

MARYLAND 2014

Instructions for filing fiduciary income tax returns for calendar year or any other tax year or period beginning in 2014

Visite nuestro sitio Web en www.marylandtaxes.com para obtener formas e instrucciones en Español.



Peter Franchot, Comptroller

Please read this before filling out your forms!

- The top state income tax rate for resident fiduciaries is 5.75 percent for tax year 2014. For nonresident fiduciaries there is an additional income tax rate of 1.25 percent.
- Form 504NR is a required attachment for nonresident fiduciaries who have any modifications to the federal income, as well as to allow a nonresident fiduciary to adjust the Maryland tax based upon non-Maryland income received. See instructions relating to Form 504NR.
- Nonresident fiduciary members of a pass-through entity who have had tax paid for them may claim the credit on Form 504.
- Fiduciaries required to file federal Form 990-T are required to file and pay income tax to Maryland on their unrelated business incomes attributable to Maryland sources.
- A contribution can be made to three programs on your return: The Chesapeake Bay and Endangered Species Trust Fund, the Developmental Disabilities Services and Support Fund and the Maryland Cancer Fund.
- Resident fiduciaries must now include an addition modification for the amount of income of an Electing Small Business Trust(ESBT) that is subject to the special taxing rules under Internal Revenue Code Section 641(C). Non resident fiduciaries must include this income as an addition modification to the extent the ESBT income is allocable to Maryland.

WHAT'S NEW FOR 2014

- The Comptroller of Maryland now requires taxpayers to claim all business income tax credits on an electronically-filed return. However, this requirement does not apply to Fiduciary taxpayers who are required to file Form 504. Maryland Form 504CR – Fiduciary’s Business Income Tax Credits has been created to permit Fiduciary taxpayers to claim any business tax credits for which they may be eligible.

FORMS

By phone **410-260-7951**
Place your order and we’ll mail the forms.

Internet **www.marylandtaxes.com**
Tax forms, instructions, publications and e-mail access to taxpayer assistance.

FREE STATE TAX ASSISTANCE

By phone **1-800-MDTAXES**
from Central Maryland **410-260-7980**
February 2 - April 15, 2015, Monday - Friday, 8:00a.m. - 7:00p.m.

E-mail **taxhelp@comp.state.md.us**
Email your tax questions any time.

Please use blue or black ink when completing your forms and checks. To avoid delays in the processing of your return: do not print returns on colored paper; do not write on, staple, or punch holes in the barcode.

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Purpose of Form

Maryland follows federal income tax treatment for fiduciaries of trusts and estates. Generally, under federal income tax rules, any income distributed by the fiduciary of the trust or estate during the tax year is not taxable to the trust or estate. Instead, that income is taxable to the beneficiary. Any income not distributed or partially distributed by the fiduciary of the trust or estate during the tax year is taxable to the fiduciary. Fiduciary Income Tax Return, Maryland Form 504, is used to report and pay the Maryland income tax on the income taxable to the fiduciary of the trust or estate.

Maryland taxes the portion of an Electing Small Business Trust (ESBT), that consists of stock in one or more S corporations, that is subject to special taxing rules on the federal Form 1041. See Instructions 4 and 7, as well as Administrative Release 16 for more information.

Due Date

Your return is due by April 15, 2015. If you are a fiscal year taxpayer, see Instruction 24.

If the due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

Completing the return

You must write legibly using blue or black ink when completing your return. **DO NOT** use pencil or red ink. Submit the original form, not a photocopy. If no entry is needed for a specific line, leave blank. Do not enter words such as "none" or "zero" and do not draw a line to indicate no entry. Failure to follow these instructions may delay the processing of your return.

You may round off all cents to the nearest whole dollar. Fifty cents and above should be rounded to the next higher dollar. State calculations are rounded to the nearest penny.

Penalties

There are severe penalties for failing to file a tax return, failing to pay any tax when due, filing a false or fraudulent return or making a false certification. The penalties include criminal fines, imprisonment and a penalty on your taxes. In addition, interest is charged on amounts not paid when due.

To collect unpaid taxes, the Comptroller is directed to enter liens against the salary, wages or property of delinquent taxpayers.

Substitute forms

You may file your Maryland income tax return on a computer-prepared or computer-generated substitute form provided the form is approved in advance by the Revenue Administration Division. The fact that a software package is available for retail purchase does not guarantee that it has been approved for use.

For additional information or to see a list of Approved Software Vendors for Maryland Substitute Tax Forms, go to our Web site at www.marylandtaxes.com.

1 Who must file Form 504

A fiduciary must file a Maryland fiduciary tax return (Form 504) if the fiduciary:

1. Is required to file a federal fiduciary income tax return or is exempt from tax under Sections 408(e)(1) or 501 of the Internal Revenue Code (IRC), but is required to file federal Form 990-T to report unrelated business taxable income, and
2. Has Maryland taxable income.

Form 504 is used by both resident and nonresident fiduciaries.

Who is a fiduciary?

"Fiduciary" means any person by whom the legal title to real or personal property is held for the use and benefit of another and

includes a trustee of a trust and a personal representative of an estate.

Although you may be required to file a federal income tax return, you are not required to file the Maryland fiduciary return if you are:

1. An agent holding custody or possession of property owned by your principal; or,
2. A guardian.

Instead, file the applicable income tax return of the principal or, in the case of guardian, the return of the minor or disabled person.

Who is a resident fiduciary?

A personal representative of an estate is considered a resident fiduciary if the decedent was domiciled in Maryland on the date of the decedent's death.

Fiduciaries other than personal representatives are considered residents of Maryland if:

1. The trust was created by the will of a decedent who was domiciled in Maryland on the date of death;
2. The trust consists of property transferred by the will of a decedent who was domiciled in Maryland on the date of death;
3. The creator or grantor of the trust is a current resident of Maryland; or,
4. The trust is principally administered in Maryland.

A resident fiduciary is taxable on all its income from whatever source derived.

Who is a nonresident fiduciary?

A nonresident fiduciary is a fiduciary who is not included in the above definition of a resident fiduciary. See Administrative Release 16 at www.marylandtaxes.com.

A nonresident fiduciary is taxable only on income from sources within Maryland. See Instruction 7, Maryland modifications, and complete Forms 504 and 504NR.

2 Use of federal return

You will need information from your federal fiduciary return to complete your Maryland return. Therefore, complete your federal fiduciary return before you continue beyond this point. Maryland law requires that you start with the federal taxable income reported on your federal fiduciary return. All items reported on your Maryland return are subject to verification, audit, and revision by the Comptroller's Office.

3 Name, Address and Other Information

Print or type the required information in the designated areas. Enter the Federal Employer Identification Number (FEIN) of the estate or trust in the space provided.

4 Type of entity

Check the box(es) on the return corresponding to your federal return. The types of entities are described below:

Decedent's Estate

An estate of a deceased person is a taxable entity separate from the decedent. It generally continues to exist until the final distribution of the assets of the estate is made to the heirs and other beneficiaries. The income earned from the property of the estate during the period of administration or settlement must be accounted for and reported by the estate.

Simple Trust

A trust may qualify as a simple trust if:

1. The trust instrument requires that all income must be distributed currently;
2. The trust instrument does not provide that any amounts are to be paid, permanently set aside, or used for charitable purposes; and
3. The trust does not distribute amounts allocated to the corpus of the trust.

Because the income is distributed each year, the fiduciary may be required to file a fiduciary return, but there is no taxable income. A fiduciary is required to file a fiduciary return if the trust is a member of a pass-through entity (PTE) and nonresident PTE tax was paid on its behalf.

