



COMPTROLLER  
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# 2009

## MARYLAND PERSONAL EMS E-FILE HANDBOOK

*for Software Developers, Transmitters and EROs who file  
MARYLAND PERSONAL RESIDENT AND  
NONRESIDENT INCOME TAX RETURNS  
ELECTRONICALLY VIA THE FEDERAL/STATE EMS  
SYSTEM*

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REVENUE ADMINISTRATION DIVISION  
ANNAPOLIS, MARYLAND 21411

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# SECTION1: INSTRUCTIONS FOR ELECTRONIC FILING

## CHAPTER 1 - GETTING STARTED

### Introduction

The Maryland Revenue Administration Division (MRAD) accepts electronic tax returns as part of the legacy Federal/State Electronic Management System (EMS) in conjunction with the Internal Revenue Service (IRS). MRAD accepts refund, zero balance due, and balance due returns.

The Maryland e-File Handbook for Personal Income Tax Returns is designed to be used as a companion to the IRS Publication 1345. Since most functions of the Maryland e-File program are the same as the federal e-File program, this handbook highlights the special and unique features of the Maryland program.

Please be aware that, occasionally, there are differences between the Maryland e-File handbook and the Maryland State and Local Tax Forms and Instructions Booklet, which is designed for paper return preparation. There may be instances when an e-File return requires additional fields to be transmitted that are not required on paper forms due to electronic edit functions. **For electronic filing purposes, if there are differences, the Maryland e-File Handbook supersedes the paper handbook.**

Participants must meet all federal requirements as published by the IRS EMS, as well as the requirements for the Maryland e-File program as specified in this publication. All rules and regulations governing tax preparers, transmitters and originators of electronic returns put forth by the IRS are in effect for the Maryland programs.

To obtain information on federal electronic filing requirements, or to obtain IRS Publication 1345 and its supplement, please contact the IRS e-File help desk at 1-866-255-0654.

The Maryland Revenue Administrative Division looks forward to your participation in our program.

### New for tax year 2009:

- Foreign Account Indicator on Direct Debit and Direct Deposit tax returns
- Mandatory Income Tax Preparer Requirement
- Prince George's local county rate increased from .0310 to .0320.

## **International ACH Transactions - Foreign Account Indicator**

We are now required to implement a new format in all programs involving electronic funds transfer through the National Automated Clearing House Association (NACHA) network. This new NACHA rule is being implemented at the request of the U.S. Treasury Office of Foreign Asset Control (OFAC). The rule requires additional payment addendum data to be provided whenever the source or destination of funds is international, even if the immediate funds transfer only involves domestic financial institutions.

In order to comply with these new banking rules, we ask you to indicate on your returns if the state refund is going to an account outside the United States, or if the funds to pay a state liability are coming from an account outside the United States.

If you indicated that the state refund is going to an account outside the United States, or if the funds to pay a state liability are coming from an account outside the United States, do not enter your routing and account number, as the direct deposit and/or direct debit option is not available to you for tax year 2009. We will send you a paper check in the case of a refund, and you will need to send the state a paper check in the case of a balance due.

We do plan to make direct deposit and direct debit available on International ACH Transactions for tax year 2010.

## **Mandatory Income Tax Preparer Requirement – Electronic Filing Mandate**

House Bill 810, enacted into law on May 7, 2009, adds §10-824 to the Tax-General Article, which provides the mandatory requirements for filing income tax returns by electronic means. This Act also adds Tax-General Article §13-717 to provide the circumstances under which penalty would apply for failure to comply with Tax-General Article §10-824.

This Act requires income tax return preparers who have prepared, for compensation, more than a certain number of qualified State income tax returns in the prior taxable year to file all qualified State income tax returns electronically. An income tax return preparer does not include a person who merely performs those acts described under Section 7701(a) (36) (B) of the Internal Revenue Code. A qualified State income tax return is any original return of individual income tax imposed by Title 10 of the Tax-General Article, regardless of whether a tax is due or a refund is claimed. For a taxable year beginning after December 31, 2008 but before January 1, 2010, a preparer who has prepared more than 300 qualified returns in the prior taxable year is required to file the returns electronically. For a taxable year beginning after December 31, 2009 but before January 1, 2011, it is more than 200 qualified returns in the prior taxable year. For any taxable year beginning after December 31, 2010, it is more than 100.

This Act authorizes the Comptroller to impose on a preparer a \$50 penalty for each return that is not filed electronically in compliance with this Act, unless the preparer is able to show that the failure to comply is due to reasonable cause and not due to willful neglect. The total penalties assessed may not exceed \$500 for all returns filed by the preparer in a taxable year. The penalty does not apply if a taxpayer does not want the taxpayer's return filed by electronic means or if the preparer has sought by written request, and received, a waiver from the Comptroller.

The taxpayer may opt out of having their income tax return filed electronically if the taxpayer checks the appropriate box on their return.

An income tax preparer may seek by written request a waiver from the Comptroller. The written waiver request must establish to the satisfaction of the Comptroller either reasonable cause for not filing returns by electronic means or undue hardship due to lack of feasible means to file returns electronically. The income tax preparer must receive written approval of the waiver by the Comptroller before the preparer will be considered exempt from the fines associated with non-compliance with this Act.

Written requests for a waiver should be mailed to:

Revenue Administration Division  
Electronic Processing Section  
**P.O. Box 2364**  
Annapolis, MD 21404

Waiver requests may also be emailed to [efil@comp.state.md.us](mailto:efil@comp.state.md.us). A decision will be made within ten (10) business days of receipt of your request, and the response will be either mailed or emailed to the tax preparer.

Any tax preparer whose request for waiver was denied may request an administrative review within thirty (30) days from the date of denial. All requests for review should be sent to:

Director, Revenue Administration Division  
Tax Preparer e-File Appeal  
**P.O. Box 2364**  
Annapolis, MD 21404

All requests for waiver will be logged in and kept on file at the Revenue Administration Division of the Comptroller of Maryland.

It is important to remember that the tax preparer who is subject to the provisions of this Act must comply with the terms of this Act. Only when the tax preparer has received a written waiver from the Comptroller of Maryland will they be considered exempt from this Act.

### **Certification Requirement**

There are many additions, subtractions, refundable credits, non-refundable credits and situations on resident and non-resident returns that require supporting documentation or certifications to be attached to the return.

Much of your supporting documentation or certifications for electronic returns can be attached to the EL101 Signature Document, retained by the return preparer and taxpayer, and made available to Maryland only when specifically requested to do so. However, certain credits allowed on an electronic return now require the supporting documentation and certifications to be emailed or mailed to the State once the electronic return has been accepted.

When sending the required supporting documentation and certifications, please send the EL101 signature document as the cover sheet with the taxpayer name(s), social security number. Also, please write the name of the credit for which the certification is being submitted.

The preparer or taxpayer will have fourteen (14) calendar days to forward the signature document and requested certification forms, either by email to [cert@comp.state.md.us](mailto:cert@comp.state.md.us) or by mail to the P. O. Box at:

Revenue Administration Division  
Electronic Processing Section  
**P O Box 2364**  
Annapolis, MD 21404

The post office box listed above should be used only for certifications and supporting documents required for the tax year 2009 eFile return.

Upon receipt of the signature document and certification, the eFile help desk will log the receipt of the information and forward to the Processing Section where the account and the certification will be reviewed, and the processing of the return filing will be completed.

After 14 days, if the certification has not been received, the Processing Section will deny the requested credit and complete the processing of the return.

For tax year 2009, the certifications and supporting documentation that are required to be submitted by mail or email to the State after the eFile return's acceptance are:

- Form 502CR Part H, Line 2 - Heritage Structure Rehabilitation Credit. Submit Form 502H and a copy of the approved Heritage Preservation Certification Application (Part 3).
- Form 502CR Part H, Line 3 - Refundable Business Income Tax Credit. Submit a copy of the corresponding certifications.
- Form 502CR Part H, Line 4 - IRC Section 1341 Repayment Credit. Submit a copy of the document that states that the taxpayer must make repayment and a copy of the document stating repayment was made.
- Form 502CR Part H, Line 5 - Form 1041 Schedule K-1 Nonresident PTE Tax. Submit Form 1041 K-1 for the estate or trust and a copy of the K-1 issued to the estate or trust by the PTE.
- Form 505 Line 46 - Credit for Nonresident tax paid by pass-through entities. Submit the required K-1 or other statement from the pass through entity.
- Form 500CR Part D - Job Creation Tax Credit. Submit the copy of the required certification.
- Form 500CR Part E - Community Investment Tax Credit. Submit a copy of the required approval.

- Form 500CR Part H – Work-Based Learning Program Credit. Submit a copy of the required certification.
- Form 500CR Part K - Research and Development Tax Credit. Submit a copy of the required certification.
- Form 500CR Part L - Biotechnology Investment Incentive Tax Credit. Submit a copy of the required certification.
- Form 500CR Part N - Clean Energy Incentive Credit. Submit a copy of the required initial certificate.
- Form 500CR Part O - Maryland Mined Coal Tax Credit. Submit a copy of the required certification.
- Form 500CR Part P - Refundable One Maryland Economic Development Tax Credit. Submit a copy of the final credit certification.
- Form 500CR Part Q - Green Building Tax Credit. Submit a copy of the initial credit certificate, a copy of eligibility certificate issued by architect or engineer, plus a copy of final certificate.

