



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

# 2010

## MARYLAND PERSONAL MEF EFILE HANDBOOK

*for Software Developers, Transmitters and EROs who file  
MARYLAND PERSONAL RESIDENT AND  
NONRESIDENT INCOME TAX RETURNS  
ELECTRONICALLY VIA THE FEDERAL/STATE  
MODERNIZED ELECTRONIC FILING (MEF) SYSTEM*

**December 2010**

REVENUE ADMINISTRATION DIVISION  
ANNAPOLIS, MARYLAND 21411-0001

**Peter Franchot, Comptroller**

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# SECTION 1

## Instructions for Electronic Filing

### Introduction

The Maryland Personal MeF eFile Handbook is designed to be used as a companion to the IRS Publication 4164. Since most functions of the Maryland MeF eFile program are the same as the Federal 1040 Modernized eFile (MeF) program, this handbook highlights the special and unique features of the Maryland program.

Occasionally, there are differences between the Maryland MeF eFile handbook and the Maryland State and Local Tax Forms and Instruction Booklet, which is designed for paper return preparation. There may be instances when an eFile return requires additional fields to be transmitted that are not required on paper forms due to electronic edit functions. **If there are any differences, for electronic filing purposes, the Maryland MeF eFile Handbook supersedes the paper instruction handbook.**

Maryland will begin accepting production resident and nonresident personal income tax returns, corresponding forms and schedules, extension and declaration payments beginning January 2011 for tax year 2010 by method of the Modernized eFile System (MeF). This allows the filing of both Federal and State, resident and nonresident personal income tax returns using an XML format. The transmission method will be a Web service using Simple Object Access Protocol (SOAP), with attachments messaging.

During the transition period, Maryland along with the IRS will support the current eFile program (Electronic Management System (EMS)) as well as MeF.

The Maryland Revenue Administration Division (MRAD) accepts refund, zero balance due, and balance due returns. Use of direct deposit for refund returns and direct debit for balance due returns is highly recommended.

### Benefits of MeF eFile

MeF will deliver significant value and benefits to tax preparers.

Returns filed through MeF can be submitted to IRS year round except for a short cutover period at the end of the calendar year. Transmissions are processed upon receipt and acknowledgments are generated and returned in near real-time 24 hours a day/7 days a week. Error messages in the Acknowledgement File pinpoint the location of the error within the return and provide complete information.

Supporting documents may be scanned and transmitted with the electronic return.

## MeF eFile Contact Information

Comptroller of Maryland website	<a href="http://www.marylandtaxes.com">www.marylandtaxes.com</a>
eFile help desk email	<a href="mailto:efil@comp.state.md.us">efil@comp.state.md.us</a>
eFile help desk telephone number	410-260-7753
eFile help desk fax number	410-974-2274

### 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 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 tax is due or a refund claimed. For the taxable year beginning after December 31, 2008 but before January 1, 2010, any preparer who has prepared more than **300 qualified returns** in the prior taxable year is required to file their returns electronically. For the taxable year beginning after December 31, 2009 but before January 1, 2011, **the threshold is 200 qualified returns** in the prior taxable year. **For any taxable year beginning after December 31, 2010, the threshold is 100 qualified returns in the prior taxable year.**

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 requested by written request, and received, a waiver from the Comptroller of Maryland.

The taxpayer may opt out of having their income tax return filed electronically if the taxpayer checks the appropriate box on their return. These returns will not be used in calculating the number of qualified returns filed.

An income tax preparer may seek by written request a waiver from the Comptroller of Maryland. 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 tax preparer will be considered exempt from the fines associated with non-compliance of this Act.

Written requests for a 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](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 eFile Appeal  
**PO 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 a 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.