Complex Trust

If some or none of the income is distributed, the trust is called a complex trust.

Because the trust is retaining all or part of the income, the fiduciary must file a fiduciary tax return to determine the taxable income from which to develop both State and local tax due.

Grantor Trust

Income earned by a grantor trust is taxable to the grantor, not the beneficiary, if the grantor keeps certain control over the trust. This rule applies if the property (or income from the property) put into the trust will or may revert (be returned) to the grantor or the grantor's spouse. The grantor is the one who transferred property to the trust.

Generally, a trust is a grantor trust if the grantor has a reversionary interest valued (on the date of transfer) at more than 5% of the value of the transferred property.

Bankruptcy Estate

The bankruptcy trustee or debtor-in-possession must file Form 504 for the estate of an individual involved in bankruptcy proceedings under Chapter 7 or 11 of Title 11 of the United States Code, if the estate was required to file federal Form 1041. See Instruction 26.

Qualified Funeral Trust

Maryland recognizes and follows federal law in the treatment of qualified funeral trusts. Maryland accepts the filing of composite returns for such trusts.

In most, if not all, cases, the income of each individual trust account does not exceed \$1,000. Therefore, the applicable state tax rate is 2%, and the applicable local tax rate is the rate for the situs of the fiduciary filing the composite return. For example, if the funeral home is located in Baltimore County, then the local rate for Baltimore County would apply to each trust included in the composite return. See Instruction 27.

Electing Small Business Trust (ESBT)

Electing Small Business Trust (ESBT) is a trust that computes tax on the S-portion of income on a separate federal schedule pursuant to IRC 641(c), instead of including this income in the trust's federal adjusted gross income. This S-portion of income is an addition modification. See Instruction 7.

Other

Check box 8 if you are the fiduciary filing for one of the following entities:

• **Pooled Income Fund**

A pooled income fund is a split-interest trust with a remainder interest for a public charity and a life income interest retained by the donor or for another person. The property is held in a pool with other pooled income fund property and does not include any tax-exempt securities. The income for a retained life interest is figured using the yearly rate of

return earned by the trust.

• **Qualified Disabilities Trust Fund**

A trust created solely for an individual under 65 years of age who is disabled.

• **Alaskan Native Settlement Trust**

A settlement trust created within the meaning of the Alaska Native Claims Settlement Act.

• **Tax-Exempt Trust with Unrelated Business Taxable Income required to file federal Form 990-T**

If the fiduciaries for the following entity types are required to file federal Form 990-T, they are required to file and pay income tax to Maryland on their unrelated business taxable income attributable to Maryland sources:

- Tax-exempt charitable trusts
- Individual Retirement Accounts (IRAs)
- Simplified Employee Pensions (SEPs)
- Simple Retirement Accounts (SIMPLE)
- Roth IRAs
- Coverdell Education Savings Accounts (ESAs)
- Archer Medical Savings Accounts
- Qualified tuition programs (Section 529 Plans)

5 Decedent's estate information

If the fiduciary return is for a decedent's estate, enter the following in the appropriate sections for Date of death, Domicile state of decedent, and Decedent's Social Security Number. Check the box if this is the final return. If the return is not for a calendar year, enter the fiscal year's beginning and ending dates at the top of the form.

6 Resident status

Read the instructions describing who is a resident fiduciary and then check the appropriate box.

If the return is for a resident fiduciary, provide the entity's subdivision code, county, and city, town or taxing area.

If you are a personal representative of an estate enter the county (or Baltimore City) in which the decedent was domiciled on the decedent's date of death. Also complete the decedent's estate information.

If you are a fiduciary, other than a personal representative, enter the county (or Baltimore City) in which the trust is principally administered.

If the trust is not principally administered in Maryland, enter the county (or Baltimore City) in which the decedent was domiciled if the trust was created by the will of the decedent or the trust consists of property transferred by the will of the decedent.

If the trust is not principally administered in Maryland but the creator or grantor of the trust is a current resident of Maryland, enter the county (or Baltimore City) in which the creator or grantor resides. See the list of incorporated cities, towns and taxing areas on the next page to determine the subdivision code.

7 Maryland modifications

Fiduciary's Maryland modifications. Certain items must be added to and subtracted from federal taxable income to determine the Maryland adjusted gross income of a fiduciary. Unless the fiduciary is an ESBT, do not complete lines 1 through 10g if the fiduciary distributes all of the income for the tax year. Complete lines 1 through 8, and lines 9a through 9d or 10a through 10g if a partial distribution of income is made by the fiduciary during the tax year. If the fiduciary is an ESBT, lines 1 through 8 must be completed.

Note: A fiduciary who is an ESBT, generally may not use the Formula Method (lines 9a through 9d) to allocate Maryland modifications to beneficiaries. A fiduciary may not distribute to any beneficiary any part of the S-portion of income of an ESBT.

With the exception of the S-portion of income of an ESBT, fiduciaries generally are permitted those additions and subtractions allowed individuals.

Lines 1 through 8: For resident fiduciaries, the addition and subtraction modifications to income provided in Form 502 instruction booklet for resident individuals apply. For nonresident fiduciaries, the addition and subtraction modifications to income provided in the Nonresident Income Tax Return Instructions apply. For a nonresident fiduciary:

- Any income derived from real property or tangible personal property located in Maryland;
- Income derived from a business wholly or partially carried on in Maryland and in which the trust or estate is a partner, member, or shareholder of the pass-through entity (a busi-

ness entity taxable at the federal level as partnership or S corporation);

- Income from an occupation, profession or trade wholly or partially carried on in Maryland; and
- Income from Maryland State Lottery prizes or winnings from any other wagering is taxable in Maryland. In addition, a nonresident fiduciary can only claim losses generated in Maryland.

Addition Modifications include but are not limited to the following:

Interest on state and local obligations other than Maryland. Resident fiduciaries must enter on line 1 the total amount of interest received (less related expenses) on obligations of any state or political subdivision thereof (except the State of Maryland and its political subdivisions).

Income taxes deducted on federal return. All fiduciaries must enter on line 2 the total of income taxes imposed by the State of Maryland, any political subdivision thereof, any other state or subdivision of any other state, or the District of Columbia to the extent included on line 11 of the federal form.

S-portion of income of an Electing Small Business Trust (ESBT). Resident fiduciaries must include on line 3, the amount of income of the ESBT that consists of stock in one or more S corporations subject to the special taxing rules under IRC Section 641(c). This is the portion of income upon which a tax was calculated and carried to federal Form 1041, Schedule G, and identified as attributable to Section 641(c). **Attach a schedule or statement to Maryland Form 504 showing computation of this income.**

