresident Subtraction Modification

ending during the taxable year may subtract up to \$250 of unreimbursed expenses paid or incurred during the taxable year for the purchase of classroom supplies used by: 1) students in the classroom; or 2) the teacher to prepare for or during classroom teaching.

Form 505X – Nonresident Amended Maryland Tax Return

- **Page 1** Primary and Spouse's "Initial" field updated to "MI".
- **Page 1** Updated "CARRY BACK" to "CARRYBACK (farming loss only)". Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses ("NOLs") incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Page 2, Line 16** Replaced "Form 502E" with "Form PV".
- **Page 3** Part I – Updated language from, "You must complete the following using the amounts from your federal income tax return" to "You must complete the following using the amounts from your federal income tax return including any supporting schedules."

Instructions for Form 505X

Under paragraph entitled, "USE OF FEDERAL RETURN". Language was updated from "Maryland law requires that your income and deductions be entered on your Maryland return exactly as they were reported on your federal return" to "Maryland law requires that your income and deductions be entered on your Maryland return exactly as they were reported on your federal return and schedules."

- **Instruction 5, Line 6** Change to standard deduction amounts. 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.
- **Instruction 9, Part a** Revise text on Student Loan Debt Relief Tax Credit as per 2018 House Bill 1341/Senate Bill 933 to include graduate student loan debt.
- **Instruction 10** Year change from 2018 to 2019
- **Instruction 11** Added subsection header, "INTEREST ON TAX DUE". Change to the language regarding the interest calculation. The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604. The annual interest rate changes again on January 1, 2020.
- **Instruction 13** Revised language from "5-year carryback" to "2-year carryback". Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses ("NOLs") incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).

Form 515 – Non-Resident Local Tax

- **Page 1** Primary and Spouse's "Initial" field updated to "MI"
- **Page 1** Under RESIDENCE INFORMATION updated the year reference from 2016 to 2017 in the language, "Did you file a Maryland income tax return for 2016?"
- **Page 3, Line 35** Form 502CR reference change from Part K, line 11 to Part AA, Line 12.
Reason – Renamed Income Tax Credit Summary on Form 502CR from Part K of Form 502CR to Part AA of Form 502CR for administrative ease.

Comptroller of Maryland Changes in Tax Forms

Form 515 – Non-Resident Local Tax

- **Page 3, Lines 43 – 46** Indented dollars and cents fields to the left.
- **Page 3, Line 48** Reworded language, “Enter total from and attach your W-2 and 1099 forms if MD and/or local tax is withheld” to “Enter total from your W-2 and 1099 forms and attach if MD and/or local tax is withheld.”
- **Page 3, Line 49** Year change from 2016 to 2017.
Replaced “Form 502E” with “extension request”.
- **Page 3, Line 51** Form 502CR reference change from Part M, line 6 to Part CC, Line 6. Reason – Renamed Refundable Income Tax Credits on Form 502CR from Part M of Form 502CR to Part CC of Form 502CR for administrative ease.
- **Page 3, Line 55** Year change from 2018 to 2019.

Instructions for Form 515

- **Instruction 1** Change to Minimum Filing Levels Table.
- **Instruction 9** Exemptions. Removed prior year’s language pertaining to federal exemptions, “You are permitted the same number of exemptions which you are permitted on your federal return; however, the exemption amount is different on the Maryland return. Even if you are not required to file a federal return, the federal rules for exemptions still apply to you. Refer to the federal income tax instructions for further information.” The language was revised to account for the federal Tax Cuts and Jobs Act of 2017’s suspension of all personal and dependent exemptions for tax year 2018 and the Maryland General Assembly’s adoption of 2018 HB365/SB184 altering the determination of the number of exemptions that an individual may use to calculate a certain deduction under the Maryland income tax.
- **Instruction 14** STANDARD DEDUCTION METHOD. 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.
- **Instruction 15** BASIC ITEMIZED DEDUCTIONS WORKSHEET (15A). Line 29, federal Schedule A reference updated to Line 17, federal Schedule A due to federal form changes.
- **Instruction 15** Eliminated note regarding certain “high income” taxpayers. Eliminated ITEMIZED DEDUCTION WORKSHEET (15B). 26 U.S.C. § 68(f), as amended by the Tax Cuts & Jobs Act, Pub. L. No. 115-97, § 11046(a), 131 Stat. 2061, 2088, suspended § 68, popularly referred to as the “Pease limitation” or the “Pease rule,” for tax years 2018 through and including 2025. Consequently, there is no need for a Pease rule itemized deduction worksheet in the Maryland Nonresident instruction booklet for TY 2018.
- **Instruction 19** Eliminated note regarding certain “high income” taxpayers. Eliminated ITEMIZED DEDUCTION WORKSHEET (15B). 26 U.S.C. § 68(f), as amended by the Tax Cuts & Jobs Act, Pub. L. No. 115-97, § 11046(a), 131 Stat. 2061, 2088, suspended § 68, popularly referred to as the “Pease limitation” or the “Pease rule,” for tax years 2018 through and including 2025. Consequently, there is no need for a Pease rule itemized deduction worksheet in the Maryland Nonresident instruction booklet for TY 2018.
- **Instruction 19, Page 13** New credit Independent Living Tax Credit, code letter “k”. 2017 Senate Bill 180 allows an individual to claim a credit against their Maryland State income tax equal to 50% of the qualified expenses incurred during a taxable year to install accessibility and universal visitability features to or within a home.

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Changes in Tax Forms

Instructions for Form 515

- **Instruction 19** Change to text on State Poverty Level Credit and STATE POVERTY LEVEL CREDIT WORKSHEET (19A). New text – substitute “number of persons in family/household” in place of “number of exemptions” throughout.
- **Instruction 20** Changes to 2018 Local Tax Rate Chart. Local tax rate change for Cecil County from 2.80% for 2017 to 3.00% for 2018.
- **Instruction 21, Line 51** Changes to 2018 Local Tax Rate Chart. Local tax rate change for Cecil County from 2.80% for 2017 to 3.00% for 2018.
- **Instruction 24** Update language under EXTENSION OF TIME TO FILE by replacing previous references to Form 502E with Form PV or Maryland Payment Voucher Worksheet (PVW). Replaced language, “If no tax is due and you requested a federal extension, you do not need to file Form 502E or take any other action to obtain an automatic extension” with “If no tax is due and you did not request a federal extension, file your extension online at www.marylandtaxes.gov or by phone at 410-260-7829. Only submit Form PV if tax is due.”