## **NEW FOR TAX YEAR 2010:**

### **NEW FORMS:**

**502SU** (MARYLAND SUBTRACTIONS FROM INCOME – MUST BE TRANSMITTED WITH FORM 502 ONLY)

**588** (Direct Deposit of Maryland Refund to More than One Account)

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

### **MANDATORY INCOME TAX PREPARER REQUIREMENT**

**NEW SUBTRACTION CODE 'AB' ON FORM 502 FROM FORM 502SU (SEE TAX BOOKLET INSTRUCTION 13)**

**ALL TAX RETURNS ARE DUE APRIL 18, 2011.**

## IMPORTANT INFORMATION

### 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. MeF allows you to scan and transmit these documents with the electronic filing.

If this option is not used, your supporting documentation or certifications for electronic returns can be attached to the EL101 Signature Document, retained by the tax preparer and taxpayer, and made available to Maryland 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, send the EL101 signature document (if applicable) as the cover sheet with the taxpayer name(s) and social security number. Please write the name of the credit for which the certification is being submitted.

The tax 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 post office box at:

Revenue Administration Division  
Electronic Processing Section  
**PO 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 2010 MeF eFile return.

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

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

For tax year 2010, the certifications and supporting documentation that are required to be submitted to the State by mail or email after the MeF eFile return has been accepted are:

- Form 502CR Part H, Line 2 - Heritage Structure Rehabilitation Credit and/or Sustainable Communities Tax Credit. Submit Form 502H or Form 502S 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 Pass-Through Entity.
- 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.

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 or when requested.

### **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 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.

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, the **return will be rejected**.

### **Help Desk**

EROs, Transmitters and Software Developers who need assistance may contact the Maryland eFile Help Desk anytime by email at [efil@comp.state.md.us](mailto:efil@comp.state.md.us) or by fax at **410-974-2274**. Telephone assistance is available Monday through Friday, between 8:00 a.m. and 5:00 p.m. E.S.T. at **410-260-7753**.

The Comptroller's web site [www.marylandtaxes.com](http://www.marylandtaxes.com) contains downloadable state forms and other information for resident and nonresident personal income tax returns and eFile program participants.

Our mailing address is:

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

If a Maryland return rejects due to an error, the ERO should compare the eight-digit numeric rule number (error code) received to the list of validations found in Maryland Electronic Filing Tax Year 2010 business rules to determine the area of the return that needs attention. If the ERO cannot resolve the error, the Maryland help desk may be contacted. We ask that you do not request more than five returns be researched at any one time, so that we have sufficient phone lines available to help all EROs. **Do not** distribute the eFile help desk telephone number to your clients (taxpayers). This telephone number is provided to EROs as a courtesy. Distributing this number to the public can cause delays in assisting the EROs it was established to help.

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.

For general information or assistance, Taxpayer Service may be contacted at 410-260-7980 or 1-800-638-2937 after 10 days since the ERO has received and accepted an acknowledgement for the taxpayer's electronically filed return.

## **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 (MRAD). They may be volunteers or paid preparers. EROs must use software that has been tested and approved by the MRAD.

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 by computers.

## Software Acceptance and Participation

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 Maryland schema, business rules, 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 schema, business rules, or the Maryland MeF eFile Test Booklet.

Software Developers must test with and receive acceptance from Maryland before submitting live production returns. To receive final approval, the Software Developer must transmit all of the test returns in one batch without any errors. Then the Software Developer must send to Maryland, a copy of the acknowledgment forwarded to inform the taxpayer(s) whether the return was accepted or rejected **by the State** and on the method required for retransmission of the corrected return. A Software Developer who successfully completes the state testing process will receive two written verifications upon completion of testing.

Software Developers must provide the following information to the Maryland e-File Help Desk prior to submitting test transmissions:

- EFINs/ETINs (test and production) as assigned by IRS
- Contact person(s) name, telephone number and email address
- Software Company name, MD software ID number and business address
- A list of Maryland forms supported for MeF e-Filing
- Maryland forms NOT supported for resident and nonresident personal income tax returns
- Software Limitations for supported Maryland forms

## **Publications**

The following publications are available for your assistance and may be obtained by visiting [www.marylandtaxes.com](http://www.marylandtaxes.com):

- 2010 Maryland Personal MeF eFile Handbook
- 2010 Maryland Tax Forms and Instructions for Nonresidents (instruction booklet)
- 2010 Maryland Tax Forms and Instructions for Residents (instruction booklet)

## **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 eFile help desk to all 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 Maryland eFile help desk in quickly identifying program problems during production processing.