LIST OF INCORPORATED CITIES, TOWNS AND TAXING AREAS IN MARYLAND

Code No.	Code No.	Code No.	Code No.	Code No.
ALLEGANY COUNTY .0100	Mt. Airy0703	Walkersville1111	North Chevy Chase . . .1618	Millington1808
Barton0101	New Windsor0704	Woodsboro1112	Oakmont1619	Queen Anne1807
Belair0112	Sykesville0705	GARRETT COUNTY .1200	Poolesville1608	Queenstown1803
Bowling Green-	Taneytown0706	Accident1201	Rockville1609	Sudlersville1804
Robert's Place0115	Union Bridge0707	Deer Park1203	Somerset1610	Templeville1806
Cresaptown0108	Westminster0709	Friendsville1204	Takoma Park1611	ST. MARY'S COUNTY .1900
Cumberland0102	CECIL COUNTY0800	Grantsville1205	Washington Grove . . .1612	Leonardtown1902
Ellerslie0113	Cecilton0801	Kitzmilller1206	PRINCE GEORGE'S COUNTY1700	SOMERSET COUNTY .2000
Frostburg0103	Charlestown0802	Loch Lynn Heights . . .1207	Berwyn Heights1701	Crisfield2001
Lavale0110	Chesapeake City0803	Mountain Lake Park . .1208	Bladensburg1702	Princess Anne2002
Lonaconing0104	Elkton0804	Oakland1209	Bowie1704	TALBOT COUNTY . .2100
Luke0105	North East0805	HARFORD COUNTY .1300	Brentwood1705	Easton2101
McCooe0114	Perryville0806	Aberdeen1301	Capitol Heights1706	Oxford2102
Midland0106	Port Deposit0807	Bel Air1302	Cheverly1707	Queen Anne2105
Mt. Savage0111	Rising Sun0808	Havre de Grace1303	College Park1725	St. Michael's2103
Potomac Park Addition .0109	CHARLES COUNTY .0900	HOWARD COUNTY .1400	Colmar Manor1708	Trappe2104
Westernport0107	Indian Head0901	No incorporated cities or towns	Cottage City1709	WASHINGTON COUNTY
ANNE ARUNDEL COUNTY	La Plata0902	KENT COUNTY1500	District Heights1710	2200
0200	Port Tobacco0903	Betterton1501	Eagle Harbor1711	Boonsboro2201
Annapolis0201	DORCHESTER COUNTY	Chestertown1502	Edmonston1712	Clearspring2202
Highland Beach0203	1000	Galena1503	Fairmount Heights . . .1713	Funkstown2203
BALTIMORE COUNTY 0300	Brookview1008	Millington1504	Forest Heights1728	Hagerstown2204
No incorporated cities or towns	Cambridge1001	Rock Hall1505	Glenarden1730	Hancock2205
BALTIMORE CITY . .0400	Church Creek1002	MONTGOMERY COUNTY	Greenbelt1714	Keedysville2206
CALVERT COUNTY . .0500	East New Market1003	1600	Hyattsville1715	Sharpsburg2207
Chesapeake Beach . . .0501	Eldorado1007	Barnesville1601	Landover Hills1726	Smithsburg2208
North Beach0502	Galestown1009	Brookeville1602	Laurel1716	Williamsport2209
CAROLINE COUNTY .0600	Hurlock1004	Chevy Chase Sec. 3 . .1614	Morningside1727	WICOMICO COUNTY .2300
Denton0602	Secretary1005	Town of Chevy Chase	Mt. Rainier1717	Delmar2301
Federalburg0603	Vienna1006	(formerly Sec. 4) . . .1615	New Carrollton1729	Fruitland2308
Goldsboro0604	FREDERICK COUNTY 1100	Chevy Chase Sec. 5 . .1616	North Brentwood . . .1718	Hebron2302
Greensboro0605	Brunswick1101	Chevy Chase View . .1617	Riverdale Park1720	Mardela Springs2303
Henderson0611	Burkittsville1102	Chevy Chase Village . .1613	Seat Pleasant1721	Pittsville2307
Hillsboro0606	Emmitsburg1103	Drummond1623	University Park1723	Salisbury2304
Marydel0607	Frederick1104	Friendship Heights . .1621	Upper Marlboro1724	Sharptown2305
Preston0608	Middletown1106	Gaithersburg1603	QUEEN ANNE'S COUNTY	Willards2306
Ridgely0609	Mt. Airy1114	Garrett Park1604	1800	WORCESTER COUNTY 2400
Templeville0610	Myersville1107	Glen Echo1605	Barclay1805	Berlin2401
CARROLL COUNTY .0700	New Market1108	Kensington1606	Centreville1801	Ocean City2402
Hampstead0701	Rosemont1113	Laytonsville1607	Church Hill1802	Pocomoke City2403
Manchester0702	Thurmont1110	Martin's Addition . . .1622		Snow Hill2404

Nonresident fiduciaries must include on line 3, the amount of the S-portion of income from an ESBT attributable to Maryland sources. **Attach a schedule or statement to Maryland Form 504 showing the computation of this income and the allocation of S-portion of income between Maryland and non-Maryland source income.**

Other additions. Include on line 3a any other Maryland additions that must be reported. Attach a statement explaining the additions that are included on this line.

Capital losses from sale of certain trust property. For a resident fiduciary, include on line 3a any capital loss derived from the sale or other disposition of intangible personal property that is held in trust, if the proceeds are added to the principal of the trust, and if all the remaindermen in being are nonresidents during the entire tax year or corporations not doing business in Maryland.

Non-Maryland loss. For a nonresident fiduciary, include on line 3a net non-Maryland loss.

Subtraction Modifications include but are not limited to the following:

Income from U.S. Government obligations. Enter on line 5 interest from U.S. Savings Bonds and other U.S. obligations. Capital gains from the sale or exchange of U.S. obligations should be included as well. Dividends from mutual funds that invest in U.S. Government obligations should also be included on this line; however, only that portion of dividends attributable to interest from U.S. Government obligations may be subtracted. You cannot subtract income from Government National Mortgage Association securities. See Administrative Release 10 and 13.

Other subtractions. Include on line 6 any other Maryland subtractions that may be claimed. Attach a statement explaining the subtractions that are included on this line.

NOTE: Non-Maryland source income included in the federal taxable income of a fiduciary is not a subtraction modification on Form 504. For a nonresident fiduciary, non-Maryland source income is excluded from the Maryland taxable income calculation on Form 504NR. See Instruction 8.

Fiduciary's share of net Maryland modifications

Only the fiduciary's allocable portion of the Maryland modifications should be used. Complete lines 1 through 8, and lines 9a through 9d or lines 10a through 10g to determine this amount.

Note: You may choose either Method 1 or 2 – you may not use both methods. ESBTs may not choose the Formula Method for allocating the fiduciary's share of Maryland modifications.

Method 1, (Formula Method) line 9. Line 9a. Enter the federal distributable net income (DNI) from federal Form 1041.

Line 9b. Enter the fiduciary's share of DNI (that portion of the DNI that was not deducted or distributed to the beneficiaries).

Line 9c. Divide the fiduciary's share of the DNI (line 9b) by the DNI (line 9a) to determine the fiduciary's percentage of the DNI and enter the result on line 9c.

Line 9d. Multiply the fiduciary's percentage of DNI (line 9c) by the net Maryland modification on line 8 to compute the fiduciary's share of net Maryland modifications. Enter the result on line 9d and on Form 504, line 17.

Method 2, (Alternative Method) line 10. Lines 10a through 10e allocate the net Maryland modifications on line 8 to the beneficiaries in accordance with the allocation of income to the beneficiaries. If the estate or trust has more than four (4) beneficiaries, attach an additional sheet providing the additional beneficiaries' allocations; the total from the allocations on the attached sheet is entered on line 10e.

Line 10f. Enter the net Maryland modifications on line 8 allocated to the fiduciary.

Line 10g. Enter the total from lines 10a through 10f, Column (C) on line 10g, this total must equal the net Maryland modifications reported on line 8.

8 Instructions for Maryland Form 504NR

Maryland Fiduciary Nonresident Income Tax Calculation. Form 504NR **must** be filed by all nonresident fiduciaries who have:

1. Any modifications to their federal income, or,
2. Income from non-Maryland sources.

Form 504NR is a required attachment to Form 504 for all nonresident fiduciaries meeting the above criteria.

