



2011

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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SECTION 1: INSTRUCTIONS FOR ELECTRONIC FILING

IMPORTANT MESSAGE:

FILING SEASON 2012 IS THE LAST YEAR FOR STATE OF MD LEGACY 1040 E-FILE PROGRAM. THE IRS IS ON SCHEDULE TO PERMANENTLY SHUTDOWN (RETIRE) THE LEGACY 1040 E-FILE SYSTEM IN OCTOBER 2012.

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 Personal EMS e-File Handbook 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.

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 also in effect for the Maryland program.

To obtain information on federal electronic filing requirements or to obtain IRS Publication 1345 and its supplement, contact the IRS e-File Help Desk toll-free at 1-866-255-0654 or visit the IRS website at www.irs.gov.

MRAD looks forward to your participation in our e-File program.

NEW FOR TAX YEAR 2011

- New Form **502B** Maryland Dependents Information
- New Form **505SU** Maryland Nonresident Subtractions from Income
- New subtraction code 'xa', 'xb' and 'ii' on Form 502 from Form 502SU (see Tax booklet Instruction 13).
- Mandatory requirement to register with Department of Labor, Licensing and Regulation
- All tax returns are due April 17, 2012
- Baltimore City local tax rate changed to .0320

MANDATORY INCOME TAX PREPARER REGISTRATION

New regulations require that paid preparers who prepare individual Maryland income tax returns register with the Maryland Department of Labor, Licensing and Regulation, Division of Occupational and Professional Licensing. The holding of a current, valid federal PTIN is the primary credential required for the Maryland registration. For more information concerning how to register, fees and exemptions go to <http://dllr.maryland.gov/license>.

MANDATORY INCOME TAX PREPARER REQUIREMENT

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 Acts 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, 2010**, a preparer who has prepared more than **100 qualified returns in the prior taxable year is required to file their returns electronically.**

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 taxpayers' 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 request a written request 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 waiver should be mailed to:

Revenue Administration Division
Electronic Processing Section
PO Box 2364
Annapolis, MD 21404

Waiver requests may also be emailed to 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 mailed to:

Director, Revenue Administration Division
Tax Preparer e-File Appeal
PO Box 1829
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.

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.

INTERNATIONAL ACH TRANSACTIONS – FOREIGN ACCOUNT INDICATOR

We are required to implement a format in all programs involving electronic funds transfer through the National Automated Clearing House Association (NACHA) network. This NACHA rule is being implemented at the request of the US 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.

To comply with these 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 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 2011. 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.

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 the supporting documentation or certifications for electronic returns can be attached to Form EL101 signature document, retained by the return preparer and taxpayer and made available to MRAD only when specifically requested. However, certain credits allowed on an electronic return require the supporting documentation and certification(s) to be emailed or mailed to the e-File Office of the Comptroller of Maryland once the electronic return has been accepted.

When submitting required supporting documentation and certification(s), include the Form EL101 as the cover sheet with the taxpayer name(s), social security number(s) and name of the credit for which the certification is being submitted.

The preparer or taxpayer has fourteen (14) calendar days to forward the Form EL101 and requested certification form(s) either by email to cert@comp.state.md.us, fax 410-974-2274 or by mail to:

Revenue Administration Division
Electronic Processing Section
PO Box 2364
Annapolis, MD 21404

The address listed above should be used only for certification(s) and supporting documents required for the tax year 2011 e-File return.

Once the EL101 and certification(s) are received, the e-File Help Desk will forward them for review and the processing of the return will be completed.

If the certification(s) has not received after fourteen (14) days, the credit will be denied and a notice of tax due will be sent.

The certification(s) and supporting documentation required to be submitted by mail, fax or email to MRAD after the e-File return's acceptance are:

- Form 502CR Part H, Line 2 - Heritage Structure Rehabilitation Credit and Sustainable Community Credit. Submit Form 502H or Form 502S and a copy of the Certification Application (Part 3) approved by Maryland Historical Trust.
- 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 – Flow-through Nonresident PTE Tax. Submit Form 510 Schedule K-1 or other statement showing the credit passing through from the PTE if not part of the electronic submission. Submit Form 504 Schedule K-1 from an 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 Form 510 Sch K-1 or other statement from the pass-through entity if K-1 or other statement is not part of electronic submission.
- Form 500CR Part D - Job Creation Tax Credit. Submit a copy of the required Department of Business and Economic Development certification.
- Form 500CR Part E - Community Investment Tax Credit. Submit a copy of the required approval from Department of Housing and Community Development.
- Form 500CR Part H – Work-Based Learning Program Credit. Submit a copy of the required State Department of Education certification.
- Form 500CR Part K - Research and Development Tax Credit. Submit a copy of the required DBED certification.
- Form 500CR Part L - Biotechnology Investment Incentive Tax Credit - Refundable. Submit a copy of the required DBED certification.
- Form 500CR Part N - Clean Energy Incentive Tax Credit - Refundable. Submit a copy of the required MD Energy Administration certificate.
- Form 500CR Part O - Maryland Mined Coal Tax Credit. Submit a copy of the required Department of Assessments and Taxation certification.
- Form 500CR Part P - One Maryland Economic Development Tax Credit - Refundable. Submit a copy of the DBED 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 from MEA.
- Form 500CR Part R – Bio-Heating Oil Tax Credit. Submit a copy of required MEA certification.
- Form 500CR Part S – Cellulosic Ethanol Technology Research and Development Tax Credit. Submit a copy of required DBED certification.
- Form 500CR Part T – Job Creation and Recovery Tax Credit - Refundable. Submit a copy of Department of Labor Licensing and Regulation required certification.

- Form 500CR Part U – Maryland Film Production Employment Tax Credit. Submit a copy of required DBED certification.
- Form 500CR Part V – Electric Vehicle Recharging Equipment Tax Credit. Submit a copy of required MEA certification.

Note: Any supporting documentation other than what is listed above will continue to be attached to the Form EL101, retained by the return preparer and taxpayer either in paper form or electronically. Only send this documentation to MRAD when specifically requested.

IMPORTANT INFORMATION

Maryland begins accepting test returns from software developers on November 15, 2011 in conjunction with IRS PATS testing.

Maryland begins accepting production electronic returns from EROs and software companies in January 2012 in conjunction with IRS live production.

Returns failing 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 of 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 Maryland 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 State validations, the ACK Key Record (Field 0050) will have an "R" for rejected.

The 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 valid ITIN (the first digit is '9', and the fourth and fifth digits are in range from '70'-'88', '90'-'92', or '94'-'99') 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 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 their spouse when filing as head of household (HOH) or married filing separately (MFS).

Personal income tax returns are due by April 17th, 2012. If the return is for a fiscal year taxpayer, they are due on the 15th day of the fourth month following the close of the fiscal year. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed the next business day.

If filing and paying electronically (credit card, direct debit/electronic funds withdrawal), the return is due by April 17th. However, they have until April 30th to make their electronic payment (If you file electronically and pay by check, your payment is due by April 17th).

WHO MAY 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 prepares them for electronic transmission using tax return preparation software that has been approved by the IRS and the MRAD. 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

Maryland participates with the Federal/State EMS Electronic Filing Program; the requirements of both the IRS and the State of Maryland must be met.

When applying 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 accepted into the Federal e-File program, the IRS issues the applicant an Electronic Filer Identification Number (EFIN). The holder of a valid EFIN is automatically accepted into the Maryland program and no additional applications needed provided the software being used has been approved by Maryland.

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

- If a company is required to be registered to do business in MD, but is not.
- If a company has any outstanding liabilities with MD.
- If a company fails to adhere to either the Federal or State e-File program requirements or specifications.

- If a company does not consistently transmit error free returns.
- If a company uses unethical practices when preparing returns.

SOFTWARE ACCEPTANCE

The software used to transmit electronic tax data must be approved by both the IRS and 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 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. Contact the Forms Coordinator at 410-260-7605 to begin form(s) 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 EMS Personal e-File Test Booklet.

PUBLICATIONS

The following publications are available at www.marylandtaxes.com for your assistance:

- Maryland Personal EMS e-File Handbook, Test Package, Record Layout & Error Table
- Maryland Tax Forms and Instructions for Residents and Nonresidents (instruction booklets)

MARYLAND ELECTRONIC IDENTIFICATION NUMBERS

The Maryland Electronic Filer Identification Number will be the same as the six-digit EFIN assigned by the IRS.

The Maryland Electronic Transmitter Identification Number is the same number as the five-digit ETIN assigned by the IRS.

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

Maryland receives a weekly update from the IRS Applicant Database, which lists all active IRS EFINs.

e-File HELP DESK

Any Tax Practitioner, ERO, Transmitter and/or Software Developer who needs assistance may contact the Maryland e-File Help Desk at 410-260-7753, Monday through Friday, between 8:00 am and 5:00 pm EST. An email request may be sent to efil@comp.state.md.us or mail to:

Comptroller of Maryland
Revenue Administration Division
Electronic Filing Unit, Room 214
110 Carroll St.
Annapolis, MD 21411-0001

Downloadable state forms and other information for electronic tax providers and e-File program participants can be found at www.marylandtaxes.com.

If a Maryland return rejects due to error, the ERO should compare the four-digit numeric error code received to the list of error codes found in the 2011 Error Table for Maryland Electronic Filing to determine the area of the return that needs attention. If an ERO cannot resolve the error(s) contact the e-File Help Desk.

Do not distribute the e-File Help Desk telephone number to your clients (taxpayers). This telephone number is provided as a courtesy to EROs. Distributing this telephone number to the public can cause delays in assisting the EROs it was established to help. Preparers and taxpayers (clients) who need assistance may contact Taxpayer Service at 410-260-7980 or toll-free 1-800-638-2937 after ten (10) days from the date the ERO has received an accepted acknowledgement for their return.

Preparers and taxpayers can check the status of their refund at www.marylandtaxes.com or call the automated refund inquiry hotline at 410-260-7701 or toll-free at 1-800-218-8160.

CHAPTER 2 - THE FILING PROCESS

What Can Be Transmitted Electronically

A Maryland electronic return consists of data transmitted as well as supporting paper documents. An electronic return contains much of the same information as a comparable paper filed return.

Following is a list of all forms that Maryland accepts electronically. Software developers are not required to support all Maryland forms. A form with an asterisk (*) is considered required. The forms which do not contain the asterisk are considered optional at the discretion of the software developer. Take this into consideration when purchasing software and verify with your software company that they 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
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
Form 502SU	Maryland Subtractions from Income (with 502 Form only)
Form 588	Direct Deposit of Maryland Income Tax Refund to More than One Account
Form 510 SCH K-1	Maryland Pass-Thru Entity Member's Information
Form 502B	Maryland Dependents Information
Form 505SU	Maryland Non-resident Subtractions from Income (with 505 Form only)
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 duplicates of a filed paper returns.
- 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.
- Returns with Federal Form 1310 – Refund due a deceased taxpayer
- 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
 - 1 - 588 form
 - 1 - 502SU form
 - 10-510 Schedule K-1s
 - 50-W-2 forms
 - 30-W-2G forms
 - 20-1099-R forms
 - 10-1099G/MD forms
 - 10-502CR 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 given to all taxpayers who electronically file a balance due return without a direct debit. A taxpayer who chooses to pay their liability by check or money order should send Form EL102 with their remittance to: Revenue Administration Division, PO Box 2601, Annapolis, MD 21404. The 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 for MRAD verification
- 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(s), address, and social security number(s) in the spaces provided on the form. The following areas may also 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 fund(s) withdrawal (direct debit) for their balance due. Check to indicate whether the account(s) are either a checking or savings account and complete the routing and account number information. The routing and account numbers must be the same as reported on the electronically return.
- Part III, Declaration of Taxpayer, must contain the taxpayer(s) signature. The Electronic Return Preparer must obtain the signature(s) of the taxpayer(s) prior to transmitting the electronic return to MRAD.

If an Electronic Return Preparer changes the electronic tax data after the taxpayer(s) signature(s) have been obtained on Form EL101, but before transmission of the electronic return to the MRAD, a new Form EL101 must be prepared for the taxpayer(s). However, a new Form EL101 is not necessary if:

- None of the dollar amounts included on the Form EL101 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.
- Changes are limited to corrections within the above tolerances for arithmetic errors, transposition errors, misplaced entries and spelling errors.

- Rounding off 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 to Form EL101:

- Letters of Administration and or death certificate for decedent taxpayer.
- Copies of forms W-2, W-2G, 1099's and 1099G/MD with Maryland withholding should be attached to the front of the form overlaying Part II.
- Forms 502H, 502S, 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 their return. 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 signed Form EL101 from the taxpayer, the taxpayers' 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 Form EL101's with applicable attachments for all returns electronically filed for a period of three (3) years. These forms will be subject to verification by MRAD. When requested, the ERO will be required to forward copies with attachments within ten (10) business days. An ERO who prefers to maintain a paperless office may scan the Form EL101 with attachments and save them electronically if there is the ability to reproduce the documents, if requested by MRAD.

Form EL101, MD PIN and the Online Software Developer

Form EL101 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 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 a signature Form EL101 for the taxpayer, advising the taxpayer to sign and retain the form with their records for a period of three (3) years along with any applicable attachments and make it available to 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. EX: 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. After the IRS acknowledges to the transmitter acceptance of the federal return, the state data will be available for retrieval. Once received, the state will process the info and acknowledge to the transmitter receipt of all state returns retrieved from the IRS. Transmitters should be able to retrieve the Maryland acknowledgement from the IRS EMS, within three (3) days from the time an acknowledgement 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. The State then retrieves processes and acknowledges the transmitter as above.

Note: Under no circumstances will the IRS or the State change or 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 1345 will provide a list of all reject codes. If the error can be corrected, both returns may be retransmitted to the IRS.

State only returns that have 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 1345 will also provide a list of all communication reject codes for State Only returns. If the error 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 retrieved from the IRS, which has been processed and either accepted or rejected by Maryland for specific reasons. The Maryland acknowledgment will be posted to the IRS 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.

State acknowledgements will generally be available within a few hours of receiving 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 twenty-four (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. Advise taxpayers to wait at least ten (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.

Note: 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 MRAD.

CHAPTER 3 - OTHER INFORMATION

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 have several options when entitled to a refund. Their refund may be applied to next year's estimated tax, issued via a refund check or direct deposit, or the taxpayer can elect to have a portion of the refund applied to next year's estimated tax, and the remainder received as a refund check or direct deposit.

Refunds are generated approximately five (5) business days after the e-File return has been accepted by MRAD.

Direct Deposit of Refunds

The fastest way to receive a refund is via direct deposit. When using this method, the taxpayer designates an 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 made.

To comply with banking rules, taxpayers are asked to indicate on the tax return if the state refund is going to an account outside the United States (International ACH Transactions). Any electronic returns received by MRAD that have a Foreign Bank Indicator present and either the direct deposit or direct debit options specified will be rejected.

A taxpayer may split their refund between up to three qualified accounts by completing Form 588, Direct Deposit of Maryland Income Tax Refund to More than One Account.

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

The Comptroller of Maryland does not guarantee the specific date a refund will be deposited into a 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 by selecting "Refund status" under the Online Services heading or call the automated refund inquiry hotline 410-260-7701 or toll-free 1-800-218-8160. Advise taxpayers to wait at least 10 days after a good acknowledgement has been received before contacting MRAD.

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 taxpayers, electronic filer, financial institution or any of their agents.

Refund Delays

The time it takes for a refund to be generated is approximately five (5) business days after an e-Filed return has been acknowledged by MRAD.

Advertised refund timelines should be conservative. EROs must advise taxpayers of possible refund delays.

Delays may be caused when:

- Previous tax liabilities.
- Liabilities to other state or federal agencies or the IRS exist.
- Discrepancy between the amounts of estimated payments claimed on the return and the amount on file with MRAD.
- Previous filing of the same year.
- Required documentation/certification was not provided.

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 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 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 refund.

Balance Due and Zero Balance Returns

MRAD will accept balance due or zero balance due returns.

Payment can be made by Electronic Funds Withdrawal (direct debit), Bill Pay (direct debit), credit card (www.officialpayments.com) and check or money order.

If full payment is not made by the due date, a tax notice will be sent including interest and/or penalty for late payments.

Personal income tax returns are due by April 17th, 2012. A return filed for a fiscal year is due the 15th day of the fourth month following the close of the fiscal year. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed the next business day.

Taxpayers filing and paying electronically (credit card, direct debit/electronic funds withdrawal), are due by April 17th, however, they have until April 30th to make their electronic payment. If taxpayers file electronically and pay by check, the return and payment are due by April 17th.

Electronic Funds Withdrawal (Direct Debit)

The Electronic Funds Withdrawal (direct debit) payment option must be made available to taxpayers who electronically file a balance due return. Electronic funds withdrawal may be made from the taxpayers' checking and/or savings account.

To comply with banking rules, taxpayers are asked to indicate on the tax return if the state refund is going to an account outside the United States (International ACH Transactions). Any electronic returns received by MRAD that have a Foreign Bank Indicator present and either the direct deposit or direct debit options specified, will be rejected.

Taxpayers may choose the date that they want the amount owed withdrawn from their account up to April 30, 2012, if the return was filed electronically prior to or on April 17, 2012. Returns electronically filed after April 17, 2012, 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 may access the online Bill Pay application at www.marylandtaxes.com and initiate a direct debit payment from their checking or savings account. They may choose the date they want the direct debit to occur up to April 30, 2012, if the return was filed electronically prior to or on April 17, 2012. Returns filed after April 17, 2012 using Bill Pay must use a debit date equal to the current date. Partial payments may also be made using Bill Pay.

Credit Card

The credit card payment option must be made available to taxpayers who electronically file a balance due return. Credit card payments may be made by telephone at 1-800-2PAY-TAX or via the internet at www.officialpayments.com. The internet option is available to everyone. The taxpayer must have previously filed a Maryland income tax return to use the telephone option. Both options are processed by Official Payments Corporation, a private credit card payment service provider. A convenience fee will be charged to the taxpayer's credit card. The state does 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 to keep with their records.

Check or Money Order

An ERO must furnish Form EL102, Electronic Payment Voucher, to taxpayers who electronically file a balance due return and want to pay by check or money order. This form should be submitted with their remittance before the due date of the return to: Revenue Administration Division, PO Box 2601, Annapolis, MD 21404.

CHAPTER 4 - RESPONSIBILITIES OF EROs AND TRANSMITTERS

Compliance

All Electronic filers, Transmitters and EROs 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. They must maintain a high degree of integrity, compliance and accuracy to participate in either the IRS or Maryland e-file program.

Failure to comply with all Maryland requirements and specifications regarding the electronic portion and non-electronic portion of the return will result in program suspension.

Timeliness of Filing

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

The electronic record must be submitted within seventy two (72) hours of receipt of the initial taxpayer information. If preparation, collection or submission procedures result in built-in delays in submitting taxpayer returns, the taxpayer must be advised in writing at the time of the initial contact.

Electronic return records returned in error must be resubmitted within five (5) business days of the Maryland electronic rejected acknowledgement. EROs must contact the e-File Help Desk within twenty four (24) hours should errors occur three (3) times for the same return. MRAD monitors the timeliness of the error correction process when an error acknowledgement is sent. Failure to provide timely correction of erroneous returns may cause a revocation of privileges.

If an electronic acknowledgement has not been received within forty eight (48) hours of our scheduled downloads for any transmitted return, the ERO should contact the e-File Help Desk for further instructions.

Amended Filings

After an electronic return is acknowledged as accepted, it cannot be recalled, intercepted or changed in any way. If either the ERO or taxpayer wants to change any entries on an accepted electronic return, an amended paper return (Form 502X or 505X) must be filed. Any name, address and social security number errors or changes may be corrected for future filings by contacting Taxpayer Service at 410-260-7980 or toll-free 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

Any transmitter who transmits the Federal/State e-File return package to the IRS and retrieves state acknowledgements from the IRS EMS must pass a test to ensure they have the ability to transmit and retrieve. Transmitters should contact the e-File 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 timely. If the transmitter is not acting as the ERO, the transmitter is responsible for providing

acknowledgements to the ERO within two (2) days of the acknowledgement. Failure to do so could lead to suspension from the Maryland e-File Program.

They must also 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 that they can successfully transmit and retrieve acknowledgments from the IRS EMS. Software Developers should contact the e-File Help Desk prior to sending their first test and after they have successfully transmitted their final test and retrieved their acknowledgments.

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

Any software error(s) which cause electronic returns to be rejected in production environment should be quickly corrected to ensure EROs have the ability to timely file their electronic returns. Software updates related to software errors should be distributed promptly to users along 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 upon conviction, is subject to a fine of not less than \$500 or more than \$10,000."

Advertising Standards

All electronic filers must comply with the advertising media communication and endorsement restrictions specified in the IRS Revenue Procedure for Electronic Filing of Individual Income Tax Returns, 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 by the State of Maryland of the quality of tax preparation services. No advertisement may state or infer that electronic filing changes in any way the filing, payment, or legal obligations of the taxpayer. Advertising of refund timelines should be conservative.

Monitoring

MRAD will monitor quality of filer transmissions. Returns will be monitored for rejects and timely resolution of errors and other defects. If an electronic filer's quality of returns deteriorate they may receive a warning, or in extreme cases, a letter suspending them from electronic filing. If suspended, the ETIN/EFIN authorization will be inactivated preventing further processing.

Taxpayers should be placed first when 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 the current status of their return and access to organization representatives to resolve any questions or concerns.

MRAD 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 particular office from the program. Failure to take corrective action will lead to the initial suspension of the "parent" electronic filer. If suspension is initiated, it will apply to all returns filed by an electronic filer, including all branches.

Suspension

MRAD reserves the right to suspend or revoke the electronic filing privileges of any electronic filer who varies from the Maryland e-File requirements and specifications.

Administrative Review

Any applicant or filer who has been denied or suspended from participation in the Maryland e-File Program may request an administrative review within thirty (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
PO Box 1829
Annapolis, Maryland 21404

SECTION 2: FILE SPECIFICATION

CHAPTER 5 - FILE FORMAT

General Description

The Federal/State Electronic Filing System contains two (2) record types, Generic and Unformatted, which are sent to the state in ASCII format. The State of Maryland will only accept formats indicated below for those participating in Federal/State Electronic Filing. All rules for electronic submission are in accordance with the IRS publication "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. MRAD 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 record section may contain up to nine (9) 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 supporting tax forms only concatenated in sequence indicated by our specifications for electronic filing. More than one unformatted record may be required to accomplish this. Up to nine (9) 4,861 byte records are allowed to transmit state data, allowing for 43,200 bytes of tax data, each one 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, attachment or schedule.

Addendum forms are used when there is not enough space available on the regular Form 502 and 505 or schedule records. Variable length addendum forms may 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 corresponding attachments and schedules, if present, in the following sequence:

Requested Sequence Order

- | | |
|------------|------------|
| Form 502 | Form 505 |
| Form 502SU | Form 505SU |
| Form 502B | Form 502B |
| Form 502CR | Form 505NR |

Form 502 UP	Form 502CR
Form 1099G/MD	Form 502UP
Form 500CR	Form 1099G/MD
Form 502INJ	Form 500CR
Form 510 SCH K1	Form 502INJ
Form ADD	Form 510 SCH K1
Form W-2	Form ADD
Form W-2G	Form W-2
Form 1099R	Form W-2G
	Form 1099R

CHAPTER 6 - CHARACTER SET AND DATA VALIDATION

Special Data Characters

The following Special Data Characters are not valid with the Maryland e-File program:

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

Note: The use of the above characters in the Name Line may cause a reject condition by the MRAD processing system.

CHAPTER 7 - ACKNOWLEDGEMENT FORMAT

Acknowledgement System

MRAD uses the IRS EMS to post state acknowledgements for testing and production with the standard 120 byte state ack record format.

The Maryland acknowledgement system will issue one of two return status codes, "A" for Accepted or "R" for Rejected. The "A" acknowledgement indicates that the state return has been received and has passed MRAD's e-File program 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" acknowledgement has been sent, the return is further edited in the state's mainframe processing system for conditions that could delay processing. The "R" 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 error conditions that caused the rejection. Explanation of reject codes in the ACKR record may be found in the error table at www.marylandtaxes.com.

If the MD ACK has not been received within three (3) days of receipt of the IRS ACK, transmitters should contact the e-File Help Desk. Transmitters, EROs and Software Developers

may contact the e-File Help Desk at 410-260-7753, Monday through Friday, 8:00 am until 5:00 pm EST. Callers should 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 re-hang the acknowledgement file from IRS EMS.

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 but, only the first 30 bytes are processed.

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

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

Form EL101 and the ERO

An ERO must complete Form EL101 and have it signed by the taxpayer(s) before electronic transmission of their return. 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 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 Form EL101's with applicable attachments for all returns electronically filed for a period of three (3) years. These forms will be subject to verification by MRAD. When requested, the ERO will be required to forward copies with attachments within ten (10) business days. An ERO who prefers to maintain a paperless office may scan the Form EL101 with attachments and save them electronically if there is the ability to reproduce the documents, if requested by MRAD.

Form EL101 and the Online Software Developer

Form EL101 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 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 (3) years along with any applicable attachments and make it available to MRAD.

CHAPTER 10 - MANDATORY SOFTWARE REQUIREMENTS

Overview

Software Companies are required to contact the e-File 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.

Software Developers may submit test returns individually or as a complete package during the testing process. For final approval from MRAD the Software Developer must transmit all test returns in one single transmission without errors. When this condition is completed and the Software Developer has retrieved the final acknowledgment the Developer should alert the e-File Help Desk. An e-File Analyst will 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. They will also receive instruction 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 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 to: Revenue Administration Division, PO Box 2601, Annapolis, MD 21404 by April 17, 2012.
- A copy of Form EL101 Maryland Income Tax Declaration for Electronic Filing, with instructions, as generated by their system.

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 on the EL101 Form. To sign electronically, the taxpayer may use the same five-digit self selected PIN 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 your 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 delay 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.

Punctuation marks are not to be used when abbreviating a word or phrase. Use of the following special characters will cause returns to be rejected: EX: (.) period, (*) asterisk, (,) comma and (#) pound sign.

<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 require a 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.F.D., R.R., Rural Route	R D
South	S
Southeast	SE
Southwest	SW
Street	ST
Terrace	TER
West	W

Attachment 2

State abbreviations

<u>State</u>	<u>Abbreviation</u>
Alabama	AL
Alaska	AK
Arizona	AZ
Arkansas	AR
California	CA
Colorado	CO
Connecticut	CT
Delaware	DE
District of Columbia	DC
Florida	FL
Georgia	GA
Hawaii	HI

Idaho	ID
Illinois	IL
Indiana	IN
Iowa	IA
Kansas	KS
Kentucky	KY
Louisiana	LA
Maine	ME
Maryland	MD
Massachusetts	MA
Michigan	MI
Minnesota	MN
Mississippi	MS
Missouri	MO
Montana	MT
Nebraska	NE
Nevada	NV
New Hampshire	NH
New Jersey	NJ
New Mexico	NM
New York	NY
North Carolina	NC
North Dakota	ND
Ohio	OH
Oklahoma	OK
Oregon	OR
Pennsylvania	PA
Rhode Island	RI
South Carolina	SC
South Dakota	SD
Tennessee	TN
Texas	TX
Utah	UT
Vermont	VT
Virginia	VA
Washington	WA
West Virginia	WV
Wisconsin	WI
Wyoming	WY
APO Miami	AA
FPO Miami	AA
APO New York	AE
FPO New York	AE
APO San Francisco	AP
FPO San Francisco	AP
Foreign Country	FC

Note: Abbreviations are patterned in accordance with IRS standard conventions for electronic filing.

Attachment 3

Maryland County Two Letter Abbreviation and County Tax Rates

<u>County</u>	<u>Abbreviation</u>	<u>Rate %</u>
Allegany	AL	.0305
Anne Arundel	AA	.0256
Baltimore County	BL	.0283
Baltimore City	BC	.0320
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 2011 county tax rates

<u>County</u>	<u>County Tax Rate</u>
ALLEGANY COUNTY	.0305
BARTON	
BELAIR	
BOWLING GREEN - ROBERT'S PLACE	
CRESAPTOWN	
CUMBERLAND	

ELLERSLIE
FROSTBURG
LAVALE
LONACONING
LUKE
MCCOOLE
MIDLAND
MT. SAVAGE
POTOMAC PARK ADDITION
WESTERNPORT

ANNE ARUNDEL COUNTY .0256
ANNAPOLIS
HIGHLAND BEACH

BALTIMORE COUNTY
NO INCORPORATED CITIES .0283
OR TOWNS

BALTIMORE CITY .0320

CALVERT .0280
CHESAPEAKE BEACH
NORTH BEACH

CAROLINE COUNTY .0263
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	
NO INCORPORATED CITIES	.0320
OR TOWNS	
KENT COUNTY	.0285
BETTERTON	
CHESTERTOWN	
GALENA	
MILLINGTON	
ROCK HALL	
MONTGOMERY COUNTY	.0320
BARNESVILLE	
BROOKEVILLE	
CHEVY CHASE SECTION 3	
TOWN OF CHEVY CHASE (FORMERLY SECTION 4)	
CHEVY CHASE SECTION 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 on the Maryland Form 502B use the above abbreviation table for relationship identification.

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). If line 41 (refundable earned income credit) is present line 23 and 30 must also be present. Any errors in the use of code "N" may cause a delay and possibly reduce the refund. Do not use where poverty level income creates the nontaxable condition.

Contributions to the Chesapeake Bay Fund, Developmental Disability Administration Waiting Equity Fund and Maryland Cancer Fund may be entered on lines 35-37 even though the Deduction Method is "N".

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 requirement). For "Non-Taxable" returns only, lines 26 to 32c are edited for blanks and numeric values only. If line 45 (refundable earned income credit) is present line 33 (earned income credit) must be present. Any errors in the use of code "N" may cause a delay and a possible reduction in the refund. Do not use "N" where poverty level income creates a nontaxable condition.

Contributions to the Chesapeake Bay Fund, Developmental Disability Administration Waiting Equity Fund, and Maryland Cancer Fund may be entered on lines 35-37 even though the Deduction Method in "N".

Attachment 7

Local wages/tax

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

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

Attachment 8

State Pick-Up Amount

“STPICKUP” (State Retirement Pickup) represents the amount withheld (or "picked up") by the State of Maryland for the Maryland State Retirement Fund. This amount is not considered taxable for Federal purposes, but it is taxable amount for Maryland purposes and is an “Addition to Income” item on the Maryland Income Tax Return. The value should be reported on the Form W-2 in box 14 (other deductions/benefits amount) with the literal “STPICKUP” (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 calculate the Maryland Income Factor, divide line 16 (Form 502) by line 1 (Form 502). If line 16 is negative or zero, the Maryland Income Factor is .000000. If line 16 is positive and line 1 is negative or zero, Maryland Income Factor is 1.000000. The value cannot exceed 1.000000. If greater than 1.000000, use 1.000000. Make sure to round the factor to six decimal places. Example: $.7782651 = .778265$.

If **itemized deduction** method is used, prorate the itemized deductions (line 17):

Net		Maryland		Maryland
Itemized	X	Income	=	Itemized
Deductions		Factor		Deductions

If **standard deduction** method is used, prorate the standard deduction (line 17):

Full		Maryland		Prorated
------	--	----------	--	----------

Standard Deduction X Income Factor = Standard Deduction

Prorate the **exemptions** (line 19) amount:

Total Exempt Amount X Maryland Income Factor = Prorated Exemption Amount

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

½ Federal Earned Income Credit X Maryland Income Factor = Prorated MD Earned Income Credit Line 23 (502)

Poverty Level Credit from Line 5 of worksheet X Maryland Income Factor = Prorated MD Poverty Level Credit Line 24 (502)

Tax Computation for Nonresident (Form 505)

Nonresident 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, the AGI Factor is .000000. If line 25 is positive and line 17, Col. 1 is negative or zero, AGI Factor is 1.00000. The value cannot exceed 1.00000. If greater than 1.00000, use 1.00000. Make sure to round the factor six decimal places. Example: .7712356 = .771236

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

Net Itemized Deductions X AGI Factor = Maryland Itemized Deductions

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

Full Standard Deduction X AGI Factor = Prorated Standard Deduction

Prorate the **exemptions** (Line 28) amount:

Total Exempt Amount X AGI Factor = Prorated Exemption Amount

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

$\frac{1}{2}$ Federal
 Earned Income Credit X AGI Factor = Prorated MD Earned Income Credit Line 33 (505)

Poverty Level Credit from Line 5 of worksheet X AGI Factor = Prorated MD Poverty Level Credit Line 34 (505)

Tax Computation for Nonresident (Form 505 when Form 505NR included)

Nonresident returns must have their deductions prorated on Form 505NR by multiplying them by the Maryland Income Factor. To calculate the Maryland Income Factor, divide Line 8 by Line 3 (505NR). If line 8 is negative or zero, Maryland Income Factor is .00000. If line 8 is positive and line 3 is negative or zero, Maryland Income Factor is 1.00000. The value cannot exceed 1.00000. If greater than 1.00000, use 1.00000. Make sure to round the factor to six decimal places. Example: $.6734512 = .673451$

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

Net Itemized Deductions Line 26d (505) X Maryland Income Factor = Maryland Itemized Deduction

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

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

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

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

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

$\frac{1}{2}$ Federal Earned Income Credit X Maryland Income Factor = Prorated MD Earned Income Credit Line 33 (505)

Poverty Level Credit X Maryland Income Factor = Prorated MD Poverty Level Credit

From Line 5
of worksheet

Line 34 (505)

The Maryland tax for Nonresident returns must be calculated as Line 14 (505NR) multiplied by Maryland Nonresident 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 .000000. If line 13 is positive and line 1 is zero, Maryland Nonresident Factor is 1.00000. The value cannot exceed 1.000. If greater than 1.00000, use 1.00000. Make sure to round the factor to six decimal places. Example: .6100229 = .610023.

Attachment 10

Exception Codes

Listed are the accepted codes for each form type

Resident Form 502

- 221 - Married Filing Separately or Head of Household claiming spouse exemption
- 247 - Retransmission of previously rejected state e-File return
- 300 - Farmer/Fisherman
- 301 - Uneven income distribution exempt from UP interest
- 302 - Income taxable by another state exempt from UP interest
- 321 - Decedent
- 322 - Decedent dependent child without SSN
- 588 - Splitting Direct Deposit into multiple bank accounts
- 912 - Combat Zone

Non-Resident Form 505

- 221 - Married Filing Separately or Head of Household claiming spouse exemption
- 247 - Retransmission of previously rejected state e-File return
- 300 - Farmer/Fisherman
- 301 - Uneven income distribution exempt from UP interest
- 302 - Income taxable by another state exempt from UP interest
- 321 - Decedent
- 322 - Decedent dependent child without SSN
- 506 - Used when amounts were withheld for non-resident sale of property
- 588 - Splitting Direct Deposit into multiple bank accounts
- 912 - Combat Zone