C. Corporation Returns

Form 500 – Corporation Income Tax Return

- What’s New for 2018 language added (**Page i**).
- New reference chart listing non-refundable tax credits, refundable tax credits, certification requirements, and part information (**Page i**).
- Deletion of three business tax credits due to expiration – Bio-Heating Oil Tax Credit, Cellulosic Ethanol Technology Research & Development Tax Credit, and Health Enterprise Zone Hiring Tax Credit (**throughout**). Addition of three new business tax credits – Energy Storage Systems Tax Credit, More Jobs for Marylanders Tax Credit, and Small Business Relief Tax Credit (**throughout**).
- Change in name of credit – Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit, as per 2018 Senate Bill 228 (**throughout**).
- **Line 15a** Year change reference for overpayments from prior year – 2016 to 2017.
- **Line 15c** Change to Form 500CR reference – Part BB to Part AAA. Renamed Business Tax Credit Summary on Form 500CR from Part BB of Form 500CR to Part AAA of Form 500CR for administrative ease.
- **Line 15d** Change to Form 500CR reference – Part EE to Part DDD. Renamed Corporation and Pass-through entity (PTE) Refundable Tax Credit on Form 500CR from Part EE of Form 500CR to Part DDD of Form 500CR for administrative ease.
- **Line 15e** Change to Form 500CR reference – Part EE to Part DDD. Renamed Corporation and Pass-through entity (PTE) Refundable Tax Credit on Form 500CR from Part EE of Form 500CR to Part DDD of Form 500CR for administrative ease.
- **Line 20** Year change reference for overpayments to subsequent year – 2018 to 2019
- **Line 23** Added “carry” before “back 2 years” for clarification.
- **Schedule A** **Note** – added “Worldwide headquartered companies see instructions.” Reason – To conform with 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Line 1B** Update the language, “Enter the same factor shown on line 1A, Column 3” to “Multiply factor on line 1A, Column 3 by 2.” Reason – Updated language per 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Line 5** Update the language, “Divide line 4 by four for three-factor formula” to

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Form 500 – Corporation Income Tax Return

“Divide line 4 by five for three-factor formula” as per 2018 House Bill 1794 and Senate Bill 1090.

Instructions to Form 500

- **Instruction 4** Second paragraph under “Taxable Income” deleted the language, “The State of Maryland decoupled from the 5-year carryback provisions.....
For more information, refer to Administrative Release 38.” Reason – Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Instruction 4** Changes to Tax, Interest and Penalty – first paragraph (Page 2, 8). Change to the language regarding the interest calculation. The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604. The annual interest rate changes again on January 1, 2020.
- **Instruction 8, Line 2b** DECOUPLING MODIFICATION ADDITION ADJUSTMENT, code letter “F”. The addition modification has been updated to reflect a net addition modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Instruction 8, Line 3d** DECOUPLING MODIFICATION SUBTRACTION ADJUSTMENT, code letter “K” Revised reference to net subtraction modification to Maryland taxable income when the federal special 2-year carryback (farming loss only) period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Previously it was a 5-year carryback. Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).
- **Instruction 8, Line 15c** New credit – Cybersecurity Incentive Tax Credit – Per 2018 Senate Bill 228, a nonrefundable credit may be claimed by a buyer of cybersecurity technology or cybersecurity services subject to certain maximums amounts.
- **Instruction 8, Line 15c** One Maryland Economic Development Tax Credit – Revised paragraph to eliminate “start-up” and replace “distressed” with “Tier I”, as per 2018 House Bill 1295 and Senate Bill 989.
- **Instruction 8, Line 15c** New credit - Energy Storage Systems Tax Credit. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration.
- **Instruction 8, Line 15c** Oyster Shell Recycling Tax Credit. Increase maximum credit amount from \$750 to \$1,500 pursuant to 2018 House Bill 572/Senate Bill 153.
- **Instruction 8, Line 15c** Qualified Vehicle Tax Credit – Added language, “as certified by the Maryland Motor Vehicle Administration” at the end of the paragraph
- **Instruction 8, Line 15d** New credit - Small Business Relief Tax Credit – 2018 Senate Bill 134 establishes that an individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce.

Comptroller of Maryland Changes in Tax Forms

Instructions to Form 500

- **Instruction 8, Line 15d** New credit – More Jobs for Marylanders Tax Credit – Per 2017 Senate Bill 317, a manufacturing business that is located within Maryland may be entitled to a 10-year income tax credit on the total amount of wages paid for each qualified position at an eligible facility.
- **Instruction 8, Line 15d** Film Production Activity Tax Credit – Revised paragraph to read, “Businesses may claim a tax credit for film production activities that meet certain qualifications and estimated total direct costs incurred in Maryland.” Reason – Updated language to conform to 2018 Senate Bill 1154.
- **Instruction 8, Line 15d** Cybersecurity Investment Incentive Tax Credit – Added word “refundable” to sentence, as per 2018 Senate Bill 228.
- **Instruction 8, Line 18** **Note** – Changes to Tax, Interest and Penalty – first paragraph (Page 2, 8). Change to the language regarding the interest calculation. The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604. The annual interest rate changes again on January 1, 2020.
- **Schedule A, Instruction 2** COMPUTATION OF APPORTIONMENT FACTOR INSTRUCTIONS – Instruction 2. Updated first paragraph to, “Multistate corporations generally are required to use a three-factor formula of property, payroll and triple-weighted receipts. The sum of the property factor, payroll factor and three times the receipts factor is divided by five to arrive at the final apportionment factor.” Reason – Updated language to adopt 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Instruction 3** COMPUTATION OF APPORTIONMENT FACTOR INSTRUCTIONS – Instruction 3. Updated language in note, from “Double-weighted” to “Triple-weighted”. Added new language for Worldwide Headquartered Companies. Reason – Modified language to conform with 2018 House Bill 1794 and Senate Bill 1090.

Form 500CR – Maryland Business Income Tax Credits – (Generally Available only to Electronic Filers)

- **Part B** Replaced Health Enterprise Zone Hiring Tax Credit (expired) with new Small Business Relief Tax Credit. 2018 Senate Bill 134 establishes that an individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce
- **Part C** Maryland Disability Employment Tax Credit for Employees.
Added language, “** Must Include Required Certification”.
- **Part D** Job Creation Tax Credit – Revised calculation per 2017 Senate Bill 873.
- **Part H** Cybersecurity Incentive Tax Credit – Change name of credit. Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit and revised calculation per 2018 Senate Bill 228.
- **Part J-II** Maryland Employer Security Clearance Costs Tax Credit – Year change from 2017 to 2018.
- **Part K-I** Research and Development Tax Credit – Line 3 – Change to Form 500CR reference - Part BB to Part AAA.
Renamed Business Tax Credit Summary on Form 500CR from Part BB of Form 500CR to Part AAA of Form 500CR for administrative ease.
- **Part K-II** Research and Development Tax Credit – Line 6 – Change to Form 500CR reference – Part DD to Part CCC.
Renamed Refundable Business Income Tax Credits on Form 500CR from Part DD of Form 500CR to Part CCC of Form 500CR for administrative ease.

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Form 500CR – Maryland Business Income Tax Credits – (Generally Available only to Electronic Filers)

- **Part L** Biotechnology Investment Incentive Tax Credit – Line 6 – Change to Form 500CR reference – Part DD to Part CCC.

Renamed Refundable Business Income Tax Credits on Form 500CR from Part DD of Form 500CR to Part CCC of Form 500CR
- **Part N** Clean Energy Incentive Tax Credit– Line 3 – Change to Form 500CR reference - Part DD to Part CCC.