Part I – Reconciliation of Maryland and Federal Income (Loss)

Complete **lines 1 through 14** of the Federal Income (Loss) column (Column A) using the figures from your federal fiduciary income tax return. Enter in the Non-Maryland source columns (Columns B and C) all income or loss from non-Maryland sources. Enter in the Maryland source columns (Columns D and E) all income or loss from Maryland sources.

NOTE: The total Non-Maryland source income plus the total Maryland source income must equal the total federal income (loss); in other words, **the sum of Columns (B) through (E) must equal Column (A) on Line 14** on Form 504NR.

Line 15. Add the amounts of income (loss) in Column B, line 14 to the income (loss) in Column (C) to arrive at the total non-Maryland source income (loss). Then, calculate an income factor by dividing the total non-Maryland source income (loss) by the federal income (loss); carried to six decimal places. This factor cannot exceed 1 (100%) and cannot be less than zero (0%); if greater than 1, enter 1.000000; if less than zero (0), enter 0.

Part II – Calculation of Nonresident Maryland Income Tax
Line 16:

Line 16a. Enter the fiduciary's share of the net Maryland modifications from Form 504, line 17.

Line 16b. Multiply the fiduciary's share of the net Maryland modifications (line 16a) by the income factor on line 15 to arrive at the net modification amount attributable to non-Maryland sources. In the alternative, allocate the fiduciary's share of the net Maryland modifications based on the net applicable Maryland modifications attributable to non-Maryland sources. If you are a nonresident fiduciary of an ESBT, and reported only the S-portion of income allocable to Maryland on line 3, **you may not apply the Non-Maryland income factor from line 15 against this income again.**

Line 16c. The fiduciary's share of the net Maryland modifications attributable to Maryland sources is the difference between 16a and 16b. Enter this difference on line 16c.

Line 17:

Line 17a. Enter the fiduciary's share of distributable Maryland source income or loss from line 14 Column D on line 17a.

Line 17b. Enter the fiduciary's share of non-distributable taxable net income from Maryland source from line 14 Column E on line 17b.

Line 17c. Add lines 16c, 17a, and 17b to arrive at the fiduciary's Maryland net taxable income before exemption deduction and enter on line 17c.

Line 17d. Enter the Maryland exemption amount from Form 504, line 21.

Line 17e. Subtract line 17d from line 17c. This is the fiduciary's Maryland net taxable income. Enter this amount on

line 17e.

Line 18. Enter the taxable net income from Form 504, line 22.

Line 19. Calculate the tax on this amount using the tax rate schedule in Instruction 14.

Line 20. Calculate the Maryland Nonresident Factor by dividing the amount on line 17e by line 18. Carry to six decimal places.

Line 21. Multiply line 20 by the tax shown on line 19 to arrive at the Maryland tax. Also enter this tax amount on line 23 of Form 504.

Line 22. Multiply the taxable net income on line 17e by 1.25% (0.0125) to calculate the Special Nonresident tax; also enter this tax amount on line 24 of Form 504.

After you enter the tax amounts from Form 504NR on lines 23 and 24 of Form 504, complete the remainder of Form 504 following the instructions in the booklet.

9 Nonresident beneficiary deduction

Nonresident individuals who have intangible income from sources within Maryland are not subject to tax on such income in Maryland. There are some fiduciaries that accumulate intangible income in the trust to be distributed later to nonresident beneficiaries. Because this income is not taxable to a nonresident, there is a provision that permits the fiduciary to subtract intangible income accumulated for later distribution to a nonresident beneficiary.

A fiduciary with a nonresident beneficiary may enter such income on line 11, to the extent included in the federal taxable income of the fiduciary, if the income is derived from intangible personal property and if that income is held in trust for the benefit of and being accumulated for a nonresident individual or a corporation that is not doing business in Maryland.

A fiduciary with a nonresident beneficiary may also enter on line 11, to the extent included in the federal taxable income of the resident fiduciary, capital gain income derived from the sale or other disposition of intangible personal property if that income is held in trust; if the proceeds from that sale or other disposition of the intangible personal property are added to the principal of the trust; and if all of the remaindermen of the trust in being are nonresidents during the entire tax year or corporations not doing business in Maryland.

The amount that is included on line 11 must actually be for the benefit of and attributable exclusively to the nonresident beneficiary or corporation not doing business in Maryland for which the nonresident beneficiary subtraction is being claimed. Also, the remaindermen for which the nonresident beneficiary subtraction is being claimed cannot be unborn or unascertained persons or persons with contingent interests. In addition, the nonresident beneficiary cannot possess an inter vivos power of appointment over such income, nor can the fiduciary possess a discretionary power to distribute such income of the trust to himself or herself, unless such discretionary power is limited to ascertainable standards as defined by Section 2041(b)(1)(A) of the Internal Revenue Code.

Do not enter on line 11 income that has been distributed. Line 11 is to be used only when income from intangible personal property is accumulated for a nonresident beneficiary. If line 11 is not zero attach to Form 504 a copy of the federal Form 1041 and all schedules relating to the type(s) and source(s) of income included on line 11. Also, attach a separate document listing all beneficiaries, their domiciliary addresses and applicable tax identification numbers, whether they are income beneficiaries, remaindermen or both, and the amount of intangible income accumulated for each beneficiary. Identify all persons with a power of appointment over the trust property. See Administrative Release 16.

Enter on line 12, expenses allocable to this income. Subtract line 12 from line 11 to arrive at the amount of the nonresident beneficiary subtraction.

10 Income

Enter the figure for federal taxable income from your federal fiduciary income tax return on line 14 of Form 504. For a fiduciary exempt from taxation under IRC Sections 408(e)(1) or 501, enter on line 14 of Form 504, the fiduciary's unrelated business taxable income (as defined under IRC Section 512.)

All items reported on the Maryland return are subject to verification, audit, and revision by the Comptroller's Office.

11 Exemption

A Maryland exemption of \$600 is allowed for a personal representative filing for a decedent's estate (entity type 1). A fiduciary other than a personal representative (entity types 2 through 8) may deduct \$200 as an exemption.

12 Standard and itemized deductions

The fiduciary is NOT allowed a standard deduction or itemized deductions.

13 Figure your Maryland net taxable income

For all fiduciaries, complete lines 14 through 22. Line 22 is your Maryland net taxable income. For a nonresident fiduciary, the Maryland net taxable income from Maryland sources is calculated on Form 504NR, line 17e.

14 Maryland tax

Compute the tax in accordance with the 2014 FIDUCIARY TAX RATE SCHEDULE and enter the tax on line 23. Nonresident fiduciaries should read and refer to Instructions 7 and 8 for information on Form 504NR before continuing; for Form 504 line 23, enter the Maryland tax from Form 504NR, line 21.

2014 Fiduciary Tax Rate Schedule

For taxpayers filing as Single, Married Filing Separately, or as Dependent Taxpayers. This rate is also used for taxpayers filing as Fiduciaries.

If the Taxable Net Income is:			Maryland Tax is:
At least:	but not over:		
\$0	\$1,000		2.00% of taxable net income
\$1,000	\$2,000	\$20.00	plus 3.00% of excess over \$1,000
\$2,000	\$3,000	\$50.00	plus 4.00% of excess over \$2,000
\$3,000	\$100,000	\$90.00	plus 4.75% of excess over \$3,000
\$100,000	\$125,000	\$4,697.50	plus 5.00% of excess over \$100,000
\$125,000	\$150,000	\$5,947.50	plus 5.25% of excess over \$125,000
\$150,000	\$250,000	\$7,260.00	plus 5.50% of excess over \$150,000
\$250,000	--	\$12,760.00	plus 5.75% of excess over \$250,000

15 Local income tax and special nonresident tax

The counties of Maryland and Baltimore City are empowered to levy a local income tax that is collected by the Comptroller with the state tax. You must use the local tax rate in effect for the county that you entered on the front page of the form. See the LOCAL TAX RATE CHART and LOCAL TAX WORKSHEET (15).

Nonresident fiduciaries enter .0125 on Form 504, line 24 and, enter the amount from Form 504NR, line 22.

2014 LOCAL TAX RATE CHART

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

LOCAL TAX WORKSHEET (15)

Multiply the taxable net income by the tax rate from the LOCAL TAX RATE CHART for the county in which the fiduciary was a resident on the last day of the taxable period. Enter the result on line 24 of Form 504. This is the fiduciary local income tax.

1. Taxable net income from line 22 of Form 504 \$ _____
2. Local tax rate from Local Tax Rate Chart **. 0**
3. Local income tax (Multiply line 1 by line 2.)
Enter this amount on line 24 of Form 504 rounded to the nearest cent or whole dollar. \$ _____

16 Total Maryland tax, local tax and contributions

Add lines 23 and 24, and enter the result on line 25. Add to your tax any contributions from lines 26, 27, and 28. Enter the total on line 29.

Chesapeake Bay and Endangered Species Fund

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

Maryland Cancer Fund

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

Developmental Disabilities Services and Support Fund

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

IMPORTANT: If there are not sufficient credits or other payments to satisfy your tax and the contribution you have designated, the contribution amounts will be reduced. If you have entered amounts for contribution to multiple funds, any reduction will be applied proportionately.

17 Taxes paid and credits

Write your taxes paid and credits on lines 30-34 of Form 504. Add lines 30 through 34 and enter the total on line 35.

Taxes paid

If Maryland tax was withheld from wages (or other compensation) paid to a decedent's estate, enter the amount on line 30 and attach the wage and tax statement, or Form 1099.

If you participated in a nonresident real estate transaction, you must report any income tax withheld on your behalf as an estimated payment.

Enter on line 31 the total of Maryland estimated tax payments, any taxes withheld from a nonresident real estate transaction and any payment made with a request for an extension of time to file the return. See instructions on Form 504E.

Credits

If the fiduciary is a resident and must pay income tax to another state, complete Form 502CR, Part A and Part H and enter the result on line 32.

NOTE: You must attach Form 502CR and a copy of the tax return filed in the other state. If this is not attached, no credit will be allowed. If any credit is being claimed for Preservation and Conservation Easements, complete Form 502CR, Parts F and H and enter the result on line 32. If both credits are applicable, enter the sum on line 32.

If the estate or trust was a member of a pass-through entity (PTE) doing business in Maryland and the PTE paid nonresident tax on its behalf, enter the amount on line 33. You must attach a Maryland Form 510 Schedule K-1 from the PTE showing the amount of tax paid on behalf of the estate or trust.

This credit may be passed through the nonresident fiduciary and claimed by the beneficiary on its applicable Maryland income tax return in an amount proportionate to the distribution of income by the nonresident fiduciary to that beneficiary. DO NOT include the amount on line 33 if the nonresident fiduciary elects to pass this credit through to the beneficiaries.

Include the Maryland Form 504 Schedule K-1, as well as Maryland Form 510 Schedule K-1 showing the amount of tax paid by the PTE on behalf of the trust being passed through to the beneficiary. The statement must also include the names and FEINs of PTEs paying tax.

If the estate or trust participated in a nonresident real estate transaction as a member of a PTE that paid taxes on its behalf using Form MW506NRS, report this payment on line 33.

Enter on line 34 the total of business income tax credits from Form 504CR, Part Z, Line 1. Complete and submit Form 504CR with Form 504. For additional information regarding any of the Business Income Tax credits, see the instructions provided on Maryland Form 504CR, Business Income Tax Credits for Fiduciaries. Also, enter on line 34 any Sustainable Communities Tax Credit from Form 502S.

18 Overpayment or balance due

Calculate the Balance Due (line 36 of Form 504) or Overpayment (line 37 of Form 504).

Part or all of any overpayment may be applied to 2015 estimated tax by completing line 38. Subtract line 38 from the overpayment (line 37). This is the amount of the refund.

Underpayment of Estimated Tax

All taxpayers should refer to Form 504UP to determine if they owe interest because they paid too little estimated tax during the year.

If you owe interest, complete Form 504UP and write the amount of interest (line 15 of Form 504UP) in the appropriate box on line 40 of Form 504. Attach Form 504UP.

Generally, you do not owe interest if:

- a. You owe less than \$500 tax on income which is not subject to Maryland withholding; or,
- b. Each current year payment, made quarterly as required, is equal to or more than, one-fourth of 110% of last year's taxes that were developed; or,
- c. You made quarterly payments during the year which equal 90% of this year's tax; or,
- d. The year ends less than two years after the decedent's date of death.

If after completing Form 504UP there is no interest due or you meet exception "d," see Instruction 19 for additional information regarding code numbers.

Interest for Late Filing

Interest is due at an annual rate of 13% or 1.08% per month for any month or part of a month that tax is paid after the original due date of the return. Enter any interest due in the appropriate box on line 40.

Total Interest

Enter the total interest for underpayment of estimated tax and interest for late filing on line 40.

Direct Deposit of Refund

Complete lines 42a, b and c if you want us to deposit your refund directly into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States. To comply with banking rules, we ask you to indicate on your return if the state refund is going to an account outside the United States. If you indicate that this is the case, do not enter your routing and account numbers, as the direct deposit option is not available to you. We will send you a paper check.

Splitting Your Direct Deposit

If you would like to deposit portions of your refund to multiple accounts, do not complete any direct deposit information on your return. Instead, you must enter code number **588** in one of the code number boxes located to the right of the telephone number area on your return, and complete and attach Form 588.

NOTE: You may not use Form 588 if you are filing Form 502INJ, Maryland Injured Spouse Claim Form, or if you plan to deposit your refund in a bank outside the United States.

Line 42a



Check with your financial institution to make sure your direct deposit will be accepted and to get the correct routing and account numbers. The State of Maryland is not responsible for a lost refund if you enter the wrong account information.

Check the appropriate box to identify the type of account that will be used (checking or savings). You must check one box only or a refund check will be mailed.

Line 42b

The routing number must be nine digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. If you are not sure of the correct routing number, contact your financial institution.

If you are not sure of the correct routing number or if your check states that it is payable through a financial institution different from the one at which you have your checking account, contact your financial institution for the correct routing number.

Line 42c

The account number can be up to 17 characters (both numbers and letters). Omit spaces, hyphens and special symbols. Enter the number from left to right.

If we are notified by the financial institution that the direct deposit is not successful, a refund check will be mailed to you.

Please have a bank statement for the account available if you contact us concerning the direct deposit of your refund.

Disclosure

Entering your bank account routing number, account number and account type in the area provided on your Maryland income tax return to effect a direct deposit of your income tax refund authorizes the Comptroller's Office to disclose this information and your refund amount to the Maryland State Treasurer's Office which performs banking services for the Comptroller's Office.

19 Telephone number, code numbers, signatures and attachments

Enter your telephone number and sign and date your return. Be sure to attach all required forms, schedules and statements.

Code Numbers

IMPORTANT: If you complete Form 504UP and, because of the timing of the distributions of income, have no interest due, attach the form to your fiduciary return and write code number **301** in one of the boxes marked CODE NUMBER at the bottom of Form 504.