Any supporting documentation other than what is listed above will continue to be attached to the EL101 Signature Document, retained by the return preparer and taxpayer, and made available to us if specifically requested.

### **Important Notes**

Maryland begins accepting test returns from software developers on November 10, 2009 in conjunction with IRS PATS testing.

Maryland begins accepting production electronic returns from electronic return originators and software companies on January 15, 2010.

Returns that fail the Maryland validation program and are resubmitted should include code 247 in field 0735, 0740 or 0745 of the Maryland Form 502 generic record; or in field 0905, 0910 or 0915 or the Maryland Form 505 generic record.

IRS e-File will accept Federal/State Imperfect Returns when indicated by the ERO. IRS will send MD returns to the State of MD with an Imperfect Return Indicator = "E". MD will process those returns through their validation program, and if the return is accepted, will input "E" in the ACK Key Record (Field 0050). If the Imperfect return does not pass the State validations, the ACK Key Record (Field 0050) will have an "R" for rejected.

IRS and Maryland will accept ITIN/SSN Mismatch Returns (returns filed with an ITIN – Individual Taxpayer Identification Number where the associated W-2 form shows wages reported under a valid social security number). However, a return filed with an ITIN (900-70-

000-999-88-9999) cannot claim EIC (earned income tax credit) or REIC (refundable earned income tax credit).

Form 502 requires the entry of the letter "D" in the part year/military indicator box when:

- A joint resident return is filed for part-year taxpayers who have different tax periods in Maryland.
- A taxpayer claims an exemption for the spouse when filing as head of household (HOH) or married filing separately (MFS).

Form 505 now requires the entry of the letter "D" in the military indicator box next to the question, "Are you or your spouse a member of the military?" when a taxpayer claims an exemption for the spouse when filing as head of household (HOH) or married filing separately (MFS).

Personal income tax returns are due by April 15<sup>th</sup>, 2010. If the return is for a fiscal year taxpayer, they are due on the 15<sup>th</sup> day of the fourth month following the close of the fiscal year. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

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

### **Who Can Participate**

There are three classifications of participants in the electronic filing program: Electronic Return Originator (ERO), Transmitters, and Software Developers.

EROs gather forms from taxpayers and prepare them for electronic transmission using tax return preparation software that has been approved by the IRS and the Maryland Revenue Administrative Division. They may be volunteers or paid preparers.

Transmitters transmit electronic returns to the IRS service center using approved software.

Software Developers create tax preparation and/or transmission software which formats the electronic returns and allows the data to be transmitted via computers.

### **Application and Acceptance Process**

Since Maryland participates with the Federal/State EMS Electronic Filing Program, you must meet the requirements of both the IRS and the state of Maryland to participate.

To apply for the federal program you must complete Form 8633, Application to Participate in the Electronic Filing Program, which is available from the IRS. IRS Publication 3112, IRS E-File Application Package, specifies the application process and requirements for federal participation.

Once you have been accepted into the federal electronic filing program, IRS will issue you an Electronic Filer Identification Number (EFIN). As long as you maintain a valid EFIN with IRS, you are automatically accepted into the Maryland program. There are no additional applications needed, but you must use software that has been approved by Maryland.

Maryland does reserve the right to deny participation in our program for the following reasons that include but are not limited to:

- If your company is required to be registered to do business in the state, but is not.
- If your company has any outstanding liabilities with the state.
- If your company fails to adhere to either the federal or state e-File program requirements or specifications.
- If your company does not consistently transmit error free returns.
- If your company uses unethical practices in return preparation.

### **Software Acceptance**

The software used to transmit electronic tax data must be approved by both the Internal Revenue Service (IRS) and the Maryland Revenue Administration Division (MRAD) as part of the acceptance process. Software Developers are required to test their software programs for accuracy.

Participating Software Developers are provided with record specifications and test data annually to perform the Maryland testing. Tax and Transmission Software Developers are required to test with MRAD. EROs and Transmitters must use tax preparation software or use a third party transmitter whose software has been approved for use by MRAD.

Software Developers must obtain approval from MRAD for all Maryland forms printed by their software. Please contact the Forms Coordinator at 410-260-7442 to begin the forms approval process.

MRAD reserves the right to suspend the approval of any Software Developer who fails to comply with the guidelines in this publication, the Maryland e-File Record Specifications or the Maryland Test Booklet.

### **Publications**

The following publications are available for your assistance:

- 2009 Maryland Personal EMS e-File Handbook
- Test Package for Maryland Electronic Filing Tax Year 2009

- Records Layout for Maryland Electronic Filing Tax Year 2009
- Error Table for Maryland Electronic Filing Tax Year 2009
- e-File information and publications may be obtained by visiting [www.marylandtaxes.com](http://www.marylandtaxes.com)

## **Maryland Electronic Identification Numbers**

The Maryland Electronic Filer Identification Number will be the same as the six-digit Electronic Filer Identification (EFIN) assigned by the Internal Revenue Service (IRS).

The Maryland Electronic Transmitter Identification Number is the same number as the five-digit Electronic Transmitter Identification Number (ETIN) assigned by the IRS. The ETIN will be activated for Maryland production processing when both the testing and forms requirements are completed.

The Maryland Software Identification Number (MSIN) is a five-digit number that is assigned by the Maryland e-File help desk to all software companies. Each software package developed by a software company must have a unique MSIN hard coded into the product for identification purposes to assist the Maryland e-File help desk to quickly identify program problems during production processing.

Maryland receives weekly updates from the IRS Applicant Database, which list all active IRS EFINS. Do not send a copy of your acceptance letter.

## **Help Desk**

Tax Practitioners, EROs, Transmitters and Software Developers who need assistance may call the Maryland Electronic Filing Help Desk at 410-260-7753, Monday through Friday, between 8:00 a.m. and 5:00 p.m. EST. E-mail may be sent to [efil@comp.state.md.us](mailto:efil@comp.state.md.us). You may also write to:

Comptroller of Maryland  
Revenue Administration Division  
Electronic Filing Unit  
110 Carroll St.  
Annapolis, MD 21411-0001

Downloadable state forms and other information for tax providers and E-File program participants can be found at [www.marylandtaxes.com](http://www.marylandtaxes.com).

If a Maryland return rejects due to an error, the ERO should compare the four-digit numeric error code received to the list of error codes found in the Error Table for Maryland Electronic Filing Tax Year 2009 to determine the area of the return that needs attention. If the ERO cannot resolve the error, the Maryland help desk may be contacted. In an effort to keep the lines open

so that we can be available to all EROs, we ask that you do not request more than five returns be researched at any one time.

Do not distribute the Electronic Filing Help Desk telephone number to your clients (taxpayers). This number is provided to EROs as a courtesy. Distributing this number to public can cause delays in assisting the EROs it was established to help.

Preparers and taxpayers who need assistance may contact Taxpayers Service at 410-260-7980 or 1-800-638-2937 after 10 days have elapsed since the ERO has received an accepted acknowledgement for the taxpayer's return.

Preparers and taxpayers can check the status of their refund at [www.marylandtaxes.com](http://www.marylandtaxes.com) by selecting "Refund Status" under the Online Services heading, or call the automated refund inquiry hotline at 410-260-7701 or 1-800-218-8160.

## **CHAPTER 2 - THE FILING PROCESS**

### **What Can Be Transmitted Electronically**

The Maryland Electronic return will consist of data transmitted as well as supporting paper documents. In total, an electronic return contains the same information as a comparable return filed entirely on paper.

Following is a list of all the forms that Maryland accepts electronically. Software Developers are no longer required to support all of the forms that Maryland accepts electronically. Any form with an asterisk (\*) is considered optional at the discretion of the software developer. Please take this into consideration when purchasing software and verify with your software company that they will support the forms that you desire to transmit electronically.

### **Maryland State Forms and Attachments**

Note: Part-year returns are accepted

Form 502	Maryland Resident Tax Return, (Note: Form 503 must be transmitted as a Form 502)
Form 505*	Maryland Nonresident Tax Return
Form 505NR*	Maryland Nonresident Income Tax Calculation
Form 500CR*	Business Tax Credits
Form 502CR	Personal Income Tax Credits for Individuals
Form 502UP*	Underpayment of Estimated Maryland Income Tax by Individuals

Form 502INJ*	Injured Spouse Claim
Form 1099G/MD	Unemployment Compensation
Addendum*	Additional Information

### **Federal Forms**

The following forms can be filed, depending on the type of Maryland filing submitted.

Form W-2	Wage and Tax Statement
Form W-2G	Statement for Certain Gambling Winnings
Form 1099R	Retirement Distributions

### **What Cannot Be Transmitted Electronically**

The following types of returns are excluded from electronic filing:

- Returns with a power of attorney currently in effect for the refund to be sent to a third party.
- Amended returns (even if the original return was filed electronically).
- Filings that are an exact duplicate to a filed paper return.
- Returns for tax years other than the current year.
- Returns from any filer or any transmitter who has not been accepted as an electronic filer by the IRS.
- Returns with cent entries.
- The combination of form 505 and a part-year or full year resident return (form 502).
- Returns containing a W-2 Form that requires a federal statement record because of "Overflow" for Box 14, 15, 17 or 19.
- Composite returns.
- Returns containing more than:
  - 1 505NR form
  - 50 W-2 forms
  - 30 W-2G forms
  - 20 1099/R forms
  - 10 1099G/MD forms

10 502 CR forms  
10 Addenda

## **Non Electronic Portion of Transmission**

There are two paper forms that may become part of a Maryland e-File return: Form EL102, Maryland Electronic Payment Voucher and Form EL101, Maryland Income Tax Declaration.