A copy of IRS acceptance letter should not be mailed to RAD.

# **SECTION 2**

## **The Filing Process**

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

The Maryland eFile return will consist of data transmitted as well as supporting PDF and paper documents. An electronic return essentially contains the same information as a comparable paper return.

Following is a list of all of the XML forms that Maryland accepts electronically. Software Developers are not 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. EROs should take this into consideration when purchasing software and should verify with the software company that they will support the forms they desire to transmit electronically.

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

- 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 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 Refund to More than One Account
- Form 510 Schedule K-1\* Maryland Pass-Thru Entity Member Information

**Note: Part-year returns are accepted**

## Federal Forms

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

- Form W-2 Wage and Tax Statement
- Form 1099R Retirement Distributions

### Binary Attachments (PDFs).

Binary PDF attachments are accepted by State of MD, but they are not required at this time. Reference Document ID attribute should link the attachment to the appropriate location on the return.

## 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
  - 20 1099-R forms
  - 10 1099G/MD forms
  - 10 502CR forms

## **Copy of Federal Return Accepted**

An XML copy of actual federal income tax return as filed with IRS for the corresponding tax period may be attached to all Form 502 and Form 505 electronic filings.

## **Additional Documents to be provided**

Additional documents that eFile MeF software **must** generate:

- Maryland Form EL101 – Signature Document
- Maryland Form EL102 – Payment Voucher for filers with a balance due

### **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, 1099 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 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 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 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 may be transmitted, suggested PDF name MDEL101.pdf

### **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.

### **Expected values for the State Submission Manifest**

<b><u>Form</u></b>	<b><u>Submission Type</u></b>	<b><u>Expected Tax Year</u></b>
502	MD502	2010
502D	MD502D	2011
502E	MD502E	2010
505	MD505	2010
505E	MD505E	2010

### **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 go to a third party.
- Amended returns.
- Filings that are a duplicate to a paper filed return.
- Composite returns.
- Returns with cent entries.

**Maryland Acknowledgment types are:**

**Accepted** – This acknowledgment indicates the electronic return was received and successfully completed the pre-entry validation process. No further action is required regarding the transmission.

**Rejected** – This acknowledgment indicates the electronic return was received but failed to complete the pre-entry validation process (it failed schema requirement or any of the business rules), the transmitter

receives an acknowledgement from MRAD with error description(s). The acknowledgment contains codes and error descriptions indicating the cause of the rejection. The error condition must be corrected and the return can then be re-transmitted as a “State-Only” transmission.

**Accepted with Alerts** - This acknowledgment indicates the electronic return was received and successfully completed the pre-entry validation process. No further action is required regarding the transmission. Alerts identify return conditions for the transmitter, software developer or taxpayer that do not result in the rejection of the return.

**NOTE:**

**If your return is Accepted and includes an Alert, do not resubmit that return. The Alert is for your information only. If you attempt to resubmit an Accepted return with the Alert issue(s) corrected, the subsequent return will be rejected as a duplicate**

An electronically-filed return is not considered filed until the electronic portion of the tax return has been acknowledged by the IRS as “Accepted” for processing.

Acknowledgement files received must be retained for one year after transmission.

## **SECTION 3**

### **Financial Transaction Information**

#### **General Information**

Filing a tax return is the responsibility of the taxpayer, and filing returns electronically requires an agreement between the taxpayer and the ERO. 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 direct deposit into any eligible financial institution of their choice or in the form of a refund check. Taxpayers may choose to have all or part of their refund applied to their estimated tax account for the next year.

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 electronic 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 account outside the United States, the return will be rejected.

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 payments 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 Developmental Disabilities Waiting List Equity 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 18<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 18<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 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, return will be rejected. 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).

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, 2011, if the return was filed electronically prior to or on April 18, 2011. Returns filed after April 18, 2011 using Bill Pay must use a debit date equal to the current date. Partial payments can also be made.

## **Credit Card Payments**

Electronic Filers must furnish Credit Card Payment Option Information to taxpayers who electronically file a balance due return. If the taxpayer filed a 2009 Maryland income tax return, they may call 1-800-2PAYTAX and enter jurisdiction code 3000 when prompted or use [www.officialpayments.com](http://www.officialpayments.com). If the taxpayer did not file a 2009 Maryland income tax return, they must make the payment at [www.officialpayments.com](http://www.officialpayments.com). Both options will be processed by Official Payments Corporation, 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.

# **SECTION 4**

## **Responsibilities of EROs and Transmitters**

### **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 subject to a fine of not less than \$500 or more than \$10,000."

### **Compliance**

Electronic Filers, Transmitters and Electronic Return Originators must abide by the requirements in the Maryland MEF eFile 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 by the IRS and Maryland. 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.

### **Transmitters**

Transmitters who transmit the Federal/State e-File return package to IRS and retrieve state acknowledgements from the IRS MeF system must pass a test to ensure they have the ability to transmit and retrieve. Transmitters should contact the Maryland eFile 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 eFile 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 and retrieve acknowledgments from the IRS MeF system. Software Developers should contact the Maryland eFile 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 Schema, Validations Spreadsheet and the Maryland MeF eFile 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.

## **Timeliness of Filing**

All prescribed due dates for filing of returns apply to MeF returns. If any due date falls on a Saturday, Sunday or legal holiday, the return must be filed the next business day.

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.

Electronic return records returned in error must be resubmitted within 24 hours of the Maryland electronic rejected acknowledgement. EROs must call the Maryland eFile 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 e-File 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 eFile help desk for further instruction. It is the responsibility of the ERO to ensure that every return filed electronically is acknowledged as accepted.

## **Amended Return 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 wishes to change any entry on an accepted electronic return, an amended paper return must be filed. Address, Name and SSN errors may be corrected for future filings by contacting **Taxpayer Services** at **410-260-7980** or **1-800-638-2937**.

## Resubmission of Rejected Tax Returns

Maryland 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 e-File privileges.

If an electronic acknowledgement has not been received within forty-eight (48) hours of our scheduled retrieval process for any transmitted return/report, the ERO should contact the Maryland e-File help desk for further instructions. **It is the responsibility of the ERO to ensure that every return/report filed electronically is acknowledged as accepted.**

If Maryland rejects the individual return for processing, the ERO must take reasonable steps to inform the taxpayer of the rejection within 24 hours. When the ERO advises the taxpayer that the return has not been filed, the ERO must provide the taxpayer with an explanation.

If the electronic return can be retransmitted it must be filed by the later of the due date of the return or five (5) calendar days after the date Maryland gives notification the return is rejected.

If the electronic return cannot be corrected and retransmitted, the taxpayer must file a paper return. In order for the paper return to be considered timely it must be filed by the later of the due date of the return or ten (10) calendar days after the date Maryland gives notification the return is rejected. The paper return should include an explanation of why the return is being filed after the due date and include a copy of the rejection notification.

### 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 when the refund will be issued.

### 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 Maryland MEF eFile 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: eFile Appeal**  
**Comptroller of Maryland**  
**110 Carroll St**  
**Annapolis, Maryland 21411-0001**

# SECTION 5

## Software Design Information

### Developer's Responsibilities

Software Developers should:

- Develop tax preparation software in accordance with statutory requirements and Maryland return preparation instructions.
- Provide accurate Maryland income tax returns in correct electronic format for transmission.
- Develop software capable of producing a printed copy of the complete electronic filing which includes a “*Do Not Mail*” watermark on the forms printed, as paper documents are not to be sent to Maryland, when filing electronically unless the taxpayer is specifically requested to do so.
- Provide data validation, verification, and error detection to prevent transmissions of incomplete, inaccurate or invalid return information.
- Prevent electronic filing of any form not approved by Maryland for electronic filing.

### General Information

Maryland will accept the following types of filing:

- Fed/State Original
- State Only

Each return must be enclosed in a separate submission, but multiple submissions may be contained in a single message.

**Fed/State Original** - Upon receipt, the IRS will validate and verify the federal return data. The IRS will either accept or reject the federal return. The state return is made available to Maryland after the federal return is accepted by the IRS.

**State Only** – IRS provides the ability for an ERO to transmit and retransmit a state return through the Fed/State system without simultaneously transmitting an original federal return. State Only returns are transmitted to the IRS, validated and made available for states to retrieve in the same way as the Fed/State transmission. This method provides individuals who file multiple state returns to have each participating state's return filed electronically. The taxpayer's federal return must be completed, transmitted and accepted by IRS before transmitting/re-transmitting a State Only return.

Maryland will support “linked” and “unlinked” state returns. A Maryland return can be linked to the IRS submission by including the Submission ID of the federal return (IRSSubmissionId) in the State manifest (StateSubmissionManifest). If the State submission is linked to an IRS submission (also referred to as a Fed/State return), the IRS will check to see if there is an accepted IRS submission under that Submission ID. If there is not an accepted federal return, the IRS will deny the State submission and a deny acknowledgement will be sent. If there is an accepted federal return under that Submission ID, then MeF will validate certain elements on the State submission and provide the submission to the participating state.

If the state return is not linked to a previously accepted federal return (also referred to as State Stand-Alone Return), then MeF will validate certain elements of the submission and if IRS does not deny the state return, it will provide the state submission to the participating state regardless of the federal return.

**Note: The IRS recommends if a state submission is linked to an IRS submission, send the IRS submission first and, after it has been accepted, send in the state submission.**

Data elements should be transmitted only if they contain data values. Do not send empty data elements (i.e. zero financial fields, unused elements, etc) unless the data element is **required** by Maryland's schema.

Detailed requirements for decimal placement in ratios and percentages are in the Maryland's state-specific schema and/or data element spreadsheet.

Software Developers must furnish electronic funds (direct debit) information for this payment option to taxpayers who electronically file a balance due return. Electronic funds withdrawal can be made from the taxpayers checking or savings account. The taxpayer can choose the date that they want the amount owed withdrawn from their account up to the due date of the return. Returns electronically filed after the due date 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 or Bill Pay.

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 the 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.

Maryland will monitor the quality of all transmissions. Accepted returns will be monitored along with rejects, 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 filing electronic Maryland MeF eFile returns. When suspended, the retrieval process will be inactivated halting further processing of Maryland MeF eFile returns.

Electronic filers and EROs are expected to place the taxpayer first in providing return/report preparation and transmission services. Regardless of changes in business address, company names, telephone numbers, organization, or personnel, the taxpayer must always have convenient access to their return/report. 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.

## **Suspension**

Software Developers, Transmitters and EROs must maintain a high degree of integrity, compliance, and accuracy in order to participate in the Maryland MeF eFile program.

All Software Developers and EROs must comply with the requirements and specifications contained in the Maryland MeF eFile Handbook. Failure to comply with all requirements and specifications could result in being suspended from the eFile program.

Additionally, Maryland reserves the right to deny participation in our program for the reasons listed below:

- If your company is required to register to conduct business in the state, but company is not registered
- If your company has any outstanding liabilities with Maryland
- If your company fails to adhere to the Maryland MEF eFile program requirements and schema
- If your company does not consistently provide error free returns
- If your company uses unethical practices in return preparation

### **Administrative Review**

Any applicant or filer who has been denied or suspended from participation in the Maryland MEF eFile 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  
Comptroller of Maryland  
110 Carroll Street  
Annapolis, Maryland 21411-0001  
Attn: eFile Appeal**

### **Schemas and Specifications**

All Maryland state schemas and specifications will be available on our web site at [www.marylandtaxes.com](http://www.marylandtaxes.com) from the homepage under Maryland Taxes, Information for Tax Professionals, then Electronic filing.

### **RETURN FORMAT**

#### **Requested Sequence Order**

Form 502	Form 505
Form 502SU	Form 505NR
Form 588	Form 588
Form 502CR	Form 502CR
Form 502 UP	Form 502UP
Form 1099G/MD	Form 1099G/MD
Form 502INJ	Form 502INJ
Form W-2	Form W-2
Form 1099-R	Form 1099-R

## 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.

## ACKNOWLEDGEMENT FORMAT

### Acknowledgement System

Maryland uses the IRS Modernized Electronic Filing System (MeF) to post state acknowledgements for both testing and production.

Transmitters should contact the Maryland eFile 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 eFile help desk. Transmitters, EROs and Software Developers can reach the Maryland eFile 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 date of transmission available when you call.

### Form EL101 and the ERO

EROs must complete Form EL101 and have it signed by the taxpayer(s) before electronic transmission of the return. It is necessary for the ERO to complete the taxpayer's return prior to completing Form EL101, as some of the information needed to complete the Form EL101 is taken directly from the return. The taxpayer(s) must review both the completed return and 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 for three years a signed copy of all Form EL101s with applicable attachments for all returns electronically filed. These forms may be subject to verification by MRAD. When requested by MRAD, the ERO is required to forward copies of the requested Form EL101s with any 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 there is the ability to reproduce the documents, if requested by MRAD.

### **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.

## **SECTION 6 Software Vendors Testing and Approval Information**

### **System Operation**

The IRS will pickup Maryland state returns with the accompanying forms from the IRS's Federal/State MeF system. After the returns have been retrieved by the state, it will be passed through the state's electronic filing validation procedure. During this processing, an acknowledgement will be sent to the transmitter via the IRS MeF 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.

## Software Acceptance, Testing and Approval

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 Developers are required to test with Maryland for accuracy and to ensure that their software adheres to Maryland schema rules and to ensure successful transmission and receipt of acknowledgements. EROs must use tax preparation software that has been approved for use by Maryland.

Software Developers will use the Fed/State 1040 schema which has been developed by states in partnership with the IRS, and Software Developers, as well as the Maryland schema/spreadsheet.

Edits and verification or schema rules are defined for each field or data element. The state spreadsheet will include information on field type, field format, length, if it is reoccurring, and the schema rule or other edits of the field. Developers should apply data from the state spreadsheet and tax forms to the appropriate data element in the XML schema.

The MeF eFile test package will consist of documentation of special test conditions as well as copies of the state test returns, and will be made available to all Software Developers who indicate their intention to support Maryland MeF eFile.

Software Companies are required to contact the Maryland Revenue Administration Division (MRAD) 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 to assist the Maryland e-File help desk to quickly identify program problems during production processing.

Maryland's starting test date is tentatively scheduled to begin in December 2010 for tax year 2010, but is subject to IRS system availability and is subject to change. Software Developers may submit test returns through 2011, until the IRS MeF test system shuts down.

**Software Developers should contact the Maryland eFile Help Desk prior to testing and again after they have successfully tested and retrieved their acknowledgement.**

If the Software Developer is not acting as the ERO, the Software Developer 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 MEF eFile Program.

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

To receive final approval, the Software Developer must transmit **ALL** the test returns, in one single transmission, error free. Then the Software Developer must send to Maryland, a copy of the acknowledgment forwarded to inform the taxpayer whether the return was accepted or rejected **by the State** and the method required for retransmission of the corrected return. A Software Developer who

successfully completes the state testing process will receive both a written and email confirmations upon successful completion of testing.

## **SOFTWARE VENDORS FINAL APPROVAL DOCUMENTS**

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

- A copy of the acknowledgment forwarded to inform the taxpayer whether the return was accepted or rejected by the state and 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 instructions must also be generated with the Form EL102 advising the taxpayer to send a payment by April 18, 2011.
- 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 preparation and submission of online returns. This must include instructions to taxpayers who do not use the federal PIN to sign their Maryland return and advising the taxpayer to complete and retain the EL101 and the Online Filing Consent to Disclosure and Perjury Statement.

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

Taxpayers who file a Maryland MEF eFile return using online tax software (either packaged or available online), must be given the option of signing their return electronically or by the paper EL101. To sign electronically, the taxpayer may use the same five-digit self selected PIN that they used to sign their federal return online. 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.

## ATTACHMENTS.

### 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

**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 .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 MeF eFile 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). 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 and Endangered Species Fund, Developmental Disabilities Waiting List Equity Fund and Maryland Cancer Fund may be entered on lines 37-39 even though the Deduction Method is "N". In this instance, the contribution will be accepted and amount of refund issued as requested unless tax liabilities exist.

### **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). If line 45 (refundable earned income credit) is present line 33 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 and Endangered Species Fund, Developmental Disabilities Waiting List Equity Fund and Maryland Cancer Fund may be entered on lines 39-41 even though the Deduction Method in "N". In this instance, the contribution will be accepted and the amount of refund issued as requested unless tax liabilities exist.

## **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 taxable 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":

- It 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 16 (Form 502) by line 1 (Form 502). If line 16 is negative or zero, Maryland Income Factor is .0000. If line 16 is positive and line 1 is negative or zero, the 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 the **itemized deduction** method is used, prorate the itemized deductions (line 17):

Net		Maryland		Maryland
Itemized	X	Income	=	Itemized
Deductions		Factor		Deductions

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

Full		Maryland		Prorated
Standard	X	Income	=	Standard
Deduction		Factor		Deduction

Prorate the **exemptions** (line 19) 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 the **itemized deduction** method is used, prorate the itemized deductions (Line 26):

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

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

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

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

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

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

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

$$\begin{array}{rclcl} \text{Poverty} & & \text{AGI} & & \text{Prorated MD} \\ \text{Level} & \text{X} & \text{Factor} & = & \text{Poverty Level} \\ \text{Credit} & & & & \text{Credit} \\ \text{from Line 5} & & & & \text{Line 34 (505)} \\ \text{of Worksheet} & & & & \end{array}$$

### 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. This factor must be rounded to four decimal places. Example:  $.67345 = .6735$ ;  $.12344 = .1234$ .

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

$$\begin{array}{rclcl} \text{Net} & & \text{Maryland} & & \text{Maryland} \\ \text{Itemized} & \text{X} & \text{Income} & = & \text{Itemized} \\ \text{Deductions} & & \text{Factor} & & \text{Deduction} \\ \text{Line 26d (505)} & & & & \end{array}$$

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

$$\begin{array}{rclcl} \text{Standard} & & \text{Maryland} & & \text{Prorated} \end{array}$$

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. This factor must be rounded to four decimal places. Example: .61002 = .6100; .62566 = .6257.

## Exception Codes

Listed are the accepted codes for each form type.

### Resident return Form502

- 200 - Injured spouse
- 221 - Married Filing Separately or Head of Household claiming spouse exemption
- 247 - Retransmission of previously rejected state eFile return
- 300 - Farmer/Fisherman
- 301 - Uneven income distribution exempt from UP interest
- 302 - Income taxable by another state exempt from UP interest
- 321 - Decedent
- 588 - Splitting Direct Deposit into multiple bank accounts
- 912 - Combat Zone

### NonResident return Form505

- 200 - Injured spouse
- 221 - Married Filing Separately or Head of Household claiming spouse exemption
- 247 - Retransmission of previously rejected state eFile return
- 300 - Farmer/Fisherman
- 301 - Uneven income distribution exempt from UP interest
- 302 - Income taxable by another state exempt from UP interest
- 321 - Decedent
- 506 - Used when amounts were withheld for nonresidents sale of property
- 588 - Splitting Direct Deposit into multiple bank accounts
- 912 - Combat Zone