If you use the annualization method to calculate interest for underpayment of estimated tax, attach Form 504UP to your fiduciary return and write code number **301** in one of the boxes marked CODE NUMBER at the bottom of Form 504. For the Revenue Administration Division to recognize your use of this calculation method, you must enter the code number and attach the form, even if there is no interest due.

If the return is for a decedent's estate within two years of the date of death, enter **301** in one of the CODE NUMBER boxes. Do not attach Form 504UP.

Tax Preparers

If another person prepared your return, that person must also sign the return and enter their Preparer's Tax Identification Number (PTIN). The preparer declares that the return is based on all information required to be reported of which the preparer has knowledge, under penalties of perjury. Penalties may be imposed for tax preparers who fail to sign the tax return and provide their PTIN. At the bottom of the return at the signature area, we have provided a check box for you to authorize your preparer to discuss your return with us.

Signature and verification

This return must be verified and signed by the individual fiduciary or an authorized officer of a corporate fiduciary. If two or more individuals act jointly as fiduciaries, the return may be verified and signed by either.

Attachments

Be sure to attach wage and tax statements (Forms W-2, W-2G and 1099) to the front of your return if Maryland tax is withheld. Complete and attach Maryland Form 504 Schedule K-1 for each beneficiary. See Administrative Release 16. Also attach all forms, schedules and statements required by these instructions. Place your check or money order on top of the wage and tax statements and fasten with one staple on the front of your tax return.

20 Mailing your return

Mail your return to:

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

Private Delivery Services

If you wish to send your items by a private delivery service (such as FedEx or UPS) instead of the U.S. Postal Service, use the following address:

Private Delivery Service Address:
Comptroller of Maryland
Revenue Administration Division
80 Calvert Street
Annapolis, Maryland 21401
410-260-7980

21 Payment Instructions

Payment by Check or Money Order

Make your check or money order payable to "Comptroller of Maryland." Use blue or black ink. Do not use red ink. Put your FEIN, type of tax and year of tax being paid, on your check. **DO NOT SEND CASH.**

22 Due Date

Returns must be mailed by April 15, 2015, for calendar year taxpayers. Fiduciaries filing on a fiscal year basis should see Instruction 24.

23 Extension of time to file

Follow the instructions on Form 504E to request an automatic extension of the time to file your 2014 return. Filing this form extends the time to file your return, but does not extend the time to pay your taxes. Payment of the expected tax due is required with Form 504E by April 15, 2015.

24 Fiscal year

You must file your Maryland return using the same tax year and the same basis (cash or accrual) as you used on your federal return.

To file a fiscal year return, complete the fiscal year information at the top of Form 504 and print "FY" in bold letters in the upper left corner of the form. Whenever the term "tax year" appears in these instructions, fiscal year taxpayers should understand the term to mean "fiscal year." Use the 2014 forms for fiscal years that begin during calendar year 2014. Fiscal year returns are due on the 15th day of the 4th month following the close of the fiscal year. If you are filing on a fiscal year basis, file Form 504E by the regular due date of your return.

25 Amended returns

If you need to change a return that you have already filed, or if the Internal Revenue Service changes your return, you must file an amended return.

NOTE: Changes made as part of an amended return are subject to audit for up to three years from the date the amended return is filed.

Use Form 504 and Form 504NR, if applicable, to file an amended return. Be sure to check the AMENDED RETURN box and draw a line through any barcode on the front of the return. An explanation must be provided on page two of the amended Form 504. A copy of the amended federal return must be attached.

Changes to Your Federal Return

If the Internal Revenue Service makes any changes to your federal return, you must notify the State of Maryland. Send notification to the Maryland Revenue Administration Division within 90 days of the final determination of the changes by the IRS.

If you file an amended federal fiduciary return that changes your Maryland fiduciary return, you must file an amended Maryland return.

If Your Original Return Showed a Refund

If you expect a refund from your original return, do not file an

amended return until you have received your refund check. Cash the check. Do not return it. If your amended return shows a smaller refund, send a check for the difference with the amended return. If your amended return shows a larger refund, the Revenue Administration Division will issue an additional refund check.

Additional Information

Do not file an amended return until sufficient time has passed to allow the original return to be processed. For current year returns, allow at least six weeks.

Generally, you must file your claim for refund within three years from the date your original return was filed or within two years from the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

A claim for refund based on a federal net operating loss carry-back must be filed within three years from the due date of the return for the tax year of the net operating loss.

If the claim for refund resulted from a federal adjustment or final decision of a federal court that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund must be filed within one year from the date of the adjustment or final decision.

If the claim for refund resulted from a notification received from another state for income taxes due that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund resulting from a credit for taxes paid to that state must be filed within one year of the date of the notification that the other state's tax was due.

If the claim for refund or credit for overpayment resulted from a final determination made by an administrative board or an appeal of a decision of an administrative board, that is more than three years from the date of filing the return or more than two years from the time the tax was paid, the claim for refund must be filed within one year of the date of the final decision of the administrative board or final decision of the highest court to which an appeal of the administrative board is taken.

No refund for less than \$1.00 will be issued. No payment of less than \$1.00 is required.

26 Special instructions for bankruptcy estates

A bankruptcy estate is created for an individual under Chapter 7 (a liquidation) or Chapter 11 (a reorganization) under Title 11 of the United States Code. The bankruptcy estate is treated as a separate taxable entity. A separate taxable entity is not created when an individual is in a state receivership.

The fiduciary of a Chapter 7 or a Chapter 11 bankruptcy estate is required to file the estate's return and must file a Maryland return if the fiduciary or trustee is required to file a federal return and has Maryland taxable income. The fiduciary must use the Maryland Fiduciary Return, Form 504.

For an individual, the fiduciary return is the mechanism for paying the tax. The calculation is done on the individual income tax return, Form 502, and the tax is carried to the fiduciary return. The fiduciary of an individual bankrupt debtor should attach the completed Form 502 to Form 504. Draw a line through any barcodes on Form 502 and write "Bankruptcy Estate" in the name and address area.

A trustee of a corporate debtor or other bankrupt entity, who has possession of the bankrupt estate by court order or who holds title to all or substantially all of the property of a bankrupt entity, must file the income tax return for the entity. The fiduciary would be required to file a Maryland income tax return, if the fiduciary is obligated to file a federal return on behalf of the bankrupt entity and also has Maryland taxable income.

The fiduciary should attach a notice of the filing of the bankruptcy estate, which is issued by the applicable bankruptcy court, to

the return.

27 Qualified funeral trusts

A fiduciary may file a composite fiduciary income tax return reporting the income of the funeral trusts administered by that fiduciary, instead of one fiduciary return for each trust. Check Entity Type Box 6. Attach a schedule showing the name, income, state tax and local tax of each individual trust. Add the state tax amounts and enter on line 23. Add the local tax amounts and enter on line 24. Complete Form 504 according to Instructions 16 through 19.

28 Privacy act information

The Tax-General Article of the Annotated Code of Maryland authorizes the Revenue Administration Division to request information on tax returns to administer the income tax laws of Maryland, including determination and collection of correct taxes. Code Section 10-804 provides that you must include your federal identification number on the return you file. This is so we know who you are and can process your return and documents.

If you fail to provide all or part of the requested information, then exemptions, exclusions, credits, deductions or adjustments may be disallowed and you may owe more tax. In addition, the law provides penalties for failing to supply information required by law or regulations.

You may look at any records held by the Revenue Administration Division which contain personal information about you. You may inspect such records, and you have certain rights to amend or correct them.