### **Form EL102**

Form EL102, Maryland Electronic Payment Voucher, must be furnished to all taxpayers who electronically file a balance due return. Taxpayers who choose to pay their liability by check or money order should send form EL102 with their remittance. Form EL102 should be provided to the taxpayer either from the ERO preparing the return, or from the software package if the taxpayer is preparing his/her own e-File return.

### **Form EL101**

Form EL101, Maryland Income Tax Declaration serves the following purposes:

- It authenticates the electronic portion of the return
- It authorizes the ERO to e-File the return on behalf of the taxpayers(s)
- It provides a signature document used for verification by MRAD
- It provides authorization for direct deposit or direct debit if requested by the taxpayers(s)

To prepare the Form EL101, complete the taxpayer's name, address, and social security number in the spaces provided on the form. Additionally, the following areas may need to be completed:

- Part I, Tax Return Information, must be completed. Enter the whole dollar amounts. The amounts entered must be the same as reported on the electronically filed return.
- Part II, Direct Deposit/Electronic Funds Withdrawal (direct debit) Information, is to be completed only if taxpayers request direct deposit of their refunds or electronic funds withdrawal (direct debit) for their balance due. Check to indicate whether the account is a checking or savings account and complete the routing number and account number information. The routing and account numbers must be the same as reported on the electronically filed return.
- Part III, Declaration of Taxpayer, must contain the taxpayer(s) signature. The Electronic Return Preparer must obtain the signature(s) of the taxpayers prior to transmitting the electronic return to the Revenue Administrative Division.

If the Electronic Return Preparer changes the electronic tax data after the taxpayer signature has been obtained on Form EL101, but before transmission of the electronic return to the Revenue Administration Division, a new Form EL101 must be prepared for the taxpayer. However, a new Form EL101 is not necessary if:

- None of the amounts included on the Form EL101 are changed.
- The total tax, withholding, or the refund fields differ from the corresponding amounts on the electronic tax return by less than \$5.
- The total income amount differs from the corresponding amount on the electronic tax return by less than \$25.
- Such changes are limited to corrections within the above tolerances for arithmetic errors, transposition errors, misplaced entries and spelling errors.
- Rounding off the whole dollars and dropping cents do not constitute significant changes or alterations to the tax return. All rounding should be done in accordance with standard accounting principles, and should be performed at the field level.

The following is a list of the documents that should be attached for Form EL101:

- Letters of Administration and or death certificate for decedent taxpayer.
- Copies of forms W-2, W-2G, 1099 and 1099G/MD with Maryland withholding should be attached to the front of the form overlaying Part II.
- Forms 502H, 500CR, 502CR, 500DM, and 502TP.
- Copies of other states tax returns if claiming a credit on Form 502CR Part A.
- Other documents(s) containing required signature(s) and other information should be attached to the back of the form, such as but not limited to:
  - A physician's certification or a statement of your own if a physician's statement was submitted in a previous year when taking disability/pension exclusion subtraction modification.
  - Statements required when taking Keogh Plan benefits subtraction modification.
  - Certification required when subtracting costs of certain conservation tillage equipment.
  - Form 502AC required when taking Artist's Contribution subtraction modification.
  - Form 502V required when taking Unreimbursed Travel Expenses subtraction modification.

- Certification required when taking Police, Fire, Rescue and Emergency Medical Personnel subtraction modification.

Note: Please make sure your rounding process occurs at the field level and that any totals are computed based on whole dollars.

### **Form EL101 and the ERO**

An ERO must complete Form EL101 and have it signed by the taxpayer(s) before electronic transmission of the return can take place. It is necessary for the ERO to complete the taxpayer's return prior to completing Form EL101 because some of the information needed to complete the Form EL101 is taken directly from the return, and because the taxpayer(s) must review both the completed return and the Form EL101 prior to signing the Form EL101. Both taxpayer signatures are required on a joint return.

An ERO may accept a fax copy of Form EL101 from the taxpayer if the taxpayer is unable to complete the review of the return and the Form EL101 in the ERO's office.

After the ERO has received the completed signed Form EL101 from the taxpayer, the taxpayer's return can be electronically transmitted. By transmitting the electronic portion of the return, the ERO certifies that Form EL101 has been completed.

The ERO will maintain a signed copy of all Forms EL101 with applicable attachments for all returns electronically filed for a period of three years. These forms will be subject to verification by MRAD. When requested by MRAD, the ERO will be required to forward copies of Form EL101 with attachments to MRAD, within 10 business days. An ERO who prefers to maintain a paperless office may scan the Form EL101 with attachments and save them electronically as long as the ability to reproduce the documents, if requested by MRAD, is retained.

### **Form EL101, MD PIN and the Online Software Developer**

Form EL101, Maryland Income Tax Declaration is used as a signature document for all taxpayers who prepare their own return using professional online software, who do not use the federal PIN as their signature on the state return.

If an online return is being filed for a single taxpayer who uses the federal PIN on their federal return and chooses to also use the federal PIN to sign their Maryland return, the software must insert the five-digit self selected federal PIN into the Primary Taxpayer MD PIN field. (For a joint return, the software must also insert the five-digit numeric self selected federal PIN in both the Primary Taxpayer MD PIN field and the Secondary Taxpayer MD PIN field).

If an online return is being filed for a single taxpayer who does not use a federal PIN on their federal return, or chooses not to use the federal PIN to sign their Maryland return, the software must insert "KEEPEL101" in the Primary Taxpayer MD PIN field (on a joint return not using the federal PIN, "KEEPEL101" must be inserted into both the Primary Taxpayer MD PIN field and the Secondary Taxpayer MD PIN field). Additionally, the software must generate signature Form EL101 for the taxpayer, advising the taxpayer to sign and retain the form with their records

for a period of three years along with any applicable attachments, and make it available to MRAD only if requested by MRAD. The taxpayer(s) are not required to submit Form EL101 to MRAD unless specifically requested to do so by MRAD.

## **The Transmission Process**

There are two methods used to transmit a state return through the Federal/State EMS e-File Program:

Federal/State e-File - for state returns that are filed at the same time as the federal return.

Federal/State State Only e-File - for state returns that are filed separate from the federal return. This could happen when: multiple state returns need to be filed for a taxpayer, taxpayers filed a joint federal return and married filing separately with the state, or the state return was previously rejected and needs to be retransmitted.

Using Federal/State e-File, a transmitter files both the federal and state returns at the same time. Both returns are transmitted to the IRS. The IRS, after acknowledging to the transmitter acceptance of the federal return, will make the state data available for retrieval by the state. After the state data has been retrieved, the state will process the information received, and then will acknowledge to the transmitter receipt of all state returns retrieved from the IRS. Transmitters should be able to retrieve the Maryland acknowledge from the IRS EMS, within three days from the time acknowledge was received from the IRS.

Using the Federal/State State Only e-File option is similar to the above Federal/State e-File with the following differences. The transmitter sends a state return along with a dummy Form 1040 to the IRS. The IRS acknowledges receipt (not acceptance) of the dummy Form 1040 to the transmitters and then makes the State data available for retrieval by the state. The state then retrieves, processes, and acknowledges the transmitter as above.

Please remember that for both the Federal/State e-File and Federal/State State Only e-File programs, acknowledgments from the IRS for the federal return filed is not an acknowledgement that the state return has been received or accepted by the Maryland Revenue Administration Division.

Under no circumstances will the IRS or the state alter information contained in the state return.

## **IRS Acknowledgements**

If the data meets the federal specifications and the transmission is accepted by the IRS, the transmitter will receive an acknowledgement that the transmission is complete. The IRS will acknowledge acceptance of the federal data and the receipt of the state data packet. The IRS acknowledgement does not constitute acceptance of the Maryland return data.

If the data does not meet the federal specifications, the entire packet (both the federal and state returns) will be rejected and an error code will be generated by the IRS. IRS Publication 1345A will provide a list of all reject codes. If the error is one that can be corrected, both returns may

be retransmitted to the IRS. A State Only return that has been transmitted to the IRS through the Federal/State State Only e-File program using a "dummy" Form 1040 can be rejected by the IRS due to Communication errors. IRS Publication 1345A will provide a list of all communication reject codes for State Only returns. If the error is one that can be corrected, the State Only return packet can be retransmitted to the IRS.

## **Maryland State Acknowledgements**

The Maryland acknowledgement system is designed to inform transmitters that the Maryland return data has been retrieved from the IRS and is accepted by Maryland and is being processed or is rejected by Maryland for specific reasons. The Maryland acknowledgment will be posted to the IRS State Acknowledgment Service known as the Electronic Management System (EMS). EMS will process, validate and route the acknowledgment files for trading partners to pickup at the same location that they pick up their federal acknowledgments. Do not assume that an acknowledgment from the IRS is a guarantee of receipt and/or acceptance by Maryland.