Renamed Refundable Business Income Tax Credits on Form 500CR from Part DD of Form 500CR to Part CCC of Form 500CR.
- **Part P** One Maryland Economic Development Tax Credit – Revised calculation per 2018 House Bill 1295 and Senate Bill 989.
- **Part Q** Oyster Shell Recycling Tax Credit – Line 1 – Increase maximum credit amount from \$750 to \$1,500 pursuant to 2018 House Bill 572/Senate Bill 153.
- **Part R** Replace expired Bio-Heating Oil Tax Credit with new Energy Storage Systems Tax Credit. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration.
- **Part S** Replace expired Cellulosic Ethanol Technology Research and Development Tax Credit with new More Jobs for Marylanders Tax Credit. Per 2017 Senate Bill 317, a manufacturing business that is located within Maryland may be entitled to a 10-year income tax credit on the total amount of wages paid for each qualified position at an eligible facility.
- **Part W** Aerospace, Electronics, or Defense Contract Tax Credit – Line 6 – Change to Form 500CR reference – Part DD to Part CCC. Renamed Refundable Business Income Tax Credits on Form 500CR from Part DD of Form 500CR to Part CCC of Form 500CR
- **Part X** Renamed title to “PRESERVATION AND CONSERVATION EASEMENTS Tax Credit”. Line 4 – change to Form 500CR reference – Part BB to Part AAA.

Renamed Business Tax Credit Summary on Form 500CR from Part BB of Form 500CR to Part AAA of Form 500CR for administrative ease.
- **Parts AAA – DDD** Language and line references updated to correspond with changes to Parts A–AA.

Instructions to Form 500CR

The following were renamed for administrative ease

- Change all references from 2017 Part BB to 2018 Part AAA (**throughout**).
- Change all references from 2017 Part CC to 2018 Part BBB (**throughout**)..
- Change all references from 2017 Part DD to 2018 Part CCC (**throughout**)..
- Change all references from 2017 Part EE to 2018 Part DDD (**throughout**)..
- **Page 1** New reference chart listing non-refundable tax credits, refundable tax credits, certification requirements, and part information
- **Part B** Eliminated expired Health Enterprise Zone Hiring Tax Credit. Insert instructions for new Small Business Relief Tax Credit. 2018 Senate Bill 134 establishes that an individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce.

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Changes in Tax Forms

Instructions to Form 500CR

- **Part D** Job Creation Tax Credit – Revised instructions to reflect adoption of 2017 Senate Bill 873
- **Part E** Community Investment Tax Credit – Updated Form 500CR reference from 2016 Part Z to 2017 Part CC.
- **Part H** Cybersecurity Incentive Tax Credit – Change name of credit. Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit and revised instructions per 2018 Senate Bill 228.
- **Part J** Maryland Employer Security Clearance Cost (ESCC) Tax Credit – Per 2018 Senate Bill 564, under “Claiming the Tax Credit” revised second sentence to state, “By December 15th of that year, the Maryland Department of Commerce will certify the approved amount. To claim the credit, the applicant must: 1) file an electronic Maryland income tax return with the Comptroller of Maryland for any taxable year after the taxable year in which the costs were incurred; or 2) file an electronic amended Maryland income tax return with the Comptroller of Maryland. A copy of the Maryland Department of Commerce certification must be included with the return.”
- **Part K** Research and Development Tax Credits – Insert new second paragraph stating, “To claim the credit, the applicant must: 1) file an electronic Maryland income tax return with the Comptroller of Maryland for any of the 7 taxable years after the taxable year in which the expenses were incurred; or 2) file an electronic amended Maryland income tax return with the Comptroller of Maryland. Whenever this credit is claimed against the income tax, an addition modification must be made for the tax year in which the research and development expenses were paid. For certification and more information contact the Maryland Department of Commerce.” Insert new third paragraph stating, “Certification must be obtained from the Maryland Department of Commerce before the credit can be claimed. A copy of the certification from the Maryland Department of Commerce must be included with the return.” Deleted third and fourth paragraph under “PART K-I – Research and Development Tax Credits for Businesses Not Certified as a “Small Business”. Reason – Conformity with 2018 Senate Bill 563.
- **Part P** One Maryland Economic Development Tax Credit – Revised instructions, as per 2018 House Bill 1295 and Senate Bill 989
- **Part Q** Oyster Shell Recycling Tax Credit – Increase maximum credit amount from \$750 to \$1,500 and update termination date to January 1, 2023, pursuant to 2018 House Bill 572/Senate Bill 153.
- **Part R** Replace instructions for expired Bio-Heating Oil Tax Credit with instructions for new Energy Storage Systems Tax Credit. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration.
- **Part S** Replace instructions for expired Cellulosic Ethanol Technology Research and Development Tax Credit with instructions for new More Jobs for Marylanders Tax Credit. Per 2017 Senate Bill 317, a manufacturing business that is located within Maryland may be entitled to a 10-year income tax credit on the total amount of wages paid for each qualified position at an eligible facility.
- **Part T** Wineries and Vineyards Tax Credit – Updated procedures to claim the credit and termination date per 2018 House Bill 302.
- **Part U** Film Production Activity Tax Credit – Amended instructions to indicate, “To claim the credit, before beginning a film production activity, a qualified film production entity shall apply with the Maryland Department of Commerce for

Comptroller of Maryland Changes in Tax Forms

Instructions to Form 500CR

an initial credit certificate for the estimated production costs. Generally to qualify as a film production entity, the estimated total direct costs incurred in Maryland must exceed \$250,000. However, for a Maryland small or independent film entity to qualify as a film production entity, the estimated total direct costs incurred in Maryland must exceed \$25,000 and at least 50% of the filming of the film production activity must occur within Maryland. The credit claimed cannot exceed the amount stated in the final certificate.”

Reason – Updated language to conform to 2018 Senate Bill 1154.

- **Part V** Endow Maryland Tax Credit – Updated 500CR reference from 2016 Part Z to 2017 Part CC
- **Parts AAA – DDD** Language and line references updated to correspond with changes to Parts A–AA

Form 500D – Corporation Declaration of Estimated Income Tax

Year change from 2018 to 2019 (throughout).

Form 500DM –Decoupling Modification

Year change from 2017 to 2018 (throughout).

Form 500E – Application for Extension of Time to File Corporation Income Tax Return

Year change from 2017 to 2018 (throughout).

Form 500UP – Underpayment for Maryland Income Tax by Corporations & Pass–Through Entities

- **Instruction, Line 9** Interest factors updated

Form 500X – Amended Corporation Income Tax Return

- **Line 10c** Change to Form 500CR reference – Part EE to Part DDD. Renamed Corporation and Pass-through entity (PTE) Refundable Tax Credit on Form 500CR from Part EE of Form 500CR to Part DDD of Form 500CR for administrative ease.
- **Part C** Computation of Apportionment Factor – Note – Added the sentence, “Worldwide headquartered companies see instructions” per 2018 House Bill 1794 and Senate Bill 1090.
- **Part C, Line 1B** Update the language, “Enter the same factor shown on line 1A, Column 3” to “Multiply factor on line 1A, Column 3 by 2.”
Reason – Updated language per 2018 House Bill 1794 and Senate Bill 1090.
- **Part C, Line 5** Update the language, “Divide line 4 by four for three-factor formula” to “Divide line 4 by five for three-factor formula” as per 2018 House Bill 1794 and Senate Bill 1090.
- **Part B** Payments, Credits, Balance Due or Overpayment, Interest and/or Penalty – Change to the language regarding the interest calculation. The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604. The annual interest rate changes again on January 1, 2020.
- **Instruction – Net Operating Loss Deductions** Third paragraph revised reference to 5-year carryback provisions to 2-year carryback provisions (farming loss only). Section 3302 of the Tax Cuts and Jobs Act of 2017 abolished the carryback of net operating losses (“NOLs”) incurred after December 31, 2017, to previous tax years other than farming losses (2-year carryback).

Comptroller of Maryland Changes in Tax Forms

Form EL101B – Maryland Income Tax Declaration for Business Electronic Filing

- **Line 1, Part I, Page 1** Year change from 2018 to 2019

D. Pass-Through Entities

Form 510 –Pass-Through Entity Income Tax Return

- **Schedule A – Computation of Apportionment Factor** **Note** – Added the sentence, “Worldwide headquartered companies see instructions” per 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Line 1B** Update the language, “Enter the same factor shown on line 1A, Column 3” to “Multiply factor on line 1A, Column 3 by 2.”
Reason – Updated language per 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Line 5** Update the language, “Divide line 4 by four for three-factor formula” to “Divide line 4 by five for three-factor formula” as per 2018 House Bill 1794 and Senate Bill 1090.

Instructions for Form 510

- Year change from 2017 to 2018 (**throughout**).
- Change in name of credit – Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit, as per 2018 Senate Bill 228 (**throughout**).
- Change to Maryland motor fuel tax rate to:
 - 35.3 cents per gallon of gasoline and
 - 36.05 cents per gallon of diesel fuel.
- **Page i** Addition of three new business tax credits - Energy Storage Systems Tax Credit, More Jobs for Marylanders Tax Credit, and Small Business Relief Tax Credit. Deletion of three business tax credits due to expiration – Bio-Heating Oil Tax Credit, Cellulosic Ethanol Technology Research & Development Tax Credit, and Health Enterprise Zone Hiring Tax Credit
- **Instruction 5** Business Tax Credits – Delete first sentence, “The paper version of Form 500CR has been discontinued.”
- **Schedule A, Instruction 3** COMPUTATION OF APPORTIONMENT FACTOR INSTRUCTIONS – Instruction 3. Revised language in first sentences to, “Multi-state PTEs using the apportionment method of allocation generally are required to use a three-factor formula of property, payroll and triple-weighted receipts. The sum of the property factor, payroll factor and three times the receipts factor is divided by five to arrive at the final apportionment formula.” Added new language for Worldwide Headquartered Companies.
Reason – Modified language to conform with 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Instruction 4** COMPUTATION OF APPORTIONMENT FACTOR INSTRUCTIONS – Instruction 4. Updated language in note, from “Double-weighted” to “Triple-weighted”. Added new language for Worldwide Headquartered Companies.
Reason – Modified language to conform with 2018 House Bill 1794 and Senate Bill 1090.
- **Instruction 9** Changes to Tax, Interest and Penalty – first paragraph. Change to the language regarding the interest calculation.
 - The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604.
 - The annual interest rate changes again on January 1, 2020.

Comptroller of Maryland Changes in Tax Forms

Form 510C – Composite Pass-through Entity Tax Return

- **General Instructions:** First paragraph – Inserted “special nonresident tax of” before “1.75%” for clarification.
- **General Instructions, Line 15 Changes to Tax, Interest and Penalty** First paragraph – Change to the language regarding the interest calculation.
 - The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604.
 - The annual interest rate changes again on January 1, 2020.
- **Line 4** Second paragraph, revised language to indicate “Generally, you are entitled to claim qualified exemptions on the Maryland return. The amount of your Maryland exemption may be limited by the amount of your federal adjusted gross income.”
2018 House Bill 365/Senate Bill 184 altered the determination of the number of exemptions that an individual may use to calculate a certain deduction under the Maryland income tax.

Form 510D – Declaration of Estimated Pass-Through Entity Income Tax Return

Year change from 2018 to 2019 (throughout).

Form 510E – Application for Extension to File Pass-Through Entity Income Tax Return

- **Page 1** Updated “502E” to “PV”

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

Form 502CR reference change Part M to Part CC (throughout).

Reason – Renamed Refundable Income Tax Credits on Form 502CR from Part M of Form 502CR to Part CC of Form 502CR for administrative ease.

- **Section E, Line 2** Added asterisks to indicate required documentation or certification must be attached to claim Maryland Disability Employment Tax Credit
- **Section E, Revised Line 14** New Energy Storage Systems Tax Credit replaces expired Bio-Heating Oil Tax Credit. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration.
- **Section E, Revised Line 15** New Cybersecurity Incentive Tax Credit for Buyers of Cybersecurity Technology or Cybersecurity Services replaces expired Cellulosic Ethanol Technology Research & Development Tax Credit.
Reason – To conform to 2018 Senate Bill 228.
- **Section E, Revised Line 22** Clarification in name of credit – Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit for Investors in Cybersecurity, as per 2018 Senate Bill 228.
- **Section E, Revised Line 23** New Small Business Relief Tax Credit replaces expired Health Enterprise Zone Hiring Tax Credit. 2018 Senate Bill 134 establishes that an individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce.
- **Lines 30 – 37** One Maryland Economic Development Tax Credit – Lines 30 through 37 renumbered and language amended to Lines 31 through 34, based on new credits and to conform with 2018 House Bill 1295 and Senate Bill 989.

Comptroller of Maryland Changes in Tax Forms

E. Fiduciaries

What's New for 2018 has been updated to include information about new Form 504NBD, expansion to the One Maryland Economic Development Tax Credit, and the three new business tax credits on Page i.

Form 504 – Fiduciary Tax Return

- **Line 10** Inserted dividing line below. Added “NOTE” to the beginning of sentence, “Nonresident fiduciary - see instruction for Form 504NR.” Reason – Adopted Forms Subcommittee recommendation from Subas Shrestha and Thomas Greene for clarification purposes
- **Line 14, Page 2** Form 502CR reference change from Part K, line 1 to Part AA, Line 1 and Part K, line 6 to Part AA, Line 6. Reason – Renamed for administrative ease.
- **Line 15, Page 2** Form 504CR reference change from Part BB to Part AAA. Reason – Renamed for administrative ease.
- **Line 19, Page 2** Form 502CR reference change from Part L to Part BB. Reason – Renamed for administrative ease.
- **Lines 22 – 25, Page 2** Indented dollars and cents fields to the left.
- **Line 24, Page 2** Year change from 2018 to 2019.

Instructions for Form 504

- **Instruction 8** Partially revise the fifth paragraph with new language, “attach Form 504NBD listing all beneficiaries, their domiciliary addresses and applicable tax identification numbers, whether they are income beneficiaries, remaindermen or both, and the amount of intangible income accumulated for each beneficiary. If claiming the deduction on behalf of remaindermen, the deduction cannot be divided between resident and nonresident remaindermen. All remainderman must be nonresidents of Maryland. If one remainderman is a Maryland resident, the deduction cannot be claimed.” Reason – new Form 504NBD replaces separate attachment created by taxpayer.
- **Instruction 11** Replaced “For all fiduciaries” with “Resident and nonresident fiduciaries” in the first sentence for clarification
- **Instruction 12** Form 502CR reference change from Part K to Part AA. Reason – Renamed for administrative ease.
- **Instruction 12** Form 504CR reference change from Part BB to Part AAA. Reason – Renamed for administrative ease.
- **Page 6** Changes to 2018 Local Tax Rate Chart. Local tax rate change for Cecil County from 2.80% for 2017 to 3.00% for 2018.
- **Instruction 15, Page 6** Form 502CR reference change from Part L to Part BB. Reason – Renamed for administrative ease.
- **Instruction 17** Form 504CR reference change from Part DD to Part CCC. Reason – Renamed for administrative ease.
- **Instruction 18** Changes to Tax, Interest and Penalty – Change to the language regarding the interest calculation.
 - The annual interest rate will decrease from 11.5% to 11% on January 1, 2019, as per TG § 13-604.
 - The annual interest rate changes again on January 1, 2020
- **Parts AAA – DDD** Change to Maryland motor fuel tax rate to:
 - 35.3 cents per gallon of gasoline and
 - 36.05 cents per gallon of diesel fuel

Comptroller of Maryland

Changes in Tax Forms

Form 504CR –Business Income Tax Credits for Fiduciaries

- **Part B** Replaced Health Enterprise Zone Hiring Tax Credit (expired) with new Small Business Relief Tax Credit. 2018 Senate Bill 134 establishes that an individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce.
- **Part C** Maryland Disability Employment Tax Credit for Employees. Added language, “** Must Include Required Certification”.
- **Part D** Job Creation Tax Credit – Revised calculation per 2017 Senate Bill 873.
- **Part H** Cybersecurity Incentive Tax Credits – Change name of credit. Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit and revised calculation per 2018 Senate Bill 228.
- **Part J – II** Maryland Employer Security Clearance Costs Tax Credit – Year changes from 2017 to 2018.
- **Part K – I** Research and Development Tax Credit – Line 3 – Change to Form 504CR reference – Part BB to Part AAA. Renamed Business Tax Credit Summary on Form 504CR from Part BB of Form 504CR to Part AAA of Form 504CR for administrative ease.
- **Part K – II** Research and Development Tax Credit – Line 6 – Change to Form 504CR reference – Part DD to Part CCC. Renamed Refundable Business Income Tax Credits on Form 504CR from Part DD of Form 504CR to Part CCC of Form 504CR for administrative ease.
- **Part L** Biotechnology Investment Incentive Tax Credit – Line 6 – Change to Form 504CR reference – Part DD to Part CCC. Renamed Refundable Business Income Tax Credits on Form 504CR from Part DD of Form 504CR to Part CCC of Form 504CR
- **Part N** Clean Energy Incentive Tax Credit– Line 3 – Change to Form 504CR reference - Part DD to Part CCC. Renamed Refundable Business Income Tax Credits on Form 504CR from Part DD of Form 504CR to Part CCC of Form 504CR
- **Part P** One Maryland Economic Development Tax Credit – Revised calculation per 2018 House Bill 1295 and Senate Bill 989.
- **Part Q** Oyster Shell Recycling Tax Credit – Line 1 – Increase maximum credit amount from \$750 to \$1,500 pursuant to 2018 House Bill 572/Senate Bill 153
- **Part R** Replace expired Bio-Heating Oil Tax Credit with new Energy Storage Systems Tax Credit. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration
- **Part S** Replace expired Cellulosic Ethanol Technology Research and Development Tax Credit with new More Jobs for Marylanders Tax Credit. Per 2017 Senate Bill 317, a manufacturing business that is located within Maryland may be entitled to a 10-year income tax credit on the total amount of wages paid for each qualified position at an eligible facility.
- **Part W** Aerospace, Electronics, or Defense Contract Tax Credit – Line 6 – Change to Form 504CR reference – Part DD to Part CCC. Renamed Refundable Business Income Tax Credits on Form 504CR from Part DD of Form 504CR to Part CCC of Form 504CR
- **Part X** Renamed title to “PRESERVATION AND CONSERVATION EASEMENTS TAX CREDIT”. Line 4 – change to Form 504CR reference – Part BB to Part AAA. Renamed Business Tax Credit Summary on Form 504CR from Part BB of Form 504CR to Part AAA of Form 504CR for administrative ease.

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Instructions for Form 504

- **Part AAA – DDD** Change to Form 504CR references – Parts BB through DD to Parts AAA through CCC, respectively. Language and line references updated to correspond with changes to Parts A–AA.

Instructions for Form 504CR

The following were renamed for administrative ease

- Change all references from 2017 Part BB to 2018 Part AAA (**throughout**).
- Change all references from 2017 Part CC to 2018 Part BBB (**throughout**).
- Change all references from 2017 Part DD to 2018 Part CCC (**throughout**).
- Change all references from 2017 Part EE to 2018 Part DDD (**throughout**).
- **Page 1** New reference chart listing non-refundable tax credits, refundable tax credits, certification requirements, and part information
- **Part B** Eliminated expired Health Enterprise Zone Hiring Tax Credit. Insert instructions for new Small Business Relief Tax Credit. 2018 Senate Bill 134 establishes that an individual or small business that pays earned sick and safe leave to a qualified employee may be entitled to claim a state income tax credit. The amount of credit is granted and certified by the Maryland Department of Commerce
- **Part D** Job Creation Tax Credit – Revised instructions to reflect adoption of 2017 Senate Bill 873.
- **Part H** Cybersecurity Incentive Tax Credit – Change name of credit. Cybersecurity Investment Incentive Tax Credit is now the Cybersecurity Incentive Tax Credit and revised instructions per 2018 Senate Bill 228.
- **Part J** Maryland Employer Security Clearance Cost (ESCC) Tax Credit – Per 2018 Senate Bill 564, under “Claiming the Tax Credit” revised second sentence to state, “By December 15th of that year, the Maryland Department of Commerce will certify the approved amount. To claim the credit, the applicant must: 1) file an electronic Maryland income tax return with the Comptroller of Maryland for any taxable year after the taxable year in which the costs were incurred; or 2) file an electronic amended Maryland income tax return with the Comptroller of Maryland. A copy of the Maryland Department of Commerce certification must be included with the return.”
- **Part K** Research and Development Tax Credits – Insert new second paragraph. Reason – conformity with 2018 Senate Bill 563.
- **Part P** One Maryland Economic Development Tax Credit – Revised instructions, as per 2018 House Bill 1295 and Senate Bill 989
- **Part Q** Oyster Shell Recycling Tax Credit – Increase maximum credit amount from \$750 to \$1,500 and update termination date to January 1, 2023, pursuant to 2018 House Bill 572/Senate Bill 153.
- **Part R** Replace instructions for expired Bio-Heating Oil Tax Credit with instructions for new Energy Storage Systems Tax Credit. 2017 Senate Bill 758 establishes a credit against the State income tax for the total installed costs paid or incurred by a taxpayer that installs an energy storage system and who obtains a tax credit certificate from the Maryland Energy Administration.
- **Part S** Replace instructions for expired Cellulosic Ethanol Technology Research and Development Tax Credit with instructions for new More Jobs for Marylanders Tax Credit. Per 2017 Senate Bill 317, a manufacturing business that is located within Maryland may be entitled to a 10-year income tax credit on the total amount of wages paid for each qualified position at an eligible facility.

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Instructions for Form 504CR

- **Part T** Wineries and Vineyards Tax Credit – Updated procedures to claim the credit and termination date per 2018 House Bill 302
- **Part U** Film Production Activity Tax Credit – Amended instructions to indicate, “To claim the credit, before beginning a film production activity, a qualified film production entity shall apply with the Maryland Department of Commerce for an initial credit certificate for the estimated production costs. Generally to qualify as a film production entity, the estimated total direct costs incurred in Maryland must exceed \$250,000. However, for a Maryland small or independent film entity to qualify as a film production entity, the estimated total direct costs incurred in Maryland must exceed \$25,000 and at least 50% of the filming of the film production activity must occur within Maryland. The credit claimed cannot exceed the amount stated in the final certificate.” Reason – Updated language to conform to 2018 Senate Bill 1154.
- **Parts AAA – DDD** Change to Form 504CR references – Parts BB through DD to Parts AAA through CCC, respectively. Language and line references updated to correspond with changes to Parts A – AA.

Form 504D –Fiduciary Declaration of Estimated Income Tax

- Year changes from 2017 to 2018 and 2019 to 2020 (throughout).
- Local tax rate change for Caroline County from:
 - 2.73% for 2018 to
 - 3.20% for 2019
- Filing due date changed to Monday, April 15, 2019 (Forms Instructions).

Form 504E –Application for Extension of Time to File Fiduciary Income Tax Return

- Year change from 2017 to 2018 (throughout).
- Filing due date changed to Monday, April 15, 2019 (Form Instructions)

Form 504K-1– Schedule K-1 (Form 504) – Beneficiary Information

- **Section 7** One Maryland Economic Development Tax Credit – Lines 1 through 8 renumbered and language amended to Lines 1 through 5, based on new credits and to conform with 2018 House Bill 1295 and Senate Bill 989.

Form 504UP– Underpayment of Estimated Income by Fiduciary

- Year change from 2017 to 2018 (throughout).
- Year change from 2016 to 2017 and 2018 to 2019 (throughout).
- **Page 1, Line 13** Update interest factors on line 13
- **Line 13** Interest factors updated

Form 504CR – Fiduciary Income Tax Return Schedule A

- Year change from 2017 to 2018 (throughout).
- Form name updated –Form 504A Schedule A updated to Form 504 Schedule A. Reason – The WHAT’S NEW FOR 2017 of the Fiduciary Booklet states, “The Schedule A is now detached from Form 504 and renamed Form 504 Schedule A.”

Form 504NBD – Nonresident Beneficiary Deduction Summary Sheet

- New Form 504NBD requests information listing all beneficiaries, their domiciliary addresses and applicable tax identification numbers, whether they are income beneficiaries, remaindermen or both, and the amount of

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Changes in Tax Forms

Form 504NBD – Nonresident Beneficiary Deduction Summary Sheet

intangible income accumulated for each beneficiary. This form replaces a summary that would otherwise be created by the taxpayer. See #5 under Fiduciary Instruction Booklet.

Reason – Accepted Forms Recommendation #8.

F. Miscellaneous

Form MW506NRS – Non-Resident Sale of Property

Vertical oriented language on left side, “ATTACH CHECK OR MONEY ORDER AND FILE WITH THE CLERK OF THE CIRCUIT COURT” has been removed on COPY C and D.

Reason – Check or money order should go to the clerk of the circuit court, not the transferor/seller (COPY C) or issuer (COPY D).

Form MW507 – Employee Maryland Withholding Exemption

- **Line 1a**

Changed sentence from “To qualify as your dependent, you must be entitled to an exemption for the dependent on your federal income tax return for the corresponding tax year” to “To qualify as your dependent, you must be entitled to the dependent on your federal income tax return for the corresponding tax year.” 2018 House Bill 365/Senate Bill 184 altered the determination of the number of exemptions that an individual may use to calculate a certain deduction under the Maryland income tax.

- **Line 1c**

Maximum was increased from \$2,000 to \$2,250. Reason – 2018 House Bill 570 increased the maximum limitation amounts of certain standard deductions from \$2,000 and \$4,000 to \$2,250 and \$4,500, respectively.

Form MW507P – Request for Withholding for Annuity, Sick Pay, & Retirement Distributions

Instructions – Replaced “Declaration of Estimated Tax (Form 502D)” with Personal Tax Payment Voucher for 502/505, Estimated Tax and Extensions (Form PV).”

In the sentence, “You may use the worksheet provided with the declaration as a guide in estimating your income tax liability” replaced “declaration” with “Payment Voucher Worksheet (PVW)”.

MW508CR – Business Income Tax Credits for 501(c)(3) Organization

Change to Form 500CR reference – Part BB to Part AAA.

Renamed Business Tax Credit Summary on Form 500CR from Part BB of Form 500CR to Part AAA of Form 500CR for administrative ease.

Form 130 – Request for Certification of Tax Filings

- **Page 1**

Change sentence from “Please print in black or blue ink” to “Print using black or blue ink only.”

- **Line 2**

Change words from “Maryland Form 502E (Maryland Application for Extension to File Personal Income Tax Return)” to “Maryland Form extension to file personal income tax return”.

Form 548 – Power of Attorney

Update “initial” to “MI” (throughout).

- **Page 1**

Organize the form into three parts

- **Page 2**

Change field from “Title if other than individual” to “Title, if business taxpayer or if other than individual taxpayer”.

Comptroller of Maryland Changes in Tax Forms

Form 548 – Power of Attorney

- **Page 2** Change language from “Attach government-issued identification for taxpayer (not representative) if representative’s designation is item 4-10” to “Attach government-issued photo identification for individual or business taxpayer if representative designation is item 4-10. Representative identification is not required.”
- **Instructions** Filing of Power of Attorney – Added sentence, “An acceptable government issued photo identification includes a passport or driver’s license.”

CRA – Combined Registraton Application

- Updated “Department of Health and Mental Hygiene (DHMH)” to “Maryland Department of Health “MDH” (throughout).
- **Line 17 – New Language** The line now reads, “Select the option that best describes your situation (Check ONLY ONE box): Applicant has a physical sales location within Maryland and will not make online sales to customers in Maryland. Applicant will make online sales to Maryland customers and does not have a physical sales location in Maryland. Applicant has a physical sales location in Maryland and will make online sales to customers in Maryland. Applicant does not make sales. The sales and use tax account is requested for reporting use tax only.”

Form MET 1 – Estate Tax Return

- The federal exemption amount has increased from \$3,000,000 to \$4,000,000 for 2018 pursuant to 2018 House Bill 308 and Senate Bill 646 (throughout).
- **Page 5 – Schedule B, Line 10** The amount of the allowable unified credit increased from \$1,145,800 to \$1,545,800.

Form MET 1E – Estate Tax Return, Application For Extension of Time to File

- The federal exemption amount has increased from \$3,000,000 to \$4,000,000 for 2018 pursuant to 2018 House Bill 308 and Senate Bill 646 (throughout).
- **Page 5 – Schedule B, Line 10** The amount of the allowable unified credit increased from \$1,145,800 to \$1,545,800.

Form EL101 – Maryland Income Tax Declaration for Electronic Filing

- **Page 1** Revised watermark language from “DO NOT MAIL” to “DO NOT MAIL TO MARYLAND”.

Form 588 – Direct Deposit of MD Income Tax Refund to More Than One Account

Update “initial” to “MI” (throughout).

The following miscellaneous forms had either no changes, or year changes and/or “+4” added to zip code:

Form 106	Form MET-2-ADJ	MW506R
Form 129	Form 504NR	MW507M
Form 548P (Reporting Agent Authorization)	MW506A	MW508NRS
Affidavit of Residence	MW506AE	MW508
Form EFT	MW506AM	SUTEC
	MW506FR	

Comptroller of Maryland 2018 Tax Year Procedures

A. Electronic Filing Program (eFile)

1. Electronic Filing Statistics (as of 9/14/18)

This past filing season, we received 2,531,041 electronically-filed returns. This represents a 1.62% increase over the prior year.

- Of the 2,531,041 returns filed, 1,832,050 returns requested refunds (72.38%).
- 1,596,617 of the 1,832,050 returns requested refunds – direct deposit (87.15%).
- 182,101 of the 452,821 total balance due returns requested payment by direct debit (40.21%).
- The 2,531,041 electronic returns were filed in the following ways:
 - 1,403,410 were filed by professional preparers
 - 1,033,297 were filed by the taxpayer using purchased or online software
 - 94,334 were filed using Maryland's free i-File application

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

2. Electronic Filing Mandate for Business Tax Credits

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

However pursuant to SB 36 of the Acts of 2017 of the Maryland General Assembly, the Comptroller of Maryland may grant a taxpayer a waiver of the requirement to file for certain tax credit(s) by electronic means. Form 500CRW, Request for a Waiver, must be submitted with the Form 500CR that establishes a reasonable cause for not filing by electronic means or that there is no feasible means of filing electronically creating an undue hardship.

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

Returns claiming out of state credits on Form 502CR must submit the other state(s) returns with

the electronic return or the credit will be disallowed. Returns claiming credits from Schedule K-1s must include the Schedule K-1 with the electronic return. In both cases, a binary attachment (PDF) will suffice. Be sure that the software you use supports the electronic filing of the Form 500CR **unless** the Form 500CRW Request for a Waiver is submitted with the Form 500CR. We track this information at www.marylandtaxes.gov under Tax Professionals > Vendors and Developers > Approved Vendors > Approved eFile Software Vendors (select individual or business).

B. Updates and Reminders for Next Filing Season

1. Reminder

The **Form 548** is a power of attorney form developed in 2016 for Maryland tax purposes. The **Form 548P** is a new reporting agent authorization form developed in 2016 that replaces federal Form 8655 for Maryland tax purposes. Both forms are required to be used beginning January 1, 2017.

The **Sales and Use Tax Exemption Certificate Application** is a new form that was developed in 2016 to streamline the application process for Maryland Sales and Use Tax Exemption Certificates. The application for these certificates was previously incorporated into the Combined Registration Application.

2. Income tax returns are due April 15, 2019

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

If you both file and pay electronically (credit card, direct debit/electronic funds withdrawal), your return is due by April 15th. However, you will have until April 30, 2019 to make your payment.

(If you file electronically and pay by check, your payment is due by April 15th.)

3. Social Security Number Validation

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

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

4. Earned Income Credit

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

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

Beginning with Tax Year 2018, for an individual without a qualifying child the Maryland earned income tax credit allowable for a taxable year is calculated without regard to the minimum age requirement under the Internal Revenue Code.

A mailing to employers in November of this year will include a Withholding Tax Alert along with the Withholding Tax Facts.

The rate to be used for the refundable earned income credit increases to 28% of the federal earned income credit for Tax Year 2018.

5. Electronic Returns, with Balance Due

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

6. Quick Response Codes

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

7. Tax Returns Submitted Without Form W-2s or Form 1099s

Tax returns received with a withholding amount and without a wage statement, Form W-2 or Form 1099 will have the unsubstantiated withholding denied.

8. 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.

9. Direct Debit for Online Bill Payments

Taxpayers are able to set up bill payments for individual and business liabilities.

10. Certification Requirement for Electronically Filed Returns

Returns requiring certification will have those credits disallowed unless we receive a copy of the certification with the return. The eFile Handbook lists the credits requiring certification on pages 16 through 19.

C. Free Internet Filing for Individuals (iFile)

1. Taxpayers may file their Resident returns for the current year (tax year 2018 and two prior years (tax years 2016 and 2017) on our Web site.
2. Residents also may file amended returns, provided the taxpayer has iFiled the original return. You may access our web site at www.marylandtaxes.gov
3. The following services are available through iFile: personal extension requests, estimated payments, pay a bill, set-up a payment plan and sign up to electronically receive your Form 1099-G.

D. Free Internet Filing for Businesses (bFile)

1. bFile allows businesses to file their employer withholding, Sales and Use Tax (SUT), and Admissions and Amusement Tax returns on our Web site and pay by direct debit or credit card. Employers also may upload wage data files or key up to 250 Form W-2s and their Form MW508s, directly to our Web site at www.marylandtaxes.gov
2. **bFile Advantages**
 - bFile allows registered users to view the history of past filings 24/7.
 - bFile allows the user to schedule a payment in advance up to the due date.
 - bFile provides a written confirmation the user can print.
 - bFile registration allows the user to save their FEIN, CRN and bank information, so it will pre-fill for future filings thus eliminating keying errors.

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- bFile allows the user to edit previously submitted filings up to 2 days before the debit date.
- bFile allows nones (zero filings) to be filed.
- bFile allows a return to be filed without a payment for balance-due Withholding and SUT returns. This capability was implemented in 2013.
- bFile allows the registered user to file their annual withholding reconciliation and report their W-2s.
- bFile allows the user to file current year filings as well as two previous years.
- bFile calculates the discount on timely filed SUT filings when applicable.
- Multiple accounts may be accessed by a single registration.

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

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

F. Alternative Payment Methods

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

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.

G. Mailing of Forms

1. Tax booklets will be mailed to taxpayers upon request only.
2. Employer withholding coupon books will be mailed by the end of December except for accelerated filers whose booklets will be mailed in early December.
3. The mailing of personal estimated tax vouchers (Form 502DEP) has been discontinued for tax year 2017. The Form 502DEP will be available online or by request from the Taxpayer Service Section of the Comptroller's Office.

H. Most Common Errors

1. Incorrect banking account and routing numbers for direct deposit of refunds.
2. Calculation of local income tax / no local tax calculated.
3. State and local earned income credit.
4. Forms 505NR and 504NR not included with the return.
5. Poverty level credit.
6. Forms 502CR, 500CR and MW508CR are incomplete without required documentation.
7. Special nonresident tax not computed.
8. Personal tax returns claiming Maryland withholding submitted without wage statements (W-2s or 1099s).
9. Standard and Itemized Deduction box not checked.
10. Total Exemption box not completed.
11. Nonresident tax paid by a pass-through entity on wrong line or documentation (Maryland Schedule K-1) not attached.
12. Business income tax credits and required certification(s) not electronically filed.
13. IRC Section 1341 (Claim of Right) Credit and Neighborhood Stabilization Tax Credit being claimed erroneously on Form 502CR.
14. Most nonresident fiduciary returns lack the proper or complete reconciliation of Maryland income to the federal income.
15. Earned income credit being entered in line requesting the amount of earned income. This results in a reduced EIC or poverty level credit.

I. Taxpayer Service

WALK-IN SERVICE

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

TELEPHONE SERVICE

The Comptroller of Maryland offers extended hours for free telephone assistance from February 1 – April 15, 2018. During this period, telephone assistance is available from 8:30 a.m. until 7:00 p.m., Monday through Friday except for State holidays.

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EMAIL SERVICE

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

REFUND INFORMATION

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

Special Assistance

Hearing impaired individuals may call:

Maryland Relay Service (MRS) 711
Larger format tax forms 410-260-7951

J. Important Information

Web site address: www.marylandtaxes.gov

Tax Practitioner hotline: 410-260-7424

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

eFile Tax Pro hotline: 410-260-7753

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

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

List of Business Tax Credits is available on our Web site. You may go directly to that page by entering the following Web address:
http://taxes.marylandtaxes.gov/Business_Taxes/General_Information/Business_Tax_Credits/

Comptroller of Maryland Statistics

RAD Statistics

2017 Personal Tax Return Processing as of June 30, 2018

A. Total 2017 personal tax returns (received through 6/30/18).....		2,977,751
B. Total number of refund returns (does not include Amended).....		2,028,196
		(dollars)
C. Total refunds issued on above returns.....		\$ 2,163,529,977
D. Amount paid with returns.....		667,869,750
E. Amount of refunds applied to 2018 estimated tax (52,363).....		130,602,845
F. Amount of refunds transferred to DHR (9,372 returns).....		6,066,089
G. Amount of refunds transferred to CCU (73,093 returns).....		24,076,793
H. Amount of refunds applied to business taxes (830 returns).....		668,123
I. Amount of refunds transferred to other states.....		1,458,406
• Connecticut (87 returns)	\$	35,153
• Delaware (924 returns)		307,099
• New Jersey (283 returns)		109,020
• New York (473 returns)		216,242
• Washington, DC (1,187 returns)		790,892

Fiscal Year Ended June 30, 2018

(dollars)

J. Employer withholding receipts.....		\$ 13,739,454,908
K. Personal estimated tax.....		2,330,964,418
L. Amount of local tax distributed to counties and cities and towns.....		5,386,185,017
M. Amount of corporate tax distributed.....		212,774,199
N. Amount of earned income credit claimed.....		94,932,737
O. Amount of refundable earned income credit claimed.....		161,228,598
P. Amount of poverty level credit claimed.....		6,600,739
Q. Contributions to Chesapeake Bay Endangered Species Fund.....		912,325
R. Contributions to Developmental Disabilities Service and Support Fund.....		283,274
S. Contributions to Maryland Cancer Fund.....		409,094

Comptroller of Maryland Statistics

Compliance Statistics – Fiscal Year End 6/30/2018

A. Number of active delinquent individual income tax cases as of 6/30/18	299,877
B. Number of active delinquent business tax cases as of 6/30/18	46,515
C. Number of payment agreements entered	107,289
D. Number of cases certified to IRS for offset	140,067
E. Number of tax liens filed	111,961
F. Number of salary garnishments filed	3,794
G. Number of bank attachments filed	6,628
H. Estimated number of business tax accounts as of 6/30/18	480,000
I. Number of 1st notices sent for individual income tax cases as of 6/30/18	143,298
J. Number of business tax discovery notices sent	52,445
K. Number of business tax audits and investigations	1,014
L. Number of unclaimed property holder reports received	11,662
M. Number of notices sent to owners	130,949
N. Number of unclaimed property claims paid	43,883
O. Percent of auditors (employed at least 18 months) cross-trained	56 %
P. Percent of business tax accounts audited or investigated	0.21 %
Q. Percent of names added to system within 90 days	100 %
	(dollars)
R. Dollars collected on delinquent income tax cases as of 6/30/18	\$ 417,566,145
S. Dollars collected on delinquent business tax cases	256,368,872
T. Dollars collected from MITS activities	44,851,664
U. Dollars assessed on business tax discovery activities	45,519,530
V. Dollars assessed for business tax audits (millions)	97.8
W. Dollars assessed for individual income tax (millions)	319
X. Dollars of unclaimed property reported (millions)	202.3
Y. Dollars of unclaimed property paid to owners (millions)	68.2

Comptroller of Maryland

2018 Maryland Income Tax Forms

Availability

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

Reproducible forms

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

Form Number	Description
500	Corporation Income Tax Return
500D	Maryland Corporation Declaration of Estimated Income Tax
500DM	Decoupling Modification
500E	Application for Extension of Time to File Corporation Income Tax Return
500UP	Underpayment for Maryland Income Tax by Corporations and Pass-Through Entities
500X	Amended Corporation Income Tax Return
EL 101B	Maryland Income Tax Declaration for Business Electronic Filing
EL 102B	Maryland Income Tax Payment Voucher for Business Electronic Filers
502	Maryland Tax Return (Resident Individual) Long Form
502AC	Subtraction for Contribution of Artwork
502AE	Subtraction for Income Derived Within an Arts and Entertainment District
502B	Maryland Dependents' Information
502CR	Income Tax Credits for Individuals and Instructions
PV	Personal Tax Payment Voucher for Form 502/505, Estimated Tax and Extensions
502INJ	Injured Spouse Claim Form
502S	Sustainable Communities Tax Credit
502SU	Maryland Resident Subtractions
502TP	Computation of Tax Preference Income
502UP	Underpayment of Estimated Maryland Income Tax by Individuals
502V	Use of Vehicle for Charitable Purposes
502X	Amended Maryland Tax Return
EL 101	Maryland Income Tax Declaration for Electronic Filing
EL 102	Maryland Income Tax Payment Voucher for Electronic Filers
504	Fiduciary Income Tax Return
504CR	Business Income Tax Credits for Fiduciaries
504K-1	Maryland Schedule K-1 (Form 504) – Beneficiary Information
504NR	Maryland Nonresident Fiduciary Income Tax Calculation
504D	Maryland Fiduciary Declaration of Estimated Income Tax

Comptroller of Maryland 2018 Maryland Income Tax Forms

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