As authorized by law, information furnished to the Revenue Administration Division may be given to the United States Internal Revenue Service, a proper official of any state that exchanges tax information with Maryland and to an officer of this State having a right to the information in that officer's official capacity. The information may be obtained in accordance with a proper legislative or judicial order.

Help your local community when you donate to the Chesapeake Bay and Endangered Species Fund!

Why donate?

When you donate to the *Chesapeake Bay and Endangered Species Fund*, you aren't just helping the Chesapeake Bay and the creatures who call it home. You are helping to plant trees, remove trash and get students learning outside of the classroom in your own community.

How can you participate?

1. Donate to the Bay Fund when you file your taxes.
2. Donations of any dollar amount can be made.
3. All donations are tax deductible.



If completing the paper form, please make your donation through Line 35.

Donations are split evenly between the nonprofit Chesapeake Bay Trust and the Wildlife and Heritage Division of the Department of Natural Resources. The Trust is a 4-Star charity for eleven years.



Want to find out how the Trust uses your donation? Visit www.cbtrust.org.



SUPPORT CHILDREN & ADULTS WITH DEVELOPMENTAL DISABILITIES

Right now the lives of thousands of children, youth and adults with developmental disabilities like autism, Down Syndrome and cerebral palsy are on hold. They are counting on concerned citizens like you to help the Developmental Disabilities Services and Support Fund provide:

- ◆ Services for children and families
- ◆ Job training and employment
- ◆ Community living opportunities
- ◆ Crisis Intervention



ELIMINATE THE WAIT— PLEASE DONATE!

Enter the amount you want to donate. Every dollar helps. Your gift will be deducted from your tax refund or added to your tax payment.

Use line 36 on form 502, Line 27 on Fiduciary Form 504 or
line 40 on Non Resident Form 505

For more information, call the
Maryland Department of Disabilities at 800-637-4113 or visit www.mdod.maryland.gov

Join the fight against cancer in Maryland!

Donations to the Maryland Cancer Fund will support cancer: Prevention, Screening, and Treatment for low-income Marylanders.

It's easy:

1. Enter the amount you wish to donate on **Line 37**.
2. That amount will be deducted from your **tax refund** or added to your tax payment.
3. All donations are tax deductible.

For more information, call 410-767-6213

*Note: Use Line 37 on Form 502
Use Line 28 on Form 504
Use Line 41 on Form 505



Maryland CANCER FUND

http://phpa.dhmh.maryland.gov/cancer/SitePages/mcf_home.aspx

COMPTROLLER OF MARYLAND REGISTRATION & TAXES

Registration and Licensing All new businesses (corporations, S corporations, partnerships, limited liability companies, business trusts, and sole proprietorships) can file a single application with the Central Registration Unit of the Revenue Administration Division of the Comptroller's Office to establish accounts for employer income tax withholding, sales and use tax, admissions and amusement tax, tire recycling fee, motor fuel tax, alcohol and tobacco tax and unemployment insurance. The Revenue Administration Division offers assistance for filing applications and establishing accounts.

The Central Registration Unit assigns a single state identification number for the taxes listed above. Register online at www.marylandtaxes.com.

To obtain a direct wine shipper's permit and a common carrier permit, businesses may apply with the Licensing and Registration Unit of the Revenue Administration Division.

Corporation Income Tax The corporation income tax applies to every Maryland corporation and every other corporation which has a nexus with Maryland. Nexus is the term used to indicate a taxable connection between a corporation and a taxing authority. If a corporation conducts business activity within Maryland and exceeds the provisions of U.S.C.A. Title 15, Section 381 of the Interstate Commerce Act (P.L. 86-272) it has a nexus and must file an income tax return.

The tax is based on federal taxable income after state modifications. Corporations engaged in multistate operations must allocate income using an apportionment formula, generally consisting of receipts, property and payroll factors. The tax is imposed at a flat rate of 8.25% of Maryland taxable income.

Employer Withholding of Income Tax Employers making payments to individuals of salaries, wages or compensation for personal services must withhold income tax and remit the withholding to the Maryland Revenue Administration Division. The amount of tax to be withheld is prescribed in published tables which are based on the individual income tax rates.

Sales and Use Tax This tax applies to businesses selling in Maryland or purchasing out of state for Maryland use.

The general Maryland sales and use tax rate is 6%. A special 8% rate is imposed on rental trucks, and a special rate of 11½% is charged on rentals of passenger cars and recreational vehicles. A special 9% tax rate is also imposed on alcoholic beverages. Most sales of food by substantial grocery or market businesses are not subject to tax. Specific prepared foods purchased in grocery stores are subject to tax. Other exemptions include all sales solely for resale, medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies.

911 Fee Surcharge

Sellers of prepaid wireless telecommunications services are required to report and remit to the Comptroller all Prepaid Wireless E-9-1-1 Fees collected by the seller for retail transactions of prepaid wireless telecommunications. The Prepaid Wireless E-9-1-1 Fee is 60 cents per retail transaction. The seller must report the fees collected on a Maryland Sales and Use Tax return, although the Prepaid Wireless E-9-1-1 Fee itself is not subject to Maryland sales and use tax.

Motor Fuel Tax Generally, this tax applies to businesses selling or using motor fuel in Maryland.

The Maryland motor fuel tax rate is currently 27¢ per gallon of gasoline and 27¾ ¢ per gallon of diesel fuel. There are other requirements for motor carriers, dealers, special fuel users, sellers and service station operators.

Maryland implemented the International Fuel Tax Agreement (IFTA) for motor carriers on 1/1/96.

Alcohol and Tobacco Tax These taxes apply to businesses

manufacturing, selling, distributing or storing alcoholic beverages or selling and/or distributing cigarettes and other tobacco products in Maryland.

The Maryland excise tax rates on alcoholic beverages are \$1.50 per gallon of distilled spirits, 40¢ per gallon of wine, and 9¢ per gallon of beer. The tobacco tax rate is \$2.00 per pack of 20 cigarettes, the rate is 30% of the wholesale price for other tobacco products.

Admissions and Amusement Tax This tax is imposed on a variety of activities, such as admission to any place, including motion pictures, athletic events, races, shows or exhibits. Also subject to this tax are receipts from athletic equipment rentals, bingo, coin-operated amusement devices, boat rides and excursions, amusement rides, golf green fees, golf cart rentals, skating, bowling shoe rentals, lift tickets, riding academies, horse rentals, and merchandise, refreshments, or a service sold or served in connection with entertainment.

The admissions and amusement tax is a local tax collected by the Comptroller's Office on behalf of Maryland's counties, Baltimore City, other incorporated cities and towns. The tax is set by the localities at rates varying from one-half of 1% to 10% of the admissions and amusement receipts. When the gross receipts are also subject to the sales and use tax, the combined tax rate may not exceed 11%.

A separate State admissions and amusement tax is imposed on the net proceeds from electronic bingo or electronic tip jars. When the net proceeds are also subject to a local tax, the combined tax rate may not exceed 35%.

Tire Recycling Fee This fee applies to tire wholesalers or a tire retailer who buys tires from out-of-state sources. Registration and payment of the fee is handled by the Revenue Administration Division.

Utility Surcharges These surcharges are collected by electric companies that deliver electricity in Maryland and by telephone companies doing business in Maryland. The electricity surcharges are then paid to the Comptroller for deposit in the Environmental Trust and Universal Service Program Funds. The telecommunications surcharges are paid to the Comptroller for deposit in the 911 Emergency Telephone System and Communications Access of Maryland Funds.

The utility surcharges are collected by the Revenue Administration Division.

Direct Wine Shipper's Permit This permit is required for all in-state and out-of-state wine manufacturers that ship wine, including pomace brandy, directly to a Maryland consumer through a common carrier, such as Federal Express or UPS.

Common Carrier Permit This permit is required for a common carrier to deliver wine to a Maryland consumer.

OTHER REGISTRATIONS & TAXES

New Corporations In addition to registering with the Central Registration Unit of the Comptroller's Office, all corporations doing business in Maryland must register with the Department of Assessments and Taxation. This is also the office to contact to form a new corporation.

Bay Restoration Fee This fee is collected by all non-exempt local governmental entities, billing authorities, drinking water and sewage water treatment plant owners, who provide water or sewage services to residential, multi-residential, and non-residential users. County governments are responsible for collecting a septic fee from owners of private wells and septic systems. The fees are remitted by these entities quarterly to the Comptroller for deposit to the Bay Restoration Fund.

Public Service Company Franchise Tax In addition to corporation income tax, public service companies are subject to the franchise tax on gross receipts. This tax is administered by the Department of Assessments and Taxation.

Insurance Company Premium Tax Insurance companies are exempt from the corporation income tax but are subject to the

premium tax that is administered by the Maryland Insurance Administration.

Unemployment Insurance Employers are subject to the Department of Labor, Licensing and Regulation unemployment insurance requirements and must file a combined registration application to establish an account.

Workers' Compensation Employers in Maryland must provide Workers' Compensation Insurance for all employees. Employers may obtain coverage from a private insurance company, by becoming self-insured or by contacting the State Injured Workers' Insurance Fund. Employers believing they are not required to obtain this insurance may contact the Workers' Compensation Commission for certification of compliance.

Business Licenses Licenses are required for certain businesses to operate in Maryland. To determine if a license is necessary, contact the clerk of the circuit court in the Maryland county (or Baltimore City) where the business operates. A circuit court is located in each of those jurisdictions.

OTHER REQUIREMENTS

Bulk Sales When an existing business is bought, the purchaser must pay a 6% bulk sales and use tax on the price of tangible personal property, such as furniture and fixtures, that is part of the business. This tax is collected by the Compliance Division of the Comptroller's Office.

Dissolution of Corporation Articles of Dissolution must be filed with the Department of Assessments and Taxation for the dissolution of a corporation. A tax clearance certificate is no longer required for the dissolution of a corporation.

Unclaimed Property Unclaimed funds such as wages, insurance benefits, bank accounts or security deposits must be reported if they remain unclaimed for three years. This property must be reported to the Compliance Division.

NOTE: The information provided on this page is a brief summary of the various Maryland business requirements and is based on the law in effect as of 7/1/14. For additional information, see the next page for the addresses and phone numbers of the Maryland agencies most frequently contacted by businesses.

MARYLAND STATE AGENCIES MOST FREQUENTLY CONTACTED BY BUSINESSES

COMPTROLLER OF MARYLAND www.marylandtaxes.com
Online business registration www.marylandtaxes.com

New businesses can register online and set up tax accounts any time 24 hours a day.

For other new business information, visit the Business License Information System at www.choosemaryland.org/blis

Compliance Division

301 W. Preston Street
Baltimore, MD 21201-2383

Bulk sales 410-767-1579
Business tax collections 410-649-0633
. or 888-614-6337
Sales & use tax and tire fee refunds 410-767-1530
. or 800-492-1752
Unclaimed property 410-767-1700
. or 800-782-7383

General Accounting Division

Goldstein Treasury Building, Room 200
Annapolis, MD 21404-0746

Tax clearances. 410-260-7813
. or 888-784-0144

Field Enforcement Division

Goldstein Treasury Building, Room 310
Annapolis, MD 21404-2397

Enforcement & Inspections 410-260-7388
. or 888-674-0017
State License Bureau. 410-260-6240
. or 866-239-9359
Motor Fuel Testing Laboratory 410-799-7777

Revenue Administration Division

Revenue Administration Center
Annapolis, MD 21411-0001

Facsimile transmittal 410-974-2967
Forms (all income tax and employer withholding) 410-260-7951
Substitute/computer-generated. 410-260-7605
Income tax information 410-260-7980
(Corporation, Individual, Fiduciary, Pass-Through Entity). or 800-638-2937
Income tax refund inquiries 410-260-7701
. or 800-218-8160
Tax-exempt organization registration 410-260-7980
. or 800-638-2937

Motor-fuel, Alcohol & Tobacco Tax Unit

P.O. Box 2229
Annapolis, MD 21404-2229

Motor-fuel Licensing & Registration 410-260-7980
. or 888-638-2937
Motor Carrier & IFTA Licensing 410-260-7980
. or 888-638-2937
Alcohol & Tobacco Licenses & Permits 410-260-7980
. or 888-638-2937

Annapolis area office

110 Carroll Street 410-260-7980
Annapolis, MD 21411-0001. or 800-638-2937

- Admissions and amusement tax
- Bay Restoration Fee
- Central registration
- Employer withholding tax
- Sales and use tax
- Tire recycling fee

OTHER AGENCIES

Department of Agriculture

50 Harry S. Truman Parkway 410-841-5700
Annapolis, MD 21401 or 800-492-5590
. www.mda.state.md.us
Conservation tillage equipment certification 410-841-5863

Department of Assessments & Taxation

301 W. Preston Street, Room 806
Baltimore, MD 21201-2395
. www.dat.state.md.us
Charter/incorporation information. 410-767-1350
Public service company franchise tax 410-767-1940
New corporation information 410-767-1350
Resident agent information 410-767-1330
Personal property tax assessments 410-767-1170
. or 888-246-5941
Property tax credits 410-767-4433

Department of Business and Economic Development

401 E. Pratt St. 410-767-6300
Baltimore, MD 21202 or 888-CHOOSEMD
. www.dbed.maryland.gov
Office of Regional Response 410-767-6438
. www.choosemaryland.org

Department of Labor, Licensing & Regulation

1100 N. Eutaw Street, Room 414
Baltimore, MD 21201 410-767-2000
. www.dllr.state.md.us
Contributions 410-767-2412
Unemployment insurance. 410-767-3246
. or 800-492-5524
Enterprise Zones -
Economically disadvantaged employee
certification. 410-767-2047
Job services 410-767-2148

Department of the Environment

1800 Washington Blvd.. 410-537-3000
Baltimore, MD 21230 or 866-633-6101
. www.mde.state.md.us
Air management and radiation
(oil furnace conversion). 410-537-3230
Asbestos 410-537-3200

Chesapeake Employer's Insurance Company

8722 Loch Raven Boulevard 410-494-2000
Towson, MD 21286-2235. or 800-264-4943
. www.ceiwc.com

Maryland Insurance Administration

525 St. Paul Place
Baltimore, MD 21202
. www.mdinsurance.state.md.us
Insurance company premium tax 410-468-2000
. or 800-492-6116

Department of Natural Resources

Tawes State Office Building
580 Taylor Avenue
Annapolis, MD 21401-2397
. www.dnr.state.md.us
Reforestation & timber stand
improvement information 410-260-8531

Utility surcharges

911 Telephone System Surcharge. 410-585-3018
Environmental Surcharge on Electricity 410-767-8090
Telecommunications Access Surcharge 410-767-6962

Workers' Compensation Commission

6 N. Liberty Street, Room 940 410-864-5100
Baltimore, MD 21201-3785. or 800-492-0479
. www.wcc.state.md.us