State acknowledgements will generally be available within a few hours of our having received the state returns from the IRS each day. It is a requirement of participation in the Maryland Electronic Filing Program that all direct transmitters retrieve the acknowledgments that the state sends to the EMS at least once each day. Transmitters are required to notify their EROs of acceptance or rejection within 24 hours after receipt of acknowledgement from Maryland.

A Maryland acknowledgment indicates that the return has been received and an accepted status indicates that it will be processed in our accounting system. Please advise taxpayers to wait at least 10 days from the date of the accepted acknowledgement before inquiring about their returns. A MD indicator on the federal acknowledgement does not constitute a Maryland acknowledgment for the state return.

IRS e-File will accept Federal/State Imperfect Returns when indicated by the ERO. IRS will send Maryland returns to the State of Maryland with an Imperfect Return Indicator = "E". Maryland will process those returns through their validation program, and if the return is accepted, will input "E" in the ACK Key Record (Field 0050). If the Imperfect return does not pass the State validations, the ACK Key Record (Field 0050) will have, an "R" for rejected.

The Federal Return is considered Imperfect when indicated to be so by the ERO on the second or subsequent filing: when 1) The Child's SSN and Name Control on Schedule EIC does not match IRS Master File; or when 2) Dependent's SSN and Name Control on Form 1040/A does not match IRS Master File.

## **CHAPTER 3 - OTHER SITUATIONS**

### **General Information**

Filing a tax return is the responsibility of the taxpayer, and filing a return electronically requires an agreement between the taxpayer and the Electronic Return Preparer. The Comptroller of Maryland is not a party to this agreement.

## **Refund Returns**

Taxpayers can elect to have their overpaid taxes issued in the form of a refund check or direct deposited into their savings or checking account of any eligible financial institution of their choice.

Taxpayers may choose to have all or part of their refund applied to their estimated tax for the following year, or to the Chesapeake Bay and Endangered Species Fund or the Maryland Cancer Fund for the current year. Taxpayers can also contribute part or all of their refund, up to \$500 (\$1,000 if filing a joint return) to the Fair Campaign Financing Fund.

The Comptroller will make every attempt to process a direct deposit, but reserves the right to issue a paper check if the direct deposit cannot be properly completed. 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 the wrong information was entered.

The average time that it takes for a refund to be generated from our accounting system is approximately two to five business days after the eFile return has been acknowledged by Maryland as being accepted.

## **Direct Deposit**

Taxpayers may elect to have their state tax refund direct deposited into any eligible financial institution of their choice. A financial institution is defined as a state or national bank, savings and loan association, mutual saving bank or credit union. The Comptroller of Maryland will make every attempt to process a direct deposit, but reserves the right to issue a paper check if the direct deposit cannot be properly completed.

In order to comply with new banking rules, taxpayers will be asked to indicate on the tax return if the state refund is going to an account outside the United States (International ACH Transactions). If it is indicated that the state refund is going to an account outside the United States, do not enter routing and account numbers, as the direct deposit option is not available for tax year 2009. A paper check will be issued in this case.

We do plan to make International ACH Transactions with direct deposit available for tax year 2010.

Once a Maryland e-File return has been accepted for processing, the direct deposit election, including the financial institution's Routing Transit Number (RTN) and the Depositor Account Number (DAN), cannot be changed or rescinded.

Two reliable sources from which the direct deposit data can be obtained are from the financial institution's account identification card and the taxpayer's cancelled check.

The Comptroller of Maryland does not guarantee a specific date that a refund will be deposited into a taxpayer's financial institution account and cannot issue written notices to taxpayers to confirm direct deposits. Taxpayers can check the status of their refund at [www.marylandtaxes.com](http://www.marylandtaxes.com) by selecting "Refund Status" under the Online Services heading, or call the automated refund inquiry hotline at 410-260-7701 or 1-800-218-8160. Please advise taxpayers to wait at least 10 days after a good acknowledgement has been received to contact the Revenue Administration Division.

Note: The Comptroller of Maryland is not responsible for the misapplication of a direct deposit refund that is caused by the error, negligence or malfeasance on the part of the taxpayers, electronic filer, financial institution or any of their agents.

## **Refund Delays**

The average time that it takes for a refund to be generated from our accounting system is approximately two to five business days after the e-File return has been acknowledged by Maryland as being accepted.

Please be conservative in advertising refund timeliness. Do not tell the taxpayer that the refund will be received in a specific number of days. EROs must advise taxpayers of possible refund delays when advertising refund timeliness or in any discussions about refund times.

Typically, delays are caused when:

- Back taxes are due.
- Liabilities to other state agencies or the IRS exist.
- Estimated amounts claimed on the return do not correspond to what is on file with the Maryland Revenue Administration Division for the taxpayer(s).
- The taxpayer has previously filed on paper.
- Address used does not correspond to division policy.

Electronic return preparers must advise taxpayers of these possible delays in advertising and in any discussions about refund times.

## **Refund Anticipation Loans (RAL)**

A refund anticipation loan (RAL) is money borrowed by a taxpayer from a lender based on the anticipated refund amount of the taxpayer. The Comptroller of Maryland neither supports nor prohibits RALs, and is not involved in or responsible for RALs.

All parties to RAL agreements, including Electronic Return originators (EROs), must ensure that taxpayers understand that RALs are interest-bearing loans. The Comptroller of Maryland is not liable for any loss suffered by taxpayers, EROs, or financial institutions due to processing delays, reduced refunds, or direct deposits not being honored (resulting in refund checks being issued).

Taxpayers must wait until their return completes processing to receive any refund due to them. If the ERO enters into a RAL agreement with the taxpayer, it is the responsibility of the ERO to explain exactly how taxpayers may expect to receive their refunds.

## **Balance Due and Zero Balance Returns**

The Maryland Revenue Administration Division will accept balance due or zero balance due returns.

Taxpayers may contribute any amount they wish to the Chesapeake Bay and Endangered Species Fund or the Maryland Cancer Fund, and up to \$500 (\$1,000 if filing a joint return) to the Fair Campaign Financing Fund on a balance due or zero balance return. Contributions to these funds will increase the balance due amount.

Payments can be made by Electronic Funds Withdrawal (direct debit), Bill Pay (direct debit), credit card, check or money order.

Personal income tax returns are due by April 15<sup>th</sup>, 2009. If the return is for a fiscal year taxpayer, they are due on the 15<sup>th</sup> day of the fourth month following the close of the fiscal year. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

If you both file and pay electronically (credit card, direct debit/electronic funds withdrawal), your return is due by April 15<sup>th</sup>, however, you will have until April 30<sup>th</sup> to make your electronic payment. If you file electronically and pay by check, your return and payments are due by April 15<sup>th</sup>.

If taxpayers do not make full payment by the due date, they will be sent a notice of tax due, plus interest and penalty for the late payments.

### **Electronic Funds Withdrawal (Direct Debit)**

Electronic Filers must furnish Electronic Funds Withdrawal (direct debit) information regarding the availability of this payment option to taxpayers who electronically file a balance due return. Electronic funds withdrawal can be made from the taxpayers checking or saving account.

In order to comply with new banking rules, taxpayers will be asked to indicate on the tax return if the payment is coming from an account outside the United States (International ACH Transactions). If it is indicated that the funds are coming from an account outside the United States, do not enter routing and account numbers, as the direct debit option is not available for tax year 2009. In this case, the payment options are paper check (or money order), credit card, or direct debit using the BillPay application located at [www.marylandtaxes.com](http://www.marylandtaxes.com).

We do plan to make International ACH Transactions with direct debit available for tax year 2010.

The taxpayer can choose the date that they want the amount owed withdrawn from their account up to April 30, 2010, if the return was filed electronically prior to or on April 15, 2010. Returns electronically filed after April 15, 2010, using electronic funds withdrawal must use a withdrawal date equal to the date of return preparation. The electronic funds withdrawal will then occur immediately after the electronic return is accepted. Partial payments can be made using electronic funds withdrawal.

## **Bill Pay (Direct Debit)**

Taxpayers can access the online Bill Pay application at [www.marylandtaxes.com](http://www.marylandtaxes.com) and initiate a direct debit payment from their checking or savings account. The taxpayer can choose the date that they want the debit to occur up to April 30, 2010, if the return was filed electronically prior to or on April 15, 2010. Returns filed after April 15, 2010 using Bill Pay must use a debit date equal to the current date. Partial payments can be made using Bill Pay.

## **Credit Card**

Electronic Filers must furnish Credit Card Payment Option Information to taxpayers who electronically file a balance due return. Credit card payments may be made by telephone at 1-800-2PAY-TAX or over the Internet at [www.officialpayments.com](http://www.officialpayments.com). The Internet option is available to everyone. The taxpayer must have filed a 2009 Maryland income tax return to use the telephone option. Both options will be processed by Official Payments Corp., a private credit card payment services provider. A convenience fee will be charged to the taxpayer's credit card. The state will not receive this fee. The taxpayer will be informed of the exact amount of the fee before completing the transaction. After completing the transaction, the taxpayer will be given a confirmation number, which should be kept with their records.

