



2011

Maryland Personal MeF e-File 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*

October 2011

Revenue Administration Division
Annapolis, Maryland 21411-0001

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SECTION 1

Instructions for Electronic Filing

Introduction

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

Occasionally, there are differences between the Maryland MeF e-File 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 e-File 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 e-File Handbook supersedes the paper instruction handbook.**

Beginning January 2012, Maryland will begin accepting production resident and nonresident personal income tax returns, supplemental forms and schedules, and extensions and declarations for tax year 2011 via MeF. Maryland will continue to accept 2010 returns in addition to 2011.

MeF 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 2012, Maryland, along with the IRS, will continue supporting both the current e-File program (Electronic Management System (EMS)) as well as MeF programs.

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

MeF will deliver significant value and benefits to tax preparers.

Returns filed through MeF can be submitted to the 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.

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

Tax year 2010 returns will also be supported.

New for tax year 2011:

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

Contact information for e-File Help Desk

Comptroller of Maryland website	www.marylandtaxes.com
e-File Help Desk email	efil@comp.state.md.us
e-File Help Desk telephone number	410-260-7753
e-File Help Desk fax number	410-974-2274

EROs, Transmitters and Software Developers who need assistance may contact the Maryland e-File Help Desk anytime by telephone, email or fax. Telephone assistance is available Monday through Friday, between 8:00 a.m. and 5:00 p.m. E.S.T.

The Comptroller's website contains downloadable state forms and other information for resident and nonresident personal income tax returns.

Our mailing address is:

**Comptroller of Maryland
Revenue Administration Division
Electronic Processing Section
110 Carroll Street, Room 214
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 business rules to determine the area of the return that needs attention. If the ERO cannot resolve the error, the e-File Help Desk may be contacted. Do not distribute the e-File 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.

Preparers and taxpayers may check the status of their refund on our website or call the automated refund inquiry hotline at 410-260-7701 or toll free 1-800-218-8160. All other inquiries may be directed to Taxpayer Service at 410-260-7980 or toll-free 1-800-638-2937 after 10 days from the returns electronic acceptance.

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. Visit www.dllr.maryland.gov/license for more information regarding how to register, fees or exemptions.

Mandatory Income Tax Preparer e-File 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 any taxable year beginning after December 31, 2010, the threshold is 100 qualified returns in the prior taxable year. If over the 100 return threshold, they are required to file 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 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, by written request, receive 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. A decision will be made within ten (10) business days of receipt of your request and the response will be either mailed or emailed to the tax preparer.

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

**Director, Revenue Administration Division
Tax Preparer e-File Appeal
PO Box 1829
Annapolis, MD 21404**

All requests for waivers will be logged 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.

Certification Requirement

There are many additions, subtractions, refundable credits, non-refundable credits and situations on resident and nonresident 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 Form EL101 Signature Document, retained by the tax preparer and taxpayer and made available to Maryland when specifically requested. However, certain credits allowