



# **2019**

## **Maryland**

# **Tax and Legislative**

# **Update**

Peter Franchot  
Comptroller of Maryland



## Table of Contents

Revenue Administration Division.....	1
Taxpayer Services Division .....	2
Compliance Division .....	6
Resources and Legislation .....	7
Court Cases.....	21
Changes in Tax Forms .....	29
A. Resident Returns.....	29
B. Nonresident Returns .....	33
C. Corporation Returns.....	34
D. Pass-Through Entities.....	36
E. Fiduciaries .....	37
2019 Tax Year Procedures .....	39
Statistics .....	43
2019 Maryland Income Tax Forms .....	45



# Revenue Administration Division

## Director's Office

<b>Wayne P. Green</b> , Director	wgreen@comp.state.md.us	410-260-7445
<b>Debora A. Gorman</b> , Deputy Director	dgorman@comp.state.md.us	410-260-7451
<b>Sarah Dufresne</b> , Assistant Director	sdufresne@comp.state.md.us	410-260-6181
<b>Kathleen Henry</b> , Assistant Director	khenry@comp.state.md.us	410-260-7919
<b>Bradley Roth</b> , Acting Assistant Director	broth@comp.state.md.us	410-260-7447

## Legal

<b>Elizabeth Boone</b> , Manager	eboone@comp.state.md.us	410-260-6142
----------------------------------	-------------------------	--------------

## Payment Processing

<b>Linda Couch</b> , Manager	lcouch@comp.state.md.us	410-260-7606
------------------------------	-------------------------	--------------

## Processing Control

<b>Bradley Roth</b> , Manager	broth@comp.state.md.us	410-260-7447
-------------------------------	------------------------	--------------

## Project Management

<b>Kathleen Taylor</b> , Manager	ktaylor@comp.state.md.us	410-260-7652
----------------------------------	--------------------------	--------------

## Returns Processing

<b>Andrea Brown</b> , Manager	abrown@comp.state.md.us	410-260-7592
-------------------------------	-------------------------	--------------

## Revenue Accounting

<b>Deborah Love</b> , Manager	dlove@comp.state.md.us	410-260-7521
-------------------------------	------------------------	--------------

## Special Functions

<b>Michele Santucci</b> , Manager	msantucci@comp.state.md.us	410-260-7022
-----------------------------------	----------------------------	--------------

## Special Projects/Administration

<b>Christian Miller</b> , Manager	cmiller@comp.state.md.us	410-260-7236
-----------------------------------	--------------------------	--------------

## Taxpayer Accounting

<b>Frank Dorrell</b> , Manager	fdorrell@comp.state.md.us	410-260-6629
--------------------------------	---------------------------	--------------

# Taxpayer Services Division

## TAX INFORMATION AND ASSISTANCE:

Visit our web site at [www.marylandtaxes.gov](http://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, 2020. 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](mailto: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

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

# Taxpayer Service Division

## Director's Office

<b>Gary E. White</b> , Assistant Director	gwhite@comp.state.md.us	410-260-7455
<b>Vacant</b> , Deputy Director	-----	-----
<b>Dennis Gwinn</b> , Assistant Director	dgwinn@comp.state.md.us	410-260-7724
<b>Vacant</b> , Assistant Director	-----	-----

## Taxpayer Information Contact Center

<b>Patricia Guiles</b> , Manager, Taxpayer Information Contact Center	pguiles@comp.state.md.us	410-260-6254
<b>Ana Garay</b> , Assistant Manager Taxpayer Information Contact Center	agaray@comp.state.md.us	410-260-7798
<b>Lisa Wiseman</b> , Manager, Individual Tax Call Center	lwiseman@comp.state.md.us	410-260-6046
<b>Vacant</b> , Manager, Business Tax Call Center	-----	-----
<b>Suzanne Driscoll</b> , Acting Practitioner Liaison	sdriscoll@comp.state.md.us	410-260-4063
<b>Sheri Tripodi</b> , Manager, Correspondence Unit	stripodi@comp.state.md.us	410-260-7492
<b>Melissa Haneke-Wroten</b> , Manager, Training Center	mhaneke@comp.state.	410-260-7605

## Branch Operations

<b>Ralph Bartles</b> , Manager, Branch Operations	rbartles@comp.state.md.us	410-260-7621
<b>Vacant</b> , Assistant Manager Branch Operations		
<b>Vacant</b> , Regional Manager, West Region		
<b>Vickie Hammett</b> , Regional Manager, South Region	vhammett@comp.state.md.us	301-645-2237
<b>Shequita Williams</b> , Regional Manager, North Region	swilliams@comp.state.md.us	410-296-3985
<b>Robert Owens</b> , Regional manager, East Region	rowens@comp.state.md.us	410-546-3826

## Annapolis Branch Office

60 West Street, Annapolis, MD 21401

<b>Christopher Rasmussen</b> , Manager	crasmussen@comp.state.md.us	410-260-7060
----------------------------------------	-----------------------------	--------------

## Baltimore Branch Office

State Office Building, 301 W. Presont Street, Rm 206 Baltimore, MD 21201

<b>Rosalind Lucas</b> , Manager	rlucas@comp.state.md.us	410-767-1306
<b>Vacant</b> , Assistant Manager, Taxpayer Assistance	-----	-----
<b>Lai Eppel</b> , Assistant manager, Cashier's Office	lli@comp.state.md.us	410-767-1306

## Cumberland Branch Office

3 Pershing Street, Suite 101, Cumberland, MD 21502

<b>Janet Kesner</b> , Manager	jkesner@comp.state.md.us	301-722-5741
-------------------------------	--------------------------	--------------

## Elkton Branch Office

Upper Chesapeake Corporate Ctr, 103 Chesapeake Blvd, Suite D, Elkton, MD 21921

<b>Ronald Johnson</b> , Manager	rjohnson1@comp.state.md.us	410-996-0465
---------------------------------	----------------------------	--------------





# Taxpayer Service Division

## Frederick Branch Office

Courthouse / Multiservice Ctr, Room 2603, 100 W. Patrick St, Frederick, MD 21701

**Tsailien Tsauro**, Manager

ttsaur@comp.state.md.us

410-600-1982

## Greenbelt Branch Office

6401 Golden Triangle Drive, Suite 100, Greenbelt, Md 20770

**Rene' Smith**, Manager

esmith@comp.state.md.us

301-486-7540

**Latausha Morning**, Assistant Manager

lmorning@comp.state.md.us

301-486-7540

## Hagerstown Branch Office

Crystal Bldg, 1850 Dual Highway, Suite 201, Hagerstown, MD 21740

**Karen Grote**, Manager

kgrote@comp.state.md.us

301-791-7108

## Salisbury Branch Office

Sea Gull Square, 1306 S. Salisbury Boulevard, Unit 186, Salisbury, MD 21801

**Rebecca Griffin**, Manager

rgriffine@comp.state.md.us

410-546-8100

## Towson Branch Office

Hampton Plaza, 300 East Joppa Road, Plaza Level 1-A, Towson, MD 21286

**Jeannette Smith**, Manager

jsmith@comp.state.md.us

410-296-3982

## Upper Marlboro Branch Office

Prince Georges Co. Courthouse, Rm 083B, 14735 Main St, Upper Marlboro, MD 20772

**Joanne Burns**, Manager

jburns@comp.state.md.us

301-952-2810

**Leonard Santek**, Assistant Manager

lsantek@comp.state.md.us

301-952-2810

## Waldorf Branch Office

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

**Ramona Bowen**, Manager

rbowen@comp.state.md.us

301-645-7818

**Wendell Oatneal**, Assistant Manager

w oatneal@comp.state.md.us

301-645-7818

## Wheaton Branch Office

Westfield Wheaton South Bldg, 11002 Viers Mill Road, Suite 408, Wheaton, MD 20902

**William Harper**, Manager

wharper@comp.state.md.us

301-942-5400

**Nadine Jordan**, Assistant Manager

njordan@comp.state.md.us

301-942-5400

<u>For Information About</u>	<u>Contact</u>	<u>Local Number</u>	<u>Toll-Free Number</u>
Individual Tax Assistance	Taxpayer Information Contract Center	410-260-7980	800-638-2937
Business Tax Assistance	Taxpayer Information Contract Center	410-260-7980	800-638-2937
Taxpayer Assistance	taxhelp@comp.state.md.us		
Practitioner Tax Assistance	Taxpayer Information Contract Center	410-260-7424	
Practitioner Tax Assistance	taxprohelp@comp.state.md.us		
Refund Inquiry	IVR	410-260-7829	800-218-8160
Extensions	IVR	410-260-7225	
Withholding None Line	IVR	410-260-7225	
Sales Tax None Line	IVR		

# Compliance Division

## Administration

Toll-Free 888-674-0020

<b>Daniel C. Riley, Jr.</b> , Director	driley@comp.state.md.us	410-767-1556
<b>Robert R. Scheerer</b> , Deputy Director	rscheerer@comp.state.md.us	410-767-1557
<b>Kimberly G. Cordish</b> , Assistant Director	kcordish@comp.state.md.us	410-767-1557
<b>Andrew J. Maschas</b> , Assistant Director	jmaschas@comp.state.md.us	410-767-1557
<b>Edward Wykowski</b> , Assistant Director	ewykowski@comp.state.md.us	410-767-1555
<b>Melinda Dunmire</b> , Assistant to Director	mdunmire@comp.state.md.us	410-767-1570

## Collections

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

<b>Paula Evans</b> , Manager, Business Tax Collections	pevans@comp.state.md.us	410-767-1562
<b>Charles Weinreich</b> , Asst. Mgr., Business Tax Collections	cweinreich@comp.state.md.us	410-767-1603
<b>Vacant</b> , Asst. Mgr., Business Collections	-----	-----
<b>Sherray Miller</b> , Manager, Individual Income Tax Collections	smiller@comp.state.md.us	410-260-7057
<b>Jesse Wright</b> , Asst. Mgr., Individual Income Tax Collections	jwright@comp.state.md.us	410-260-7057
<b>Michelle Mitchell</b> , 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

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

## Field Audit

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

<b>Benjamin Miller, Jr.</b> , Chief Auditor	bmillerl@comp.state.md.us	410-767-1504
<b>Gina Wiklund</b> , Assistant Chief Auditor	gwiklund@comp.state.md.us	410-767-1526
<b>Vacant</b> , Assistant Chief Auditor	-----	-----

## Hearings & Appeals

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

<b>Charles Zephir</b> , Manager	czephir@comp.state.md.us	410-767-1572
<b>Kelly Adams</b> , Assistant Manager	kadams@comp.state.md.us	410-767-4766
<b>Robert M. Peery</b> , Assistant Manager	rpeeryl@comp.state.md.us	410-767-1575

## Unclaimed Property

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

<b>Jasom Sobel</b> , Manager	jsobel@comp.state.md.us	410-767-1705
<b>Deborah Vulcan</b> , 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	Melinda Dunmire	410-767-1570	888-674-0020
Refunds, Sales and Use, Admissions & Amusement Taxes	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	Melinda Dunmire	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><b>House Bill 1228 (Chapter 372, Acts of 2014) and Senate Bill 1070 (Chapter 371, Acts of 2014)</b>  <b>Income Tax – Subtraction Modification</b></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><b>Volunteer Fire, Rescue, and Emergency Medical Services Members</b></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><b>House Bill 112 (Chapter 506, Acts of 2017)</b>  <b>Interest Rate on Tax Deficiencies and Refunds – Rounding</b></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><b>House Bill 472 (Chapter 233, Acts of 2017) and Senate Bill 416 (Chapter 232, Acts of 2017) – Income Tax Credit</b>  <b>Qualified Farms – Food Donation Pilot Program</b></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><b>House Bill 873 (Chapter 240, Acts of 2017) – Income Tax Credit</b></p> <p><b>Security Clearances – Employer Costs – Extension</b></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><b>Senate Bill 57 (Chapter 502, Acts of 2017) – Income Tax Credit</b></p> <p><b>Class F Vehicles – Modification and Extension</b></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><b>Senate Bill 317 (Chapter 149, Acts of 2017)</b></p> <p><b>More Jobs for Marylanders Act of 2017</b></p> <p><b>More Jobs for Marylanders Act of 2017</b></p>	<p><b>SECTION 1. Effective June 1, 2017 and applicable to all taxable years beginning after December 31, 2017.</b></p> <p>This Act establishes the More Jobs for Marylanders Program (“Program”) within the Department of Commerce (“Department”) to provide certain manufacturing business entities tax credits and benefits for up to 10 consecutive years.</p> <p>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.</p> <p>On application to the Department, a “new business entity” that has established and operates an 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.</p> <p>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.</p>

# Comptroller of Maryland Resources and Legislation

## INCOME TAX – Credits

## Tax Legislation Enacted in 2017

### 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 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.

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.

# Comptroller of Maryland Resources and Legislation

## INCOME TAX – Credits

## Tax Legislation Enacted in 2017

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

### 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 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.

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

# Comptroller of Maryland Resources and Legislation

## INCOME TAX – Credits

## Tax Legislation Enacted in 2017

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

### More Jobs for Marylanders Act of 2017

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 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

## Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits	Tax Legislation Enacted in 2017
<p><b>Senate Bill 317 (Chapter 149, Acts of 2017)</b></p> <p><b>More Jobs for Marylanders Act of 2017</b></p>	<p>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.</p> <p>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.</p> <p>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.</p> <p><b>SECTION 3. Effective June 1, 2017 and applicable to all taxable years beginning after June 30, 2017.</b></p> <p>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 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><b>SECTION 4. Effective June 1, 2017 and applicable to all taxable years beginning after December 31, 2018.</b></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><b>Senate Bill 317 (Chapter 149, Acts of 2017)</b></p> <p><b>More Jobs for Marylanders Act of 2017</b></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>
<p><b>Senate Bill 758 (Chapter 389, Acts of 2017) – Income Tax Credit</b></p> <p><b>Energy Storage Systems</b></p>	



## Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits	Tax Legislation Enacted in 2018
<p><b>House Bill 7 (Chapter 172, Acts of 2018) and Senate Bill 182 (Chapter 173, Acts of 2018) – Income Tax Credit</b></p> <p><b>Venison Donation – Feed the Hungry Organizations</b></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><b>Senate Bill 563 (Chapter 609, Acts of 2018) – Income Tax Credit</b></p> <p><b>Qualified Research and Development Expenses – Application for and Procedure to Claim Credit</b></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&amp;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>The Act takes effect July 1, 2018, and applies to tax years 2018 through 2020. The Act terminates December 31, 2020.</p>
<p><b>Senate Bill 1154 (Chapter 595, Acts of 2018) – Income Tax</b></p> <p><b>Film Production Activity Tax Credit ) – Alterations</b></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. For fiscal year 2020, the total amount of credits that may be issued increases to \$11,000,000.</p>

## Comptroller of Maryland Resources and Legislation

INCOME TAX – Deduction	Tax Legislation Enacted in 2018
<p><b>House Bill 570 (Chapter 576, Acts of 2018)/Senate Bill 318 (Chapter 577, Acts of 2018)– Income Tax – Standard Deduction</b></p> <p><b>Alteration and Cost-of-Living Adjustments</b></p>	<p>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. For Tax Year 2019, the standard deduction for single, married filing separately, and dependent taxpayers, the minimum standard deduction is \$3,050 and the maximum is \$4,550.</p> <p style="text-align: right;">The Act takes effect July 1, 2018, and applies to tax year 2019 and beyond.</p>

INCOME TAX – Subtractions	Tax Legislation Enacted in 2018
<p><b>House Bill 1069 (Chapter 582, Acts of 2018) – Income Tax – Subtraction Modification</b></p> <p><b>Volunteer Fire, Rescue, and Emergency Medical Services Members</b></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> <p style="text-align: right;">This Act took effect July 1, 2018.</p>

ESTATE TAX – Credit	Tax Legislation Enacted in 2018
<p><b>House Bill 308 (Chapter 21, Acts of 2018)/Senate Bill 646 (Chapter 15, Acts of 2018)</b></p> <p><b>Maryland Estate Tax – Unified Credit</b></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>

## Comptroller of Maryland Resources and Legislation

CORPORATE INCOME TAX – Apportionment	Tax Legislation Enacted in 2018
<p><b>House Bill 1794 (Chapter 342, Acts of 2018)/ Senate Bill 1090 (Chapter 341, Acts of 2018) Corporate Income Tax</b></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><b>Single Sales Factor Apportionment</b></p>	<p>Tax year 2018 = <math>\frac{\text{property factor} + \text{payroll factor} + (3 \times \text{sales factor})}{5}</math></p> <p>Tax year 2019 = <math>\frac{\text{property factor} + \text{payroll factor} + (4 \times \text{sales factor})}{6}</math></p> <p>Tax year 2020 = <math>\frac{\text{property factor} + \text{payroll factor} + (5 \times \text{sales factor})}{7}</math></p> <p>Tax year 2021 = <math>\frac{\text{property factor} + \text{payroll factor} + (6 \times \text{sales factor})}{8}</math></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> <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>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><b>Senate Bill 983 (Chapter 577, Acts of 2018)</b></p> <p><b>Maryland Historical Society – Funding</b></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&amp;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>The bill takes effect June 1, 2018.</p>

## Comptroller of Maryland Resources and Legislation

SALES AND USE TAX	Tax Legislation Enacted in 2018
<p><b>Senate Bill 743 (Chapter 852, Acts of 2018)</b></p> <p><b>Peer-to-Peer Car Sharing Program</b></p> <p><b>Senate Bill 743 (Chapter 852, Acts of 2018)</b></p> <p><b>Peer-to-Peer Car Sharing Program</b></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 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>

INCOME TAX – Credits	Tax Legislation Enacted in 2019
<p><b>Senate Bill 581 (Chapter 211, Acts of 2019) – Income Tax Credit</b></p> <p><b>Economic and Community Development Tax Credits - Opportunity Zone Enhancement Program</b></p>	<p>This Act establishes the Opportunity Zone Enhancement Program administered by the Department of Commerce. Qualifying businesses within an opportunity zone may qualify for enhanced incentives under specified tax credit programs including: job creation; One Maryland; enterprise zone, biotechnology investment incentive; cybersecurity investment incentive; and More Jobs for Marylanders. The enhanced incentives do not apply to the enterprise zone property tax credit and the One Maryland tax credits unless the business hires at least 50 qualified employees.</p> <p>This Act takes effect June 1, 2019.</p>
<p><b>Senate Bill 870 (Chapter 432, Acts of 2019) – Income Tax Credit</b></p> <p><b>Child and Dependent Care Tax Credit – Alterations</b></p>	<p>This Act expands the existing child and dependent care tax credit by increasing the current phase out that reduces or eliminates the benefit for an individual whose income exceeds the specified amounts and makes the credit refundable to individual filers with federal adjusted gross income of \$50,000 or less and joint filers with federal adjusted gross income of \$75,000 or less.</p> <p>This Act takes effect July 1, 2019 and applies to tax years 2019 and beyond.</p>
<p><b>House Bill 175 (Chapter 85, Acts of 2019) – Income Tax Credit</b></p>	<p>This Act extends the termination date for research and development tax credits to June 30, 2022.</p> <p>The Act takes effect July 1, 2019 and applies to tax year 2020.</p>

## Comptroller of Maryland Resources and Legislation

INCOME TAX – Credits	Tax Legislation Enacted in 2019
<b>Maryland Research and Development Tax Credit – Sunset Extension</b>	
<b>House Bill 403 (Chapter 361, Acts of 2019) – Income Tax Credit</b>  <b>Qualified Farms - Food Donation Pilot Program - Expansion and Extension</b>	<p>This Act expands the Food Donation Pilot Program to include farms located anywhere in the state instead of just certain counties. It also reduces the maximum amount of tax credit certificates the State may issue in one year from \$250,000 to \$100,000. Additionally, the act extends the duration of the program from December 31, 2019 to December 31, 2021.</p> <p>This Act shall take effect July 1, 2019 and applies until the end of Tax Year 2021.</p>
<b>House Bill 482 (Chapter 544, Acts of 2019) - Income Tax Credits</b>  <b>Endowments of Maryland Historically Black Colleges and Universities and Film Production Activity – Establishment and Alterations</b>	<p>This Act establishes a tax credit against the Maryland income tax for 25% of a donation made to a qualified permanent endowment fund at Bowie State University, Coppin State University, University of Maryland Eastern Shore, or Morgan State University. The Comptroller may award no more than \$240,000 in tax credits each year and must adopt regulations to implement the tax credit application, approval, and monitoring process. This Act also allows changes the minimum time a film production entity must be incorporated in the state to claim a tax credit against the state income tax from 1 year to 3 months.</p> <p>This Act shall take effect July 1, 2019 and apply to tax years 2019 through 2023.</p>

INCOME TAX – Subtractions	Tax Legislation Enacted in 2019
<b>Senate Bill 265 (Chapter 303, Acts of 2019)</b> <b>Income Tax - Subtraction Modification</b>  <b>Mortgage Forgiveness Debt Relief – Extension</b>	<p>This Act repeals the termination date of the income tax subtraction modification for qualified mortgage debt relief.</p> <p>The Act takes effect June 1, 2019.</p>
<b>House Bill 387 (Chapter 67, Acts of 2019) and Senate Bill 477 (Chapter 68, Acts of 2019)</b> <b>Income Tax - Subtraction Modification</b>  <b>Maryland Transportation Authority Police</b>	<p>This Act expands the existing subtraction modification for local law enforcement officers who reside in political subdivisions in which the crime rate exceeds the state’s crime rate to include Maryland Transportation Authority law enforcement officers. The subtraction modification may be up to \$5,000.</p> <p>This Act shall take effect July 1, 2019 and applies to Tax Year 2019 and beyond.</p>
<b>House Bill 1093 (Chapter 380, Acts of 2019)</b> <b>Income Tax - Subtraction Modification</b>	<p>The Act specifies that death benefits paid as a result of service in the U.S. Uniformed Services qualify for the existing military requirement subtraction modification. Family members of military personnel who die while serving on active duty may be eligible for certain federal benefits, most of which are</p>

## Comptroller of Maryland Resources and Legislation

INCOME TAX – Subtractions	Tax Legislation Enacted in 2019
<p><b>Retirement Income (The Jonathan Porto Act)</b></p>	<p>excluded from federal adjusted gross income. Survivor benefit plan annuities, or death benefits, are included in FAGI. Retirement income received as the result of military service is eligible for a Maryland subtraction from federal adjusted gross income. The military retirement income subtraction includes the first \$5,000 of military retirement income for individuals under 55 years, and the first \$15,000 of military retirement income for individuals 55 and over. The Act expands the definition of retirement income to include death benefits. The military retirement income subtraction may be taken by the beneficiary to exclude a portion of any death benefits included in FAGI.</p> <p style="text-align: right;">This Act takes effect July 1, 2019 and applies to tax years 2019 and beyond.</p>

Alcohol Tax	Tax Legislation Enacted in 2019
<p><b>Senate Bill 596 (Chapter 762, Acts of 2019)</b></p> <p><b>Alcoholic Beverages – Mead – Definition and Tax Rate</b></p>	<p>The Act expands the definition of beer to include mead, which is a fermented alcoholic beverage consisting primarily of honey and water. Mead will now be taxed as beer at \$0.09 per gallon. The bill is effective July 1, 2019. Prior to this bill, mead was considered wine, and taxed at \$0.40 per gallon.</p> <p style="text-align: right;">This Act takes effect July 1, 2019</p>

INCOME TAX – Administrative	Tax Legislation Enacted in 2019
<p><b>Senate Bill 484 (Chapter 225, Acts of 2019)</b></p> <p><b>Tax Liens - Expiration</b></p>	<p>This Act alters or establishes the expiration date of specified tax liens including liens related to unpaid taxes, liens on personal property, and liens on real property. Previously liens remained in effect until the lien was satisfied or released by the tax collector because it is unenforceable or uncollectible. The Act creates a 20 year expiration of all liens that are not otherwise satisfied or released by the tax collector. Liens arising on the date of a notice that the tax is due now expire 20 years after the date of the assessment. The Act also increases the length of time that a lien on unpaid inheritance tax remains in effect from 4 to 20 years. Additionally, the length of time a lien on property subject to special valuation under Tax General Article § 7-211 is increased from 4 to 20 years. This Act also specifies that a lien on real property terminates 20 years after the date the lien attached.</p> <p style="text-align: right;">This Act shall take effect on July 1, 2019.</p>
<p><b>Senate Bill 802 (Chapter 424, Acts of 2019) and House Bill 814 (Chapter 424, Acts of 2019)</b></p> <p><b>Maryland Easy Enrollment Health Insurance Program</b></p>	<p>This Act establishes a Maryland Easy Enrollment Health Insurance Program for the purpose of enrolling more eligible uninsured individuals in insurance affordability programs and minimum essential coverage. It requires the Comptroller to collect information on uninsured individuals, and to share the information with the Maryland Health Benefit Exchange (Exchange). The information will be collected on State income tax returns. The Exchange must then reach out to the uninsured to enroll them in insurance programs. The Act creates an advisory workgroup, including representation from the Comptroller's Office, to provide ongoing advice regarding implementation of the program. The Act requires a check box on the individual income tax return form to determine if any individual or dependent identified on the return is uninsured. If any individual or dependent is uninsured, additional information must be collected. The Program must be available for taxpayers</p>

## Comptroller of Maryland Resources and Legislation

INCOME TAX – Administrative	Tax Legislation Enacted in 2019
	<p>when filing a State income tax return for 2019, unless it is not ready yet, in which case, it must be available for tax year 2020. The Exchange must establish a workgroup to provide ongoing advice regarding the implementation of the Program.</p> <p style="text-align: center;">This Act takes effect June 1, 2019.</p>
<p><b>Senate Bill 911(Chapter 514, Acts of 2019) and House Bill 1116 (Chapter 513, Acts of 2019)</b></p> <p><b>Gender Diversity in the Boardroom - Annual Report</b></p>	<p>This Act requires domestic stock corporations or domestic nonstock corporations with an operating budget exceeding \$5 million to report the number of female board members and the total number of members on the board of directors when filing a specified personal property report with the State Department of Assessments and Taxation (SDAT). The Comptroller must report this information to the General Assembly by January 1 of each year, and make the report publicly available on the Comptroller’s website. The bill does not apply to privately held companies if at least 75% of a company’s shareholders are family members. The Act remains effective for a period of 10 years and expires September 30, 2029.</p> <p style="text-align: center;">This Act takes effect October 1, 2019.</p>

SALES AND USE TAX	Tax Legislation Enacted in 2019
<p><b>Senate Bill 533 (Chapter 758, Acts of 2019) and House Bill 884 (Chapter 704, Acts of 2019)</b></p> <p><b>Sales and Use Tax – Short - Term Rentals</b></p>	<p>This Act imposes the State sales and use tax on specified short-term rental transactions facilitated by a short-term rental platform. It also requires short-term rental platforms to collect and remit the State sales and use tax. The Act expands the definition of (1) tangible personal property to include a short-term rental and (2) taxable price and vendor to include a short-term rental platform for the purpose of collecting and remitting the State sales and use tax.</p> <p style="text-align: center;">This bill takes effect June 1, 2019.</p>
<p><b>Senate Bill 945 (Chapter 292, Acts of 2019) – Sales and Use Tax</b></p> <p><b>Taxable Services -Telephone Answering Service</b></p>	<p>This Act defines "telephone answering service" for the purpose of establishing that the service is taxable under the sales and use tax only if the service consists exclusively of answering a telephone either by an automated system or by a live operator, taking messages, and transmitting messages to the customer; and establishing that a telephone answering service is not a taxable service if certain acts are only incidental to and less than 5% of the service provider's total gross receipts in a calendar year.</p> <p style="text-align: center;">This bill takes effect immediately upon enactment.</p>
<p><b>House Bill 454 (Chapter 257, Acts of 2019)</b></p> <p><b>Sales and Use Tax - List of Tangible Personal Property and Services - Publication</b></p>	<p>This Act requires the Comptroller’s Office to publish a comprehensive list, on the agency’s website, of tangible personal property and services that are subject to the State sales and use tax. The list must be updated at least quarterly and detail any additions, deletions, or revisions to the list.</p> <p style="text-align: center;">This bill takes effect October 1, 2019.</p>

# Comptroller of Maryland Resources and Legislation

SALES AND USE TAX	Tax Legislation Enacted in 2019
<p><b>House Bill 1301 (Chapter 1301, Acts of 2019)</b></p> <p><b>Taxation of Online Sales – Marketplace Facilitators and Sellers of Other Tobacco Products</b></p>	<p>This Act requires marketplace facilitators to collect and remit State sales and use tax on retail sales by marketplace sellers to buyers located in Maryland. A marketplace seller is not required to collect the applicable sales and use tax to the extent that the marketplace facilitator collects the applicable sales and use tax. The Act creates statutory definitions of marketplace facilitator and marketplace seller, and expands the definition of vendor for sales and use tax purposes. The Act allows marketplace facilitators and marketplace sellers to apply for a waiver of the sales and use tax collection requirement in certain circumstances. The Act also requires specified out-of-state sellers to pay the tobacco tax on pipe tobacco and premium cigars on which the tobacco tax has not been paid.</p> <p>This bill takes effect October 1, 2019, and does not apply to any sales of tangible personal property or taxable services for delivery in the State before October 1, 2019.</p>



# Comptroller of Maryland Court Cases

## Significant Court Cases

September, 2018 – August, 2019

### A. Potomac Edison Company v. Comptroller of the Treasury

Potomac Edison (“Potomac”) requested a refund of sales tax it paid, and sales tax it was assessed, for purchases of equipment it used in its system for the transmission and distribution of electricity in Maryland. Potomac contended that this equipment qualified for the “production activity” exemption in the Tax Code, and was not subject to sales tax. The Comptroller refused the refund request and affirmed the assessment. Potomac appealed to the Tax Court, which affirmed the Comptroller’s decision. Potomac then appealed to the Circuit Court for Baltimore City, and that court affirmed the Tax Court’s ruling. Potomac appealed to the Court of Special Appeals, which ruled that the Tax Court erred in deciding that none of the equipment at issue qualified for the exemption, remanding the case back to the Tax Court “for further proceedings.”

The central issue in the case is whether any of the equipment that was the subject of Potomac’s claims qualified for the exemption and was not subject to sales tax. The Comptroller argued that Potomac’s transmission and distribution system was not a “production activity” but rather a system for delivering electricity over long distances. The Court of Special Appeals seized on the inclusion of the word “processing” in one section of the statutory definition of “production activity” to conclude that stepping up and stepping down the voltage of the electricity in the transmission system constituted “processing”, and because “processing” is a “production activity”, the Tax Court should have considered what equipment qualified for the exemption. Potomac submitted a list of almost 19,000 items that it contended were qualified for the exemption. On remand, it is expected that Potomac will have to explain how each of those items qualifies for the exemption.

### A. Travelocity.com, LP v. Comptroller of Maryland

Travelocity is an online travel company that rents hotel rooms and cars to its customers online. 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 either. Travelocity was assessed sales tax on those transactions as well.

Travelocity appealed the Comptroller’s rulings to the Tax Court. After conducting a hearing on the parties’ cross-motions for summary judgment, the Tax Court ruled in the Comptroller’s favor on two key issues: first, that Travelocity’s transactions were taxable and, second, that the amended statute regarding the sale of hotel rooms did not supersede the statute in effect at the time of the assessment, and the preexisting statute provided sufficient legal justification for the assessment.

The Tax Court also found there was no gross negligence and waived penalties and interest. As the result of this ruling, the assessment was reduced from eight years to four.

Following the issuance of the Court’s ruling, Travelocity asked the Court to clarify whether its “tax recovery charge” is included in the taxable portion of its charges to customers. The Tax Court withdrew its order to consider the issue, and on December 18, 2017 issued a “final order”, including the rulings in its previous order with the additional finding that the “tax recovery charge” was not included in the taxable price charged by Travelocity. Since the order did not include Travelocity’s final tax liability, it did not appear to end the case. The Comptroller filed a motion for reconsideration on the tax recovery charge issue. Travelocity filed a petition for judicial review in Worcester County. The Comptroller filed a petition to preserve the Comptroller’s appeal rights, but also filed a motion to remand on the grounds that the Tax Court Order was not an appealable order. The Comptroller’s motion was granted, returning the case to the Tax Court for the issuance of a final order. On November 15, 2018 the Tax Court issued a supplemental final order.

Both parties appealed to the Circuit Court for Anne Arundel County. The circuit court originally dismissed Travelocity’s appeal on the technicality that its electronic filing did not include a certificate of service. The circuit court conducted a hearing on the Comptroller’s appeal regarding the inclusion of the tax recovery charge in the taxable price on May 6, 2019. The circuit court affirmed the Tax Court, and both parties appealed to the Court of Special Appeals. Soon after the appeals were filed, the circuit court vacated its order dismissing its dismissal of Travelocity’s appeal, and Travelocity’s appeal was reinstated in the circuit court. The Comptroller filed a motion to vacate the circuit

## Comptroller of Maryland Court Cases

court's order reinstating Travelocity's appeal with the Court of Special Appeals.

### **B. 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 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 appealed to the Court of Special Appeals.

On March 26, 2019, the Court of Appeals, in an unreported decision, reversed the decision of the Maryland Tax Court and remanded the matter back to that court for further proceedings. The Court of Special Appeals held that Leadville was not an authorized insurer under § 6-102 of the Insurance Article. A Maryland authorized insurer must have a certificate of authority issued by the Maryland Insurance Commissioner, a certificate Leadville admitted it did not possess. Because it was not an authorized insurer, one must look to Title 4 of the Insurance Article to determine if Leadville was subject to tax.

Because the Maryland Tax Court did not address the application of Title 4 to Leadville, the matter has been remanded back to the Maryland Tax Court for further proceedings.

### **C. 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.*

## Comptroller of Maryland Court Cases

*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.

On June 27, 2019, the Court of Special Appeals issued a reported decision affirming the decision of the Maryland Tax Court. The appellate court found there was substantial evidence in the record of interdependency between the entities; a circular flow of money; reliance on others for core functions; and a lack of meaningful substantive activity. The court rejected appellant's argument that the presence of third-party royalty payments defeated the conclusion that there was a lack of economic substance as separate entities.

The Court of Special Appeals agreed with *Gore*, including the holding in that case that the alternative apportionment formula used by the Comptroller reflected a fair determination of how appellant earned income in Maryland and was a reasonable determination of the income attributable to Maryland.

Lastly, the Court of Special Appeals affirmed the Maryland Tax Court's partial waiver of interest. The appellate court seemed to agree that uncertainty about the status of the law could, under the right circumstances, constitute reasonable cause.

### **D. 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 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. 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.

### **E. 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

## Comptroller of Maryland Court Cases

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 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 and granted.

On July 29, 2019, the Court of Appeals reversed the decisions of the circuit court and the Court of Special Appeals, affirming the decision of the Maryland Tax Court. The Court of Appeals stated that the value of both the federal and Maryland estates are the same through the operation of §§ 7-301 and 7-309(h) of the Tax General Article. Absent additional property subject to Maryland estate tax, decedent's interest in the marital trust was subject to the same tax by operation of the federal and Maryland estate tax schemes.

### F. 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. 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

## Comptroller of Maryland Court Cases

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 case was argued the Summer 2019 and the parties are awaiting a decision.

### **G. Staples, Inc. & Staples the Office Superstore, Inc. v. Comptroller**

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 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.

Staples and Superstore filed a petition for writ of certiorari to the Maryland Court of Appeals, which petition was denied. They have since filed a petition for writ of certiorari to the United States Supreme Court. No decision has yet been made by the Supreme Court on that petition.

### **H. Blue Buffalo**

On August 30, 2017, the Maryland Tax Court affirmed the decision of the Comptroller denying Blue Buffalo Co., Ltd.’s requests for corporate income tax refunds for the years 2011 (\$160,263.00) and 2012 (\$546,703.00). At issue is whether Public Law 86-272 applied to preclude

# Comptroller of Maryland Court Cases

taxation of Blue Buffalo, an out-of-state entity, by Maryland.

Blue Buffalo sells premium pet products. It is a Delaware corporation domiciled in Connecticut. During the years in question, Blue Buffalo sold its products to retailers in Maryland. Blue Buffalo employed 4 types of employees in Maryland: 1) Distributor sales manager; 2) accountant managers; 3) regional demonstrator managers; and 4) “pet detectives”. The Distributor sales manager was responsible for solicitation of orders, met with retailers, provided education and training to retailer personnel and attended pet-related events. The account managers maintained relationships between the company and regional and local store managers, trained personnel of Blue Buffalo’s direct customers (retailers), visited customer retail locations, assisted in maintaining retail displays, and gathered customer and retail information. The demonstrator managers managed, recruited and trained the “pet detectives.” The “pet detectives” interacted with the consumers of Blue Buffalo products, collected and reported information on competitors in retail locations, reported on competitor interference with Blue Buffalo products in retail stores, and pitched products to consumers.

P.L. 86-272 limits a state’s authority to impose an income tax on an out-of-state seller of tangible personal property if the seller’s only business activity in the state is solicitation of orders. It is intended to protect out-of-state businesses that conduct no business activities within the state other than the solicitation of an order that will be fulfilled outside the state. Activities that merely serve to increase sales are not protected.

On the facts presented in this case, the Maryland Tax Court agreed with the Comptroller that Blue Buffalo’s business activities in Maryland went beyond solicitation and such activities were beyond de minimus.

On April 11, 2018, the Circuit Court for Baltimore City affirmed, stating that the substantial evidence in the record supported finding that a reasonable mind could reach the conclusion that the Maryland Tax Court did.

Blue Buffalo has appealed to the Court of Special Appeals. The case was argued in the late Summer 2019. A decision is pending.

## **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.

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.

## Comptroller of Maryland Court Cases

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. On March 20, 2019, the Court of Special Appeals, in a reported decision (240 Md. App. 371), affirmed the decision of the circuit court that the plaintiffs had failed to exhaust administrative remedies. Maryland has provided a plain, adequate, and complete remedy for filing and adjudicating a refund claim, including interest on that claim. This exclusive remedy precludes pursuing a refund claim in the circuit court.

The appellate court found that the constitutional exception to exhaustion of administrative remedies did not apply here because this was not a constitutional attack on the statute as a whole, but only on a particular provision and how it applied in a particular circumstance. Such an exception does not apply if the Legislature intended that the administrative remedy be exclusive, there is no statutorily provided alternative, and the remedy is subject to judicial review. The court also rejected the assertion there is an exception when the matter arises in a § 1983 claim. Principles of comity and federalism portend a hands-off to claims arising from state tax administration, especially were there is a plain, adequate and complete remedy.

The Plaintiffs have filed a petition for writ of certiorari to the Court of Appeals. A decision on that petition is pending.

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

The Comptroller appealed the decision to the Circuit Court for Anne Arundel County. On December 21, 2018, the circuit court reversed the decision of the Maryland Tax Court.

The circuit court concluded that the BRFA did not discriminate on its face because there were taxpayers whose activity was purely intrastate who could equally receive interest on a refund claim at the same lower rate. Additionally, the burden on interstate commerce, if any, was at best incidental, and was clearly not excessive in relation to the putative local benefit. This was not a example of a state retreating into economic isolation.

The circuit court acknowledged that there is a difference between a tax and interest to be paid on an overpayment to the sovereign, a difference that cannot be ignored. Finally, the court concluded that even if the BRFA discriminated against interstate commerce, it nonetheless would survive strict scrutiny.

The Wynnes appealed the circuit court decision to the Court of Special Appeals and then sought bypass certiorari to the Court of Appeals. That request was granted. Argument before the Court of Appeals is in early October 2019.

### **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

## Comptroller of Maryland Court Cases

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 in 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. The matter was argued in Spring 2019. No decision has yet been issued.



# 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](http://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

<b>Form 502 – Maryland Resident Return</b>	
• <b>Page 1</b>	Renamed "Maryland Physical Address" language to "Maryland Physical Address of taxing area" 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, 2019 or last day of the taxable year.
• <b>Page 2</b>	The Form 502 includes a new section on Maryland Health Care Coverage for individuals to indicate whether an individual is interested in obtaining minimum essential health coverage. The changes are a result of House Bill 814 (Chapter 423, Acts of 2019) passed by the Maryland General Assembly.
• <b>Line 1e</b>	Updated investment income amount from \$3,500 to \$3,600.
• <b>Line 22</b>	New check box for taxpayer to indicate whether they qualified for the Maryland Earned Income Credit, but did not qualify for the 2019 federal Earned Income Credit.
• <b>Line 49</b>	New check box on line 49 to indicate if interest is owed and Form 502UP is attached.

<b>Instructions to 502</b>	
• <b>Instruction 3</b>	New instructional language for changes on Form 502 and 502B pursuant to the Maryland Easy Enrollment Health Insurance Program Act established under House Bill 814 (Chapter 423, Acts of 2019).
• <b>Instruction 6</b>	At the first reference of "Physical Address" revised language to "Maryland Physical Address of taxing area as of December 31, 2019" 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, 2019 or last day of the taxable year.
• <b>Instruction 7</b>	Update to the Filing Status chart on page 4 – The filing threshold for single dependent taxpayers has been increased from \$12,000 to \$12,200 based on changes to the Minimum Filing Levels Table.
• <b>Instruction 7</b>	Update to the Filing Status chart on page 4 – Added language for married couples who filed separate federal returns under the check box for: "Married filing separately" and "Filing Status 3". The additional language reads, "If your spouse does not have and is not required to have a Social Security Number or ITIN, enter "999-00-9999" in the space for your spouse's Social Security Number."
• <b>Instruction 11</b>	Line 1 - Updated federal form 1040 reference from line 7 to line 8b due to federal form changes.
• <b>Instruction 11</b>	Line 1c - Revised federal form 1040 reference from Schedule 1 to line 6 due to federal form changes.
• <b>Instruction 11</b>	Line 1d – Updated language to, "Enter on line 1d the total amount of pensions, IRAs, and annuities reported as income on 4b <u>and 4d</u> of your federal Form 1040." The underlined language was added.

## Comptroller of Maryland Changes in Tax Forms

### Instructions to 502

- **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 \$3,600 (increased from \$3,500).
- **Instruction 12** Line 5. OTHER ADDITIONS TO INCOME, code letter “e”. Historically Black Colleges and Universities Tax Credit was added due to the adoption of House Bill 482 (Chapter 544, Acts of 2019). Updated language to include any amount deducted as a donation to the extent that the amount of the donation is included in an application for the Historically Black Colleges and Universities Tax Credit on Form 500CR or 502CR.
- **Instruction 13** Change in maximum pension exclusion amount from \$30,600 to \$31,100 in PENSION EXCLUSION COMPUTATION WORKSHEET (13A).
- **Instruction 13** Revised the subtraction modification under the State income tax for certain military retirement income to include “death benefit” under code letter “u” of Instruction 13.
- **Instruction 13** Increased the Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification amount from \$4,750 to \$5,000 under code letter “va” of Instruction 13.
- **Instruction 13** Increased the Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification amount from \$4,750 to \$5,000 under code letter “vb” of Instruction 13.
- **Instruction 13** Change in maximum pension exclusion amount from \$30,600 to \$31,100 in RETIRED CORRECTIONAL OFFICERS, LAW ENFORCEMENT OFFICER, OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL PENSION EXCLUSION COMPUTATION WORKSHEET (13E).
- **Instruction 13** Additional language under code letter “oo” inserted to state, “In addition, a law enforcement officer who is a member of the Maryland Transportation Authority Police; and the officer resides in a political subdivision in which the crime rate exceeds the State's crime.” Language was added due to the adoption of House Bill 387 (Chapter 67, Acts of 2019).
- **Instruction 16** STANDARD DEDUCTION METHOD. 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively.
- **Instruction 18** Code letter “b”. Credit for Child and Dependent Care Expenses. Per 2019 House Bill 810/Senate Bill 870 added language to indicate it is a refundable credit and to see instructions of form 502CR.
- **Instruction 18** Code letter “w”. Add new Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit established by House Bill 482 (Chapter 544, Acts of 2019). Taxpayers making donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation. Individuals who make an approved donation may also be eligible for this tax credit, and may elect to claim this credit on Part L of Form 502CR instead of Form 500CR.
- **Instruction 21** Line 43. Refundable Income Tax Credits. 6. New language for credit for Child and Dependent Care expenses. If your Maryland credit for child and dependent care expenses exceeds your Maryland Tax, you may qualify for this credit. New 2019 Refundable Worksheet Child & Dep Tax Credit (21B).
- **Instruction 22** Revised language to indicate “check the box on line 49” of Form 502 if interest is owed and Form 502UP is attached.
- **Instruction 22** INTEREST FOR LATE FILING. Change to the language regarding the interest calculation. The annual interest rate will decrease from 11% to 10.5% on January

# Comptroller of Maryland

## Changes in Tax Forms

### Instructions to 502

- |                         |                                                                                         |
|-------------------------|-----------------------------------------------------------------------------------------|
|                         | 1, 2020, as per TG § 13-604. The annual interest rate changes again on January 1, 2021. |
| • <b>Instruction 23</b> | Added language indicating tax preparers must also print name when they sign the return. |

### Changes and New Credits for Individuals

- |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • <b>Page 1</b>  | Change to Minimum Filing Levels Table.                                                                                                                                                                                                                                                                                                                                                                                                                                |
| • <b>Page 12</b> | Change to STANDARD DEDUCTION WORKSHEET 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively.                                                                                                                                                                                                                                                         |
| • <b>Page 13</b> | Change to Poverty Income Guidelines.                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| • <b>Page 13</b> | New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit, code letter “w”. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation. |
| • <b>Page 13</b> | Modified credit – Child and Dependent Care Expenses, code letter “b”. Senate Bill 870, Acts of 2019 increases the maximum income limits on eligibility for the Child and Dependent Care Tax Credit and makes the credit refundable.                                                                                                                                                                                                                                   |
| • <b>Page 16</b> | Modified credit – Child and Dependent Care Expenses – Line 43. New #6. Senate Bill 870, Acts of 2019 increases the maximum income limits on eligibility for the Child and Dependent Care Tax Credit and makes the credit refundable.                                                                                                                                                                                                                                  |
| • <b>Page 15</b> | Changes to 2019 Local Tax Rate Chart. Local tax rate change for Caroline County from 2.73% for 2018 to 3.20% for 2019.                                                                                                                                                                                                                                                                                                                                                |

### Form 502B – Dependents Information for Individuals

- |                 |                                                                                                                                                                                                                                               |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • <b>Page 1</b> | For purposes of determining health care coverage eligibility, the Form 502B contains new checkboxes and date of birth fields. The changes are a result of House Bill 814 (Chapter 423, Acts of 2019) passed by the Maryland General Assembly. |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Form 502INJ – Injured Spouse for Individuals

- |                 |                          |
|-----------------|--------------------------|
| • <b>Page 1</b> | Updated signature block. |
|-----------------|--------------------------|

### Form 502SU – Maryland Subtractions From Income for Individuals

- |                                   |                                                                                                                                                         |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| • <b>Page 1, Code Letter “u”</b>  | Revise the subtraction modification under the State income tax for certain military retirement income to include “death benefit” under code letter “u”. |
| • <b>Page 2, Code Letter “xb”</b> | Removed reference to Maryland Broker-Dealer College Investment Plan as the Maryland 529 Board does not have any plans to establish the plan.            |

### Form 502UP – Underpayment of Estimated Maryland Income Tax

- |                                |                                                                                                   |
|--------------------------------|---------------------------------------------------------------------------------------------------|
| • <b>Instructions, Line 16</b> | Change interest factors on Line 16 for columns 1-4 and update factors in Instructions to Line 16. |
|--------------------------------|---------------------------------------------------------------------------------------------------|

# Comptroller of Maryland

## Changes in Tax Forms

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

- **Line 2, 3rd paragraph** Change of mileage rate from 54.5 cents per mile to 58 cents per mile

### Form 502X – Amended Maryland Tax Return

- **Page 3** Updated signature block.
- **Instruction 5, Line 6** 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively.
- **Instruction 9** Added new section “f” for Child and Dependent Care Expenses, which states “If your Maryland credit for child and dependent care expenses exceeds your Maryland Tax, you may qualify for this credit. See instructions of form 502CR.”
- **2019 Local Tax Rate Chart** Local tax rate change for Caroline County from 2.73% for 2018 to 3.20% for 2019.
- **Instruction 11** INTEREST FOR LATE FILING. Change to the language regarding the interest calculation.
  - The annual interest rate will decrease from 11% to 10.5% on January 1, 2020, as per TG § 13-604.
  - The annual interest rate changes again on January 1, 2021

### Maryland Payment Voucher Worksheet (PVW)

Change to standard deduction amounts. 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively. Change to Line 11 local tax rate chart. Anne Arundel County’s tax rate increased from 2.5% in 2019 to 2.81% in 2020. Washington County’s tax rate increased from 2.8% in 2019 to 3.2% in 2020. Worcester County’s tax rate increased from 1.75% in 2019 to 2.25% in 2020. The special nonresident income tax rate has increased from 1.75% in 2019 to 2.25% in 2020.

### Form 502CR — Personal Income Tax Credits

- **Part L** New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.
- **Part AA** Income Tax Credit Summary. New line 12 for credit from Part L.
- **Part CC** New line 6 for refundable credit for child and dependent care expenses.

### Instructions to 502CR

- **Page 1** Addition of Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit to list of credits taken on Form 502CR and list of credits where the excess may be carried forward to the next tax year. Child Dependent Care Expenses tax credit added to list of refundable credits.
- **Page 1, Part B** Modified credit – Child and Dependent Care Expenses – Senate Bill 870, Acts of 2019 increases the maximum income limits on eligibility for the Child and Dependent Care Tax Credit and makes the credit refundable.
- **Page 2** Updated Credit for Child and Dependent Care Expenses Chart.
- **Page 4, Part L** New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or

# Comptroller of Maryland Changes in Tax Forms

## Instructions to 502CR

- |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Page 5, Part CC</b></li> </ul> | <p>businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.</p> <p>Refundable Income Tax Credits. Line 6 updated to Child and Dependent Care Expenses per Senate Bill 870, Acts of 2019, which makes the credit refundable.</p> |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

## B. Nonresident Returns

### Form 505 – Nonresident Tax Return

- |                                                                            |                                                                                  |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Page 3, Line 52</b></li> </ul> | <p>New check box to indicate if interest is owed and Form 502UP is attached.</p> |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------|

### Instructions to Form 505

- |                                                                          |                                              |
|--------------------------------------------------------------------------|----------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 4</b></li> </ul> | <p>Change to Minimum Filing Levels Table</p> |
|--------------------------------------------------------------------------|----------------------------------------------|
- |                                                                                                                |                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 12, Line 19 – OTHER ADDITIONS TO INCOME</b></li> </ul> | <p>Code letter “c” – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit has been added pursuant to 2019 House Bill 482.</p> |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                                                                                                                                            |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 13</b></li> </ul> | <p>Code letter “u” – Revise the subtraction modification under the State income tax for certain military retirement income to include “death benefit.”</p> |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                                                                                                                                                                                 |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 13</b></li> </ul> | <p>Code letter “va” – Increase of the Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification amount from \$4,750 to \$5,000.</p> |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                                                                                                                                            |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 13</b></li> </ul> | <p>Code letter “vb” – Increase of the Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification amount from \$4,750 to \$5,000.</p> |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                                                                                                                                                        |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 13</b></li> </ul> | <p>Code letter “xb” – Removed reference to Maryland Broker-Dealer College Investment Plan as the Maryland 529 Board does not have any plans to establish the plan.</p> |
|---------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 14</b></li> </ul> | <p>Change to STANDARD DEDUCTION WORKSHEET 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively.</p> |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                                                                                                                                    |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 20</b></li> </ul> | <p>Modified credit – Child and Dependent Care Expenses – Added language indicating the credit is refundable per Senate Bill 870, Acts of 2019.</p> |
|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
- |                                                                           |                                             |
|---------------------------------------------------------------------------|---------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 20</b></li> </ul> | <p>Change to Poverty Income Guidelines.</p> |
|---------------------------------------------------------------------------|---------------------------------------------|
- |                                                                           |                                                                                                                                 |
|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Instruction 22</b></li> </ul> | <p>New section f for Child and Dependent Care Expenses per Senate Bill 870, Acts of 2019, which makes the credit refundable</p> |
|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|

### Form 505SU – Nonresident Subtraction Modification

- |                                                                   |                                                                                                                                                            |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Page 1</b></li> </ul> | <p>Code letter “u” – Revise the subtraction modification under the State income tax for certain military retirement income to include “death benefit.”</p> |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|

### Form 505X – Nonresident Amended Maryland Tax Return

- |                                                                   |                                 |
|-------------------------------------------------------------------|---------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Page 1</b></li> </ul> | <p>Updated signature block.</p> |
|-------------------------------------------------------------------|---------------------------------|

## Comptroller of Maryland Changes in Tax Forms

### Instructions for Form 505X

- **Instruction 5, Line 6** Change to standard deduction amounts. 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively.

### Form 515 – Non-Resident Local Tax

- **Page 1** Updated signature block.

### Instructions for Form 515

- **Instruction 1** Change to Minimum Filing Levels Table.
- **Instruction 8** Update the language, “Answer all questions and fill in the appropriate boxes/lines. If you are a Pennsylvania Resident, enter your County of legal residence as well as your City, Borough or Township, including the Pennsylvania six (6) digits Political Subdivision Code (PSD).” The underlined language was added. Accepted Forms Recommendation #10.
- **Instruction 14** STANDARD DEDUCTION METHOD. 2018 House Bill 570 increased the minimum and maximum limitation amounts of certain standard deductions from \$3,000 and \$4,500 to \$3,050 and \$4,550, respectively.
- **Instruction 19** Change to Poverty Income Guidelines.
- **Instruction 20** Changes to 2019 Local Tax Rate Chart. Local tax rate change for Caroline County from 2.73% for 2018 to 3.20% for 2019.

## C. Corporation Returns

### Form 500 – Corporation Income Tax Return

- **Line 15a** Year change reference for overpayments from prior year – 2017 to 2018.
- **Line 20** Year change reference for overpayments to subsequent year – 2019 to 2020
- **Schedule A, Line 1B** Update the language, from “Multiply factor on line 1A, Column 3 by 2” to “Multiply factor on line 1A, Column 3 by 3.”  
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 six for three-factor formula” as per 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A** New check box to indicate if special apportionment formula is used.

### Instructions to Form 500

- **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 15c** New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.

# Comptroller of Maryland Changes in Tax Forms

## Instructions to Form 500

- **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% to 10.5% on January 1, 2020, as per TG § 13-604. The annual interest rate changes again on January 1, 2021.
- **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 quadruple-weighted receipts. The sum of the property factor, payroll factor and four times the receipts factor is divided by six 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 “Triple-weighted” to “Quadruple-weighted”. 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 J-II**      Maryland Employer Security Clearance Costs Tax Credit – Year change from 2018 to 2019.
- **Part BB**      New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.

## Instructions to Form 500CR

The following were renamed for administrative ease

- Update “Maryland Department of Labor, Licensing and Regulation” to “Maryland Department of Labor” (throughout).
- **Part BB**      New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.

## Form 500D – Corporation Declaration of Estimated Income Tax

Year change from 2018 to 2019 (throughout).

## Form 500DM –Decoupling Modification

Year change from 2018 to 2019 (throughout).

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

Year change from 2018 to 2019 (throughout).

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

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

## Comptroller of Maryland Changes in Tax Forms

### Form 500X – Amended Corporation Income Tax Return

- **Part C, Line 1B** Update the language, from “Multiply factor on line 1A, Column 3 by 2” to “Multiply factor on line 1A, Column 3 by 3.”  
Reason – Updated language per 2018 House Bill 1794 and Senate Bill 1090.
- **Part C, Line 5** Update the language, “Divide line 4 by five for three-factor formula” to “Divide line 4 by six for three-factor formula” as per 2018 House Bill 1794 and Senate Bill 1090.
- **Part C** New check box to indicate if special apportionment formula is used.

### Form EL101B – Maryland Income Tax Declaration for Business Electronic Filing

- **Line 1, Part I, Page 1** Year change from 2019 to 2020.

#### D. Pass-Through Entities

### Form 510 –Pass-Through Entity Income Tax Return

- **Schedule A, Line 1B** Update the language, from “Multiply factor on line 1A, Column 3 by 2” to “Multiply factor on line 1A, Column 3 by 3.”  
Reason – Updated language per 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A, Line 5** Update the language, “Divide line 4 by five for three-factor formula” to “Divide line 4 by six for three-factor formula” as per 2018 House Bill 1794 and Senate Bill 1090.
- **Schedule A** New check box to indicate if special apportionment formula is used.

### Instructions for Form 510

Year change from 2018 to 2019 (throughout).

- **Page i** Addition of one new business tax credits - Endowments of Maryland Historically Black Colleges and Universities
- **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 quadruple-weighted receipts. The sum of the property factor, payroll factor and four times the receipts factor is divided by six to arrive at the final apportionment formula.”  
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 “Tripe-weighted” to “Quadruple-weighted”.  
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% to 10.5% on January 1, 2020, as per TG § 13-604.
  - The annual interest rate changes again on January 1, 2021.



# Comptroller of Maryland Changes in Tax Forms

## Form 510C – Composite Pass-through Entity Tax Return

- **General Instructions, Line 15** First paragraph – Change to the language regarding the interest calculation.
  - The annual interest rate will decrease from 11% to 10.5% on January 1, 2020, as per TG § 13-604.
- **Changes to Tax, Interest and Penalty**
  - The annual interest rate changes again on January 1, 2021

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

Year change from 2019 to 2020 (throughout).

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

- |                                                                   |                                                                                                                                                                              |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• <b>Page 1</b></li> </ul> | <p>Updated language from “IMPORTANT: Composite Return filers use Form PV (See instructions)” to “IMPORTANT: Composite Return filers use Form EL102B (See instructions).”</p> |
|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

- **Section E** Inserted New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.

### 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

Year change from 2018 to 2019 (throughout).

### Instructions for Form 504

- **Page 6** Changes to 2019 Local Tax Rate Chart. Local tax rate change for Caroline County from 2.73% for 2018 to 3.20% for 2019.
- **Instruction 18** Changes to Tax, Interest and Penalty – Change to the language regarding the interest calculation.
  - The annual interest rate will decrease from 11% to 10.5% on January 1, 2020, as per TG § 13-604.
  - The annual interest rate changes again on January 1, 2021

Change to Maryland motor fuel tax rate to:

- 36.70 cents per gallon of gasoline and
- 37.45 cents per gallon of diesel fuel

## Form 504CR –Business Income Tax Credits for Fiduciaries

- **Part J-II** Maryland Employer Security Clearance Costs Tax Credit – Year change from 2018 to 2019.
- **Part BB** New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an

# Comptroller of Maryland

## Changes in Tax Forms

### Form 504CR –Business Income Tax Credits for Fiduciaries

eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.

### Instructions for Form 504CR

The following were renamed for administrative ease

- Update “Maryland Department of Labor, Licensing and Regulation” to “Maryland Department of Labor” (throughout).
- **Part BB**                                      New credit – Endowments of Maryland Historically Black Colleges and Universities Income Tax Credit. 2019 House Bill 482 provides individuals or businesses who make a donation to a qualified permanent fund held at an eligible institution of higher education (Bowie State University, Coppin State University, Morgan State University or University of Maryland, Eastern Shore), may be eligible for a credit of 25% of the amount of donation.

### Form 504D –Fiduciary Declaration of Estimated Income Tax

- Year changes from 2018 to 2019 and 2020 to 2021 (throughout).
- Local tax rate change:
  - Anne Arundel County’s tax rate increased from 2.5% in 2019 to 2.81% in 2020.
  - Washington County’s tax rate increased from 2.8% in 2019 to 3.2% in 2020.
  - Worcester County’s tax rate increased from 1.75% in 2019 to 2.25% in 2020.The special nonresident income tax rate has increased from 1.75% in 2019 to 2.25% in 2020.
- Filing due date changed to April 15, 2020 (Forms Instructions).

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

- Year change from 2018 to 2019 (throughout).
- Filing due date changed to April 15, 2020 (Form Instructions)

### Form 504UP– Underpayment of Estimated Income by Fiduciary

Year change from 2017 to 2018 and 2019 to 2020 (throughout).

- **Page 1, Line 13**                                      Update interest factors on line 13

### Form 504CR – Fiduciary Income Tax Return Schedule A

Year change from 2018 to 2019 (throughout).

# Comptroller of Maryland 2019 Tax Year Procedures

## A. Electronic Filing Program (eFile)

### 1. Electronic Filing Statistics (as of 8/23/19)

This past filing season, we received 2,553,428 electronically-filed returns. This represents a 1.55% increase over the prior year.

- Of the 2,553,428 returns filed, 1,764,145 returns requested refunds (69.09%).
- 1,545,128 of the 1,764,145 returns requested refunds – direct deposit (87.59%).
- 235,725 of the 557,866 total balance due returns requested payment by direct debit (42.25%).
- The 2,553,428 electronic returns were filed in the following ways:
  - 1,389,854 were filed by professional preparers
  - 1,076,672 were filed by the taxpayer using purchased or online software
  - 86,902 were filed using Maryland's free i-File application

Taxpayers may file electronically or print tax forms or instructions at [www.marylandtaxes.gov](http://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](http://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](http://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 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** 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.

Sales and Use Tax **Form 202F** is a supplementary schedule that must be filed by marketplace facilitators, along with Form 202, for periods beginning October 1, 2019 to report sales and use tax collected on facilitated sales into Maryland.

### 2. Income tax returns are due April 15, 2020

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, 2020 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

# Comptroller of Maryland

## 2019 Tax Year Procedures

Social Security Number(s) may result in processing delays and denial of any credits.

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

#### 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 is to 28% of the federal earned income credit for Tax Year 2019.

#### 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 2019 and two prior years (tax years 2017 and 2018) on our website.
2. Residents also may file amended returns, provided the taxpayer has iFiled the original return. You may access our website at [www.marylandtaxes.gov](http://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 website 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 website at [www.marylandtaxes.gov](http://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.

# Comptroller of Maryland

## 2019 Tax Year Procedures

- 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 website at [www.marylandtaxes.gov](http://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, 2020. During this period, telephone assistance is available from 8:30 a.m. until 7:00 p.m., Monday through Friday except for State holidays.

#### EMAIL SERVICE

# Comptroller of Maryland 2019 Tax Year Procedures

Email to: [taxhelp@comp.state.md.us](mailto: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

Website address: [www.marylandtaxes.gov](http://www.marylandtaxes.gov)

Tax Practitioner hotline: ..... 410-260-7424

Tax Practitioner e-mail address:

[taxprohelp@comp.state.md.us](mailto:taxprohelp@comp.state.md.us)

eFile Tax Pro hotline: ..... 410-260-7753

eFile Tax Pro e-mail address:

[efil@comp.state.md.us](mailto:efil@comp.state.md.us)

Tax Forms e-mail address:

[taxforms@comp.state.md.us](mailto:taxforms@comp.state.md.us)

**List of Business Tax Credits** is available on our website. You may go directly to that page by entering the following Web address:  
[http://taxes.marylandtaxes.gov/Business\\_Taxes/General\\_Information/Business\\_Tax\\_Credits/](http://taxes.marylandtaxes.gov/Business_Taxes/General_Information/Business_Tax_Credits/)

# Comptroller of Maryland Statistics

## RAD Statistics

### 2018 Personal Tax Return Processing as of June 30, 2019

A. Total 2018 personal tax returns (received through 6/30/19).....	2,891,002
B. Total number of refund returns (does not include Amended).....	2,032,240
	(dollars)
C. Total refunds issued on above returns.....	\$ 1,887,074,031
D. Amount paid with returns.....	910,678,712
E. Amount of refunds applied to 2019 estimated tax (52,363).....	119,534,972
F. Amount of refunds transferred to DHR (9,372 returns).....	5,681,472
G. Amount of refunds transferred to CCU (73,093 returns).....	54,809,505
H. Amount of refunds applied to business taxes (830 returns).....	630,562
I. Amount of refunds transferred to other states.....	1,337,295
• Connecticut (96 returns) \$53,397	
• Delaware (922 returns) \$285,475	
• New Jersey (162 returns) \$60,823	
• New York (340 returns) \$163,871	
• Washington, DC (1,092 returns) \$773,729	

### Fiscal Year Ended June 30, 2019

(dollars)

J. Employer withholding receipts.....	\$14,175,880,080
K. Personal estimated tax.....	2,210,816,972
L. Amount of local tax distributed to counties and cities and towns.....	5,694,921,628
M. Amount of corporate tax distributed.....	267,938,869
N. Amount of earned income credit claimed.....	98,593,976
O. Amount of refundable earned income credit claimed.....	164,413,791
P. Amount of poverty level credit claimed.....	2,687,902
Q. Contributions to Chesapeake Bay Endangered Species Fund.....	802,426
R. Contributions to Developmental Disabilities Service and Support Fund.....	350,321
S. Contributions to Maryland Cancer Fund.....	493,054

# Comptroller of Maryland Statistics

## Compliance Statistics – Fiscal Year End 6/30/2019

A. Number of active delinquent individual income tax cases as of 6/30/19	288,966
B. Number of active delinquent business tax cases as of 6/30/19	48,820
C. Number of payment agreements entered	112,097
D. Number of cases certified to IRS for offset	119,201
E. Number of tax liens filed	128,309
F. Number of salary garnishments filed	4,128
G. Number of bank attachments filed	8,359
H. Estimated number of business tax accounts as of 6/30/19	482,400
I. Number of 1st notices sent for individual income tax cases as of 6/30/19	145,090
J. Number of business tax discovery notices sent	38,192
K. Number of business tax audits and investigations	822
L. Number of unclaimed property holder reports received	11,865
M. Number of notices sent to owners	84,277
N. Number of unclaimed property claims paid	43,752
O. Percent of auditors (employed at least 18 months) cross-trained	50 %
P. Percent of business tax accounts audited or investigated	0.17 %
Q. Percent of names added to system within 90 days	100 %
	(dollars)
R. Dollars collected on delinquent income tax cases as of 6/30/19	427,542,088
S. Dollars collected on delinquent business tax cases	261,719,048
T. Dollars collected from MITS activities	84,484,794
U. Dollars assessed on business tax discovery activities	2,143,339
V. Dollars assessed for business tax audits (millions)	36.5
W. Dollars assessed for individual income tax (millions)	463.5
X. Dollars of unclaimed property reported (millions)	177.4
Y. Dollars of unclaimed property paid to owners (millions)	71.2



# Comptroller of Maryland

## 2019 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](http://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
504E	Application for Extension of Time to File Fiduciary Income Tax Return

## Comptroller of Maryland 2019 Maryland Income Tax Forms

Form Number	Description
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
COMST-118AB	Consumer Use Tax Return for Out-of-State Purchases
CRA	CRA Combined Registration Application
SUTEC	Sales & Use Tax Exemption Application