## **Check or Money Order**

EROs must furnish Form EL102, Electronic Payment Voucher, to taxpayers who electronically file a balance due return and wish to pay by check or money order. This form should be submitted with their remittance before the due date of the return.

## **CHAPTER 4 - RESPONSIBILITIES OF EROs AND TRANSMITTERS**

### **Compliance**

Electronic Filers, Transmitters and Electronic Return Originators must abide by the requirements in the Maryland e-File Handbook and must maintain a high degree of integrity, compliance, and accuracy in order to participate in the Maryland e-File program.

All Electronic filers, Transmitters and Electronic Return Originators must comply with the requirements and specifications set forth in the IRS Publication 1345, 1345A, the Maryland e-File Handbook, and the Maryland Record Layout Specifications for Income Tax Returns. Failure to comply with all requirements and specifications regarding the electronic portion and the non-electronic portion of the return will result in program suspension.

### **Timeliness of Filing**

Electronic Filers must ensure that electronic returns are filed in a timely manner. The receipt date of the electronic transmission will constitute the receipt date of the return when the Maryland Revenue Administration Division (MRAD) acknowledges it. Any return not acknowledged by MRAD as "accepted" is considered not filed.

On an Original Filing, the electronic record must be submitted within 72 hours of receipt of initial taxpayer's information. If the preparation, collection or submission procedures result in built-in delays in submitting taxpayer returns, you must advise the taxpayer in writing at the time of the initial contact with the taxpayer for your services.

Electronic return records returned in error must be resubmitted within 24 hours of the Maryland electronic rejected acknowledgement. EROs must call the Maryland help desk within 24 hours should errors occur three times for the same return. Errors in filing, as determined by error acknowledgements, must be cleared within three days. MRAD monitors the timeliness of the error correction process when an error acknowledgement is sent. Failure to provide timely correction or erroneous returns can cause a revocation of privileges.

If an electronic acknowledgement has not been received within 48 hours of our scheduled downloads for any transmitted return, the ERO should contact the Maryland help desk for further instructions. It is the responsibility of the ERO to ensure that every return filed electronically is acknowledged as accepted.

### **Amended Filings**

After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted or changed in any manner. If either the ERO or taxpayer wished to change any entries on an accepted electronic return, an amended paper return must be filed. Name, address and social security number errors may be corrected for future filings by contacting Taxpayer Services at 410-260-7980 or 1-800-638-2937.

### **Electronic Filers with Branch Offices**

Electronic filers with branch offices must follow the same rules and guidelines specified in the Handbook for Electronic Filers of Income Tax Returns IRS Publication 1345.

### **Transmitters**

Transmitters who transmit the Federal/State e-File return package to IRS and retrieve state acknowledgements from the IRS EMS must pass a test to ensure they have the ability to transmit and retrieve. Transmitters should contact the Maryland help desk prior to sending their test and again after they have successfully transmitted their test and retrieved their acknowledgment.

Transmitters must transmit electronic returns and retrieve acknowledgements in a timely manner. If the transmitter is not acting as the ERO, the transmitter is responsible for providing acknowledgements to the ERO within two days after receipt of acknowledgement. Failure to do so could lead to suspension from the Maryland Program.

Transmitters must follow all instructions in this publication and ensure the security of all return data and information. Acknowledgment files received must be retained for one year after transmission and may be retained electronically.

## **Software Developers**

Software Developers must pass testing with Maryland to ensure that their software adheres to Maryland record specifications and to ensure that they can successfully transmit to and retrieve acknowledgments from the IRS EMS. Software Developers should contact the Maryland help desk prior to sending their first test and again after they have successfully transmitted their test and retrieved their acknowledgments.

Software Developers must follow all instructions in this publication as well as the Maryland Record Specifications and the Maryland Test Booklet.

Software errors which cause electronic returns to be rejected that surface after testing has been completed should be quickly corrected to ensure the EROs have the ability to timely file their electronic returns. Software updates related to software errors should be distributed promptly to users together with any documentation needed.

## **Confidentiality**

Under Section 13-1019 of the Maryland Tax General Article, "Any Income Tax Return Preparer who discloses information in violation of (section) 13-207 of this title is guilty of a misdemeanor and, on conviction, is subjected to a fine of not less than \$500 or more than \$10,000."

## **Advertising Standards**

Electronic filers shall comply with the advertising media communication and endorsement restrictions specified in the Internal Revenue Service Revenue Procedure for electronic filing of Personal Income Tax Return, Publication 1345, as it may apply to Maryland.

Acceptance in the electronic filing program does not imply an endorsement by the Comptroller of Maryland. Therefore, any public communication that refers to a user's electronic filing capabilities, whether through publication or broadcast, must clearly indicate acceptance of the user for electronic filing and does not constitute an endorsement or approval of quality of tax preparation services provided by the Comptroller of Maryland. No advertisement may state or infer that electronic filing changes in any way the filing, payment, or legal obligations of the taxpayer. Please be conservative in advertising refund times.

## **Monitoring**

The Revenue Administration Division will monitor the quality of filer transmission. Accepted returns will be monitored along with rejects, errors, timely resolution of errors and other defects.

If quality deteriorates, the electronic filer will receive a warning, or in extreme cases, a letter suspending the electronic filer from electronic filing. When suspended, the ETIN/EFIN authorization will be inactivated and further processing of electronic returns suspended.

Electronic filers are expected to place taxpayers first in providing return preparation and transmission services. Regardless of changes in business addresses, company names, telephone numbers, organization, or personnel, taxpayers must always have convenient access to their returns. This includes but is not limited to access to current status of the return and access to organization representatives to resolve any questions or concerns.

The Revenue Administrative Division will advise electronic filers of problems originating in branch offices. If there are repeated or continuing problems, the "parent" electronic filer will be required to drop that office from the program. Failure to take corrective action will lead to the initiation of suspension against the "parent" electronic filer. If suspension action is initiated, it will apply to all returns filed by an electronic filer, including all branches.

### **Suspension**

The Revenue Administration Division reserves the right to suspend or revoke the electronic filing privileges of any electronic filer who varies from the Maryland requirements and specifications.

### **Administrative Review**

Any applicant or filer who has been denied or suspended from participation in the Electronic Filing Program may request an administrative review within 30 days from the date of denial or suspension. All requests should be mailed to:

Director, Revenue Administration Division; Attn.:  
e-File Appeal  
Comptroller of Maryland  
110 Carroll St.  
Annapolis, Maryland 21411-0001

# SECTION 2: FILE SPECIFICATION

## CHAPTER 5 - FILE FORMAT

### General Description

The Federal State Electronic Filing System Contains two record types, Generic and Unformatted, which are sent to the state in ASCII format. The state of Maryland will only accept formats, as indicated below for those participating in Federal/State Electronic Filing. All rules for the electronic submission are in accordance with the IRS as published in the "State Handbook for Federal/State Electronic Filing."

The Generic Record is required for the state return. Only one Generic Record is allowed per state return packet. The Generic Record of the state packet must contain the Maryland 502 or 505. Maryland will not use the IRS Consistency Section of the generic Record. (See the Maryland Form 502 or 505 Record Layouts for the Generic Record Format).

The Unformatted Record area of the state packet will contain the required supporting forms in the sequence specified.

Submission of the Maryland tax return supporting tax documents (see Maryland Electronic Return Record Layouts) in the Unformatted Record utilizes the following:

A. Delimiters of:

Braces ({&}) to contain the field IDs

Exclamation marks (!!!!) for the Start Sentinels

Dollar sign (\$) as the Terminus

B. Each 80-byte string headed by its respective line number, field identifier.

The unformatted section may contain up to nine unformatted records each consisting of 60 bytes of header information, 4,800 bytes of data and one byte of the record terminus. The "Data Section" of this record is used to send the supporting tax forms only concatenated in the sequence as indicated by our specifications for electronic filing. More than one unformatted record may be required to accomplish this. Up to nine 4,861 byte records are allowed to transmit the state data, allowing for 43,200 bytes of tax data, each on filled to 4,861 bytes before the next record is used.

Note: There must be no spaces between '\$' (end of form indicator) and the byte count of the next form.

A tax return consists of a variable number of variable field records. Each record represents one form, attachments, or schedule.

Addendum forms are used when there is not enough space available on the regular Forms 502 and 505 or schedule records. In this case, variable length addendum forms can be added after the tax records in the sequence below. The complete tax return must consist of the Form 502 or 505 record followed by the corresponding attachments and schedules, if present, in the following sequence:

### **Requested Sequence Order**

Form 502	Form 505
Form 502CR	Form 505NR
Form 502 UP	Form 502 CR
Form 1099G/MD	Form 502UP
Form 500CR	Form 1099G/MD
Form 502INJ	Form 500CR
Form ADD	Form 502INJ
Form W-2	Form ADD
Form W-2G	Form W-2
Form 1099R	Form W-2G
	Form 1099R

## **CHAPTER 6 - CHARACTER SET**

### **Special Data Characters**

The following Special Data Characters will be accepted by the IRS Electronic Filing program in the Name Line but are not valid with the Maryland electronic filing program:

- Ampersand (&)
- Percent (%)
- Comma (,)
- Plus sign (+)
- Less-than (<)
- Slash (/)

The use of the above characters in the Name Line may cause a reject condition by the Maryland tax processing system and thus cause a delay in issuing the refund check.

## **CHAPTER 7 - ACKNOWLEDGEMENT FORMAT**

### **Acknowledgement System**

Maryland uses the IRS Electronic Management System (EMS) to post state acknowledgements for both testing and production, with the standard 120 byte state ack record format.

The Maryland acknowledgement system will issue two return status codes, "A" for Accepted and "R" for Rejected. The "A" accepted acknowledge indicates that the state return has been received and has passed the state e-filing program's initial edits. It does not indicate that the return has completed processing. After a state e-File return has been initially edited and the "A" acceptance acknowledgement has been sent, the return is further edited in the state's mainframe processing system for other error conditions that could delay processing of the return. The "R" rejected acknowledgement indicates that the entire return has been rejected. The return must be corrected and retransmitted as a State-Only return through the Federal/State system, or a paper return may be filed. Each rejected acknowledgement will include one or more ACKR records indicating the error conditions that caused the rejection. Reject codes contained in the ACKR record can be found at [www.marylandtaxes.com](http://www.marylandtaxes.com).

Transmitters should contact the Maryland e-File help desk if the state acknowledgement file has not been made available within three business days after the return was transmitted. Please make sure that you have received an IRS acknowledgement before contacting the Maryland e-File help desk. Transmitters, EROs and Software Developers can reach the Maryland e-File help desk by telephone at 410-260-7753, Monday through Friday, 8:00 a.m. until 5:00 p.m. EST. Please have the primary Social Security number and the date of the transmission available when calling. If an e-File return was acknowledged by Maryland, but not received by the transmitter, the transmitter can request IRS to rehang the acknowledgement file.

## **CHAPTER 8 - DATA VALIDATION**

### **Data Validation**

All money fields are signed numeric. All numeric non-money fields except for certain percentage fields are unsigned numeric.

There is a 35- byte limitation on Address lines.

The last digit of the numeric field contains the sign of the number if negative only (sign trailing separate). All alphabetic fields must be uppercase.

# **SECTION 3: SOFTWARE DESIGN INFORMATION**

## **CHAPTER 9 - OVERVIEW**

### **System Operation**

The IRS will extract the Maryland state returns with the accompanying forms from the IRS's Federal/State returns file. After the file has been retrieved by the state, it will be passed through the state's standard electronic filing validation procedure. During that processing, an acknowledgement will be sent to the transmitter via the IRS EMS State Acknowledgement System.

After the return passes all the required validations, it will be released to the main processing system. Rejected returns will be acknowledged with error codes.

Form EL101, the Maryland Income Tax Declaration for Electronic Filing

### **Form EL101 and the ERO**

EROs must complete Form EL101 and have it signed by the taxpayer(s) before electronic transmission of the return can take place. It is necessary for the ERO to complete the taxpayer's return prior to completing Form EL101 because some of the information needed to complete the Form EL101 is taken directly from the return, and because the taxpayer(s) must review both the completed Form EL101 prior to signing the Form EL101. Both taxpayer signatures are required on a joint return.

An ERO may accept a fax copy of Form EL101 from the taxpayer if the taxpayer is unable to complete the review of the return and the Form EL101 in the ERO's office.

After the ERO has received the completed and signed Form EL101 from the taxpayer, the taxpayer's return can be electronically transmitted. By transmitting the electronic portion of the return, the ERO certifies that Form EL101 has been completed.

The ERO will maintain a signed copy of all Forms EL101 with applicable attachments for all returns electronically filed for a period of three years. These forms will be subject to verification by MRAD. When requested by MRAD, the ERO is required to forward copies of Form EL101 with attachments to MRAD, within 10 business days. An ERO who prefers to maintain a paperless office may scan the Form EL101 with attachments and save them electronically as long as the ability to reproduce the documents, if requested by MRAD, is retained.

## **Form EL101 and the Online Software Developer**

Form EL101, Maryland Income Tax Declaration, is used as a signature document for all taxpayers who prepare their own return using professional online software, who do not use the federal PIN as their signature on the state return.

If an online return is being filed for a single taxpayer who uses the federal PIN on their federal return and chooses to also use the federal PIN to sign their Maryland return, the software must insert the five-digit self selected federal PIN into the Primary Taxpayer MD PIN field. (For a joint return, the software must also insert the five-digit numeric self selected federal PIN in both the Primary Taxpayer MD PIN field and the Secondary Taxpayer MD PIN field).

If an online return is being filed for a single taxpayer who does not use a federal PIN on their federal return, or chooses not to use the federal PIN to sign their Maryland return, the software must insert "KEEPEL101" in the Primary Taxpayer MD PIN field (on a joint return not using the federal PIN, "KEEPEL101" must be inserted into both the Primary Taxpayer MD PIN field and the Secondary Taxpayer MD PIN field). The software must generate signature Form EL101 for the taxpayer, advising the taxpayer(s) to sign and retain the form with their records for a period of three years along with any applicable attachments, and make it available to MRAD only if requested by MRAD. The taxpayer(s) are not required to submit Form EL101 to MRAD unless specifically requested to do so by MRAD.

## **CHAPTER 10 - MANDATORY SOFTWARE REQUIREMENTS**

### **Overview**

This section describes the requirements all software preparers must comply with in order for their software to be approved by the state of Maryland.

Software Companies are required to contact the Maryland Revenue Administration Division (MRAD) help desk to obtain a Maryland Software Identification Number (MSIN). Each software package developed by a software company must have a unique MSIN hard coded into the product for identification purposes to assist the Maryland e-File help desk to quickly identify program problems during production processing.

Software Developers can submit test returns individually or as a complete package during the testing process. However, for final approval from Maryland, the Software Developer must transmit all test returns, in one single transmission, without any error. When this condition is completed, and the Software Developer has retrieved the final acknowledgment, the Developer should alert the Maryland e-File help desk. The Maryland Analyst will then perform a final review of the test submission. If the test meets all conditions, the Software Developer will receive an email indicating that the electronic portion of the test is complete. Additionally, they will receive instructions to submit the following paper documentation for final approval.

For final approval, the Software Preparer must send to MRAD, Electronic Filing:

- A copy of the acknowledgment forwarded to inform the taxpayer whether the return was accepted or rejected by the state and on the method required for retransmission of the correct return.
- A copy of the instruction provided to the transmitter instructing them on the operation of their software and the process required to upload files and download acknowledgements.
- A copy of the Form EL102 Income Tax Payment Voucher which must be automatically generated by their system for every balance due return. A copy of the instruction must also be generated with the Form EL102 instructing the taxpayer to send a payment by April 15, 2010, must also be included.
- A copy of Form EL101 Maryland Income Tax Declaration for Electronic Filing, with instructions, as generated by their system.
- A copy of all documentation associated with the production of online returns. This must include instructions to taxpayers who do not use the federal PIN to sign their Maryland return must complete and retain For EL101 to file online and the Online Filing Consent to Disclosure and Perjury Statement.

### **Online Filing Consent to Disclosure and Perjury Statement**

Taxpayers who file a Maryland electronic return using online tax software (either packaged or available online), must be given the option of signing their return electronically or via the paper EL101 Form. To sign electronically, the taxpayer may use the same five-digit self selected PIN that they used to sign their federal return. Online software must include the following content and provide it to the online taxpayer upon completion of the Maryland return prior to electronic transmission:

Before electronically filing your return, you must read and agree to the Maryland "Tax Return Signature" presented below. This legal agreement allows the state of Maryland and "name of Software Company" to process you return electronically.

Under penalties of perjury, I declare that I have examined this return, including any accompanying statements and schedules and, to the best of my knowledge and belief, it is true, correct, and complete.

I consent to allow my Intermediate Service Provider, Transmitter, or Electronic Return Originator (ERO) to send my return to the state of Maryland and to receive the following information from the state of Maryland: 1) acknowledgment of receipt or reason for rejection of transmission; 2) refund offset; 3) reason for any day in processing or refund; and, 4) date of any refund.

I am signing my Maryland Tax Return by entering the same five-digit Self-Select PIN that I used for my federal return filing.

## Attachment 1

### Street Address Abbreviations

The standard address abbreviations listed below are presently used in electronic filing. Please use them when participating in the "Maryland Electronic Filing Income Tax Return Program."

Punctuation marks are not to be used when abbreviating a word or phrase. Use of the following signs will cause returns to be rejected: (.) Period, (\*) Asterisk, (#) Pound Sign.

Statements 1 and 2 are patterned in accordance with IRS standard conventions for electronic income tax return submission.

<u>Word</u>	<u>Abbreviation</u>
Drive	DR
East	E
General Delivery	Gen Del
Highway	HWY
Lane	LN
North	N
Northeast	NE
Northwest	NW
One-Half	½
(All fractions space before & after the fraction, e.g. 1012 ½ ST.)	
Parkway	PKY
Place	PL
Post Office Box	PO BOX
Route, Rate.	RT
Road	RD
R.D., Rural Delivery,	R D
R.F.D., R.R.,	
Rural Route	
South	S
Southeast	SE
Southwest	SW
Street	ST
Terrace	TER
West	W

## Attachment 2

### State abbreviations and zip codes

<u>State</u>	<u>Abbreviation</u>	<u>ZIP Code</u>
Alabama	AL	350xx-369xx
Alaska	AK	995xx-999xx
Arizona	AZ	850xx-865xx

Arkansas	AR	716xx-729xx
California	CA	900xx-966xx
Colorado	CO	800xx-816xx
Connecticut	CT	060xx-069xx
Delaware	DE	197xx-199xx
District of Columbia	DC	200xx-205xx
Florida	FL	320xx-342xx, 34450 346xx&349xx
Georgia	GA	300xx-319xx
Hawaii	HI	967xx-968xx
Idaho	ID	832xx-838xx
Illinois	IL	600xx-629xx
Indiana	IN	460xx-479xx
Iowa	IA	500xx-528xx
Kansas	KS	660xx-679xx
Kentucky	KY	400xx-427xx
Louisiana	LA	700xx-714xx
Maine	ME	039xx-049xx
Maryland	MD	206xx-219xx & 20331, 20335, 20390
Massachusetts	MA	010xx-027xx
Michigan	MI	480xx-499xx
Minnesota	MN	550xx-567xx
Mississippi	MS	386xx-397xx
Missouri	MO	630xx-658xx
Montana	MT	590xx-599xx
Nebraska	NE	680xx-693xx
Nevada	NV	889xx-898xx
New Hampshire	NH	030xx-038xx
New Jersey	NJ	070xx-089xx
New Mexico	NM	870xx-884xx
New York	NY	090xx-149xx
North Carolina	NC	270xx-289xx
North Dakota	ND	581xx-589xx
Ohio	OH	430xx-459xx
Oklahoma	OK	730xx-749xx
Oregon	OR	970xx-979xx
Pennsylvania	PA	150xx-196xx
Rhode Island	RI	028xx-029xx
South Carolina	SC	290xx-299xx
South Dakota	SD	570xx-579xx
Tennessee	TN	370xx-385xx
Texas	TX	750xx-799xx
Utah	UT	840xx-847xx
Vermont	VT	050xx-059xx
Virginia	VA	220xx-246xx 20146-20149, 20106,

		20109, 20110, 20112, 20120, 20117, 20119, 20121, 20136, 20151, 20164-20167, 20170, 20171, 20175-20178, 20180, 20185, 20187, 20190-20196, 20301, 20370
Washington	WA	980xx-994xx
West Virginia	WV	247xx-268xx
Wisconsin	WI	530xx-549xx
Wyoming	WY	820xx-831xx
APO Miami	AA	340xx
FPO Miami	AA	340xx
APO New York	AE	090xx-098xx
FPO New York	AE	090xx-098xx
APO San Francisco	AP	962xx-966xx
FPO San Francisco	AP	962xx-966xx
Foreign Country	FC	

### Attachment 3

#### Maryland County 2 Letter Abbreviations

<u>County</u>	<u>Abbreviation</u>	<u>Rate %</u>
Allegany	AL	.0305
Anne Arundel	AA	.0256
Baltimore County	BL	.0283
Baltimore City	BC	.0305
Calvert	CV	.0280
Caroline	CL	.0263
Carroll	CR	.0305
Cecil	CC	.0280
Charles	CH	.0290
Dorchester	DR	.0262
Frederick	FR	.0296
Garrett	GR	.0265
Harford	HR	.0306
Howard	HW	.0320
Kent	KN	.0285
Montgomery	MG	.0320
Prince George's	PG	.0320
Queen Anne's	QA	.0285
St. Mary's	SM	.0300
Somerset	SS	.0315
Talbot	TB	.0225
Washington	WH	.0280

Wicomico	WC	.0310
Worcester	WR	.0125

**Attachment 4**

**Maryland incorporated towns, cities, and special taxing areas with respective county tax rates**

<u>County</u>	<u>County Tax Rate</u>
<b>ALLEGANY COUNTY</b>	<b>.0305</b>
BARTON	
BELAIR	
BOWLING GREEN ROBERT'S PLACE	
CRESAPTOWN	
CUMBERLAND	
ELLERSLIE	
FROSTBURG	
LAVALE	
LONACONING	
LUKE	
MCCOOLE	
MIDLAND	
MT. SAVAGE	
POTOMAC PARK ADDITION	
WESTERNPORT	
<b>ANNE ARUNDEL COUNTY</b>	<b>.0256</b>
ANNAPOLIS	
HIGHLAND BEACH	
<b>BALTIMORE COUNTY</b>	<b>.0283</b>
<b>BALTIMORE CITY</b>	<b>.0305</b>
<b>CALVERT</b>	<b>.0280</b>
CHESAPEAKE BEACH	
NORTH BEACH	
<b>CAROLINE COUNTY</b>	<b>.0263</b>
DENTON	
FEDERALSBURG	
GOLDSBORO	
GREENSBORO	
HENDERSON	

HILLSBORO  
MARYDEL  
PRESTON  
RIDGELY  
TEMPLEVILLE

**CARROLL COUNTY .0305**

HAMPSTEAD  
MANCHESTER  
MT AIRY  
NEW WINDSOR  
SYKESVILLE  
TANEYTOWN  
UNION BRIDGE  
WESTMINSTER

**CECIL COUNTY .0280**

CECILTON  
CHARLESTOWN  
CHESAPEAKE CITY  
ELKTON  
NORTH EAST  
PERRYVILLE  
PORT DEPOSIT  
RISING SUN

**CHARLES COUNTY .0290**

INDIAN HEAD  
LA PLATA  
PORT TOBACCO

**DORCHESTER COUNTY .0262**

BROOKVIEW  
CAMBRIDGE  
CHURCH CREEK  
EAST NEW MARKET  
ELDORADO  
GALESTOWN  
HURLOCK  
SECRETARY  
VIENNA

**FREDERICK COUNTY .0296**

BRUNSWICK  
BURKITTSVILLE  
EMMITSBURG  
FREDERICK  
MIDDLETOWN  
MT. AIRY

MYERSVILLE  
NEW MARKET  
ROSEMONT  
THURMONT  
WALKERSVILLE  
WOODSBORO

**GARRETT COUNTY .0265**

ACCIDENT  
DEER PARK  
FRIENDSVILLE  
GRANTSVILLE  
KITZMILLER  
LOCH LYNN HEIGHTS  
MOUNTAIN LAKE PARK  
OAKLAND

**HARFORD COUNTY .0306**

ABERDEEN  
BEL AIR  
HAVRE DE GRACE

**HOWARD COUNTY .0320**

**KENT COUNTY .0285**

BETTERTON  
CHESTERTOWN  
GALENA  
MILLINGTON  
ROCK HALL

**MONTGOMERY COUNTY .0320**

BARNESVILLE  
BROOKEVILLE  
CHEVY CHASE SEC. 3  
TOWN OF CHEVY CHASE (FORMERLY SEC. 4)  
CHEVY CHASE SEC. 5  
CHEVY CHASE VIEW  
CHEVY CHASE VILLAGE  
DRUMMOND  
FRIENDSHIP HEIGHTS  
GAITHERSBURG  
GARRETT PARK  
GLEN ECHO  
KENSINGTON  
LAYTONSVILLE  
MARTIN'S ADDITION

NORTH CHEVY CHASE  
OAKMONT  
POOLESVILLE  
ROCKVILLE  
SOMERSET  
TAKOMA PARK  
WASHINGTON GROVE

**PRINCE GEORGE'S COUNTY .0320**

BERWYN HEIGHTS  
BLADENSBURG  
BOWIE  
BRENTWOOD  
CAPITOL HEIGHTS  
CHEVERLY  
COLLEGE PARK  
COLMAR MANOR  
COTTAGE CITY  
DISTRICT HEIGHTS  
EAGLE HARBOR  
EDMONSTON  
FAIRMOUNT HEIGHTS  
FOREST HEIGHTS  
GLENARDEN  
GREENBELT  
HYATTSVILLE  
LANDOVER HILLS  
LAUREL  
MORNINGSIDE  
MT. RAINIER  
NEW CARROLLTON  
NORTH BRENTWOOD  
RIVERDALE PARK  
SEAT PLEASANT  
UNIVERSITY PARK  
UPPER MARLBORO

**QUEEN ANNE'S COUNTY .0285**

BARCLAY  
CENTREVILLE  
CHURCH HILL  
MILLINGTON  
QUEEN ANNE  
QUEENSTOWN  
SUDLERSVILLE  
TEMPLEVILLE

**ST MARY'S COUNTY** .0300  
LEONARDTOWN

**SOMERSET COUNTY** .0315  
CRISFIELD  
PRINCESS ANNE

**TALBOT COUNTY** .0225  
EASTON  
OXFORD  
QUEEN ANNE  
ST. MICHAEL'S  
TRAPPE

**WASHINGTON COUNTY** .0280  
BOONSBORO  
CLEARSPRING  
FUNKSTOWN  
HAGERSTOWN  
HANCOCK  
KEEDYSVILLE  
SHARPSBURG  
SMITHSBURG  
WILLIAMSPORT

**WICOMICO COUNTY** .0310  
DELMAR  
FRUITLAND  
HEBRON  
MARDELA SPRINGS  
PITTSVILLE  
SALISBURY  
SHARPTOWN  
WILLARDS

**WORCESTER COUNTY** .0125  
BERLIN  
OCEAN CITY  
POCOMOKE CITY  
SNOW HILL

## Attachment 5

### Allowable relationship abbreviation

<u>Relationship</u>	<u>Abbreviation</u>
Child	CH
Grandchild	GC
Grandparent	GP
Parent	PT
Brother	BR
Sister	SR
Aunt	AT
Uncle	UL
Nephew	NP
Niece	NC
Son	SN
Step-Son	SS
Daughter	DT
Step-Daughter	SD
None	NN
Other	OT

Note: When indicating the individual relationship in the exemption section on the Maryland Form 502, or Maryland Form 505 please use the above abbreviation table for relationship identification for the Maryland electronic filing program.

## Attachment 6

### Resident Return Deduction Method - N

The letter "N" is entered in the "Deduction Method" field instead of "S" or "I" to indicate a special "Non-Taxable" return (less than the minimum-filing requirement). For "Non-Taxable" returns only, lines 19 to 24 are edited for blank and numeric values only. However, if line 43

(refundable earned income credit) is present line 25 and 32 must also be present. Any errors in the use of code "N" may cause a delay and possibly a reduction in the refund. Do not use where poverty level income creates the nontaxable condition.

A contribution to the Chesapeake Bay Fund, Maryland Cancer Fund and Fair Campaign Financing Fund may be entered on lines 37-39 even though the Deduction Method is "N". In this case the contribution will be accepted and the amount of refund issued as requested unless tax liabilities exists.

### **Nonresident Deduction Method - N**

The letter "N" is entered in the "Deduction Method" field instead of "S" or "I" to indicate a special "Non-Taxable" return (less than the minimum-filing requirements). For "Non-Taxable" returns only, lines 26 to 32c are edited for blanks and numeric values only. However, if line 45 (refundable earned income credit) is present line 33 and 34 must also be present. In addition, if line 47 (refundable personal income tax credit) is present, line 35 must also be present. Any errors in the use of code "N" may cause a delay and possibly a reduction in the refund. Do not use where poverty level income creates the nontaxable condition.

A contribution to the Chesapeake Bay Fund, Maryland Cancer Fund and Fair Campaign Financing Fund may be entered on lines 39-41 even though the Deduction Method in "N". In this case the contribution will be accepted and the amount of refund issued as requested unless tax liabilities exists.

## **Attachment 7**

### **Local wages/tax**

The federal W-2 paper forms received by taxpayers from employers sometimes differ in the way Maryland withholding is reported.

Maryland will honor state income tax withheld and state wages entries when the state name is "MD" in one entry only; otherwise, the W-2 will be disregarded for withholding purposes.

## **Attachment 8**

### **State Pickup Amount**

This amount is the sum "picked up" by the state of Maryland toward an employee's personal retirement fund. It is a taxable amount for Maryland purposes and should be reported on the Form W-2 in box 14 (other deductions/benefits amount). In addition, the word "STPICKUP" is to appear in box 14 (other deductions/benefits type). The validation for the "State Pick-up Amount" is:

- May be numeric, equal to zeroes, or blank.

- If greater than zero, the total of the state pick-up amounts on all W-2s must be equal to the amount on line 3 of Maryland Form 502 or must be included on line 19 of Maryland Form 505 with the letter "G" in the code letter box.

## Attachment 9

### Tax Computation for Part-year Resident (Form 502)

Part-year resident returns must have their deductions prorated by multiplying them by the Maryland Income Factor. To obtain the Maryland Income Factor, divide line 18 (Form 502) by line 1 (Form 502). If line 18 is negative or zero, Maryland Income Factor is .0000. If line 18 is positive and line 1 is negative or zero, Maryland Income Factor is 1.000. The value cannot exceed 1.000. If greater than 1.000, use 1.000. Round the factor to four decimal places. Example:  $.778265 = .7783$ .

If **itemized deduction** method is used, prorate the itemized deductions (line 19):

Net		Maryland		Maryland
Itemized	X	Income	=	Itemized
Deductions		Factor		Deductions

If **standard deduction** method is used, prorate the standard deduction (line 19):

Full		Maryland		Prorated
Standard	X	Income	=	Standard
Deduction		Factor		Deduction

Prorate the **exemptions** (line 21) amount:

Total		Maryland		Prorated
Exempt	X	Income	=	Exemption
Amount		Factor		Amount

To prorate the **earned income credit** and **poverty level credit** (if any), use the Maryland Income Factor.

½ Federal		Maryland		Prorated MD
Earned	X	Income	=	Earned
Income		Factor		Income Credit
Credit				Line 25 (502)

Poverty		Maryland		Prorated MD
Level	X	Income	=	Poverty Level
Credit		Factor		Credit
From Line 5				Line 26 (502)
Of Worksheet				

### Tax Computation for Non-Resident (Form 505).

Non-resident returns must have their deductions prorated on Form 505 by multiplying them by the AGI Factor. To obtain AGI Factor, divide Line 25 (505) by Line 17, Col. 1 (505). If line 25 is negative or zero, AGI Factor is .0000. If line 25 is positive and line 17, Col. 1 is negative or zero, AGI Factor is 1.000. The value cannot exceed 1.000. If greater than 1.000, use 1.000. Round the factor to four decimal places. Example:  $.77123 = .7712$

If **itemized deduction** method is used, prorate the itemized deductions (Line 26):

$$\begin{array}{rcl} \text{Net} & & \text{AGI} \\ \text{Itemized} & \times & \text{Factor} \\ \text{Deductions} & & = \\ & & \text{Maryland} \\ & & \text{Itemized} \\ & & \text{Deductions} \end{array}$$

If **standard deduction** method is used, prorate the standard deduction (Line 26):

$$\begin{array}{rcl} \text{Full} & & \text{AGI} \\ \text{Standard} & \times & \text{Factor} \\ \text{Deduction} & & = \\ & & \text{Prorated} \\ & & \text{Standard} \\ & & \text{Deduction} \end{array}$$

Prorate the **exemptions** (Line 29) amount:

$$\begin{array}{rcl} \text{Total} & & \text{AGI} \\ \text{Exempt} & \times & \text{Factor} \\ \text{Amount} & & = \\ & & \text{Prorated} \\ & & \text{Exemption} \\ & & \text{Amount} \end{array}$$

To prorate the **earned income credit** and **poverty level credit** (if any), use the AGI Factor.

$$\begin{array}{rcl} \frac{1}{2} \text{ Federal} & & \text{AGI} \\ \text{Earned} & \times & \text{Factor} \\ \text{Income} & & = \\ \text{Credit} & & \text{Prorated MD} \\ & & \text{Earned} \\ & & \text{Income Credit} \\ & & \text{Line 33 (505)} \end{array}$$

$$\begin{array}{rcl} \text{Poverty} & & \text{AGI} \\ \text{Level} & \times & \text{Factor} \\ \text{Credit} & & = \\ \text{From Line 5} & & \text{Prorated MD} \\ \text{Of Worksheet} & & \text{Poverty Level} \\ & & \text{Credit} \\ & & \text{Line 34 (505)} \end{array}$$

### Tax Computation for Non-Resident (Form 505 when Form 505NR included)

Non-resident returns must have their deductions prorated on Form 505NR by multiplying them by the Maryland Income Factor. To obtain Maryland Income Factor, divide Line 8 by Line 3 (505NR). If line 8 is negative or zero, Maryland Income Factor is .0000. If line 8 is positive and line 3 is negative or zero, Maryland Income Factor is 1.000. The value cannot exceed 1.000. If greater than 1.000, use 1.000. Round the factor to four decimal places. Example:  $.67345 = .6735$

If **itemized deduction** method is used, prorate the itemized deductions (Line 10b):

$$\begin{array}{rcl} \text{Net} & & \text{Maryland} \\ \text{Itemized} & \times & \text{Income} \\ & & = \\ & & \text{Maryland} \\ & & \text{Itemized} \end{array}$$

Deductions	Factor	Deduction
Line 26d (505)		

If **standard deduction** method is used, prorate the standard deduction (Line 10a):

Standard	Maryland	Prorated
Deduction X	Income =	Standard
Line 8a (505NR)	Factor	Deduction

Prorate the **exemptions** (Line 12) amount:

Exempt	Maryland	Prorated
Amount X	Income =	Exemption
Line 28 (505)	Factor	Amount

Prorate the **earned income credit** and **poverty level credit** (if any), use the Maryland Income Factor:

½ Federal	Maryland	Prorated MD
Earned X	Income =	Earned
Income	Factor	Income Credit
Credit		Line 33 (505)

Poverty	Maryland	Prorated MD
Level X	Income =	Poverty Level
Credit	Factor	Credit
From Line 5		Line 34 (505)
Of worksheet		

The Maryland tax for Non-resident returns must be calculated as Line 14 (505NR) multiplied by Maryland Non-resident Factor. To obtain Maryland Nonresident factor, divide Line 13 (505NR) by Line 1 (505NR). If line 13 is negative or zero, Maryland Nonresident factor is .0000. If line 13 is positive and line 1 is zero, Maryland Nonresident Factor is 1.000. The value cannot exceed 1.000. If greater than 1.000, use 1.000. Round the factor to four decimal places. Example: .61002 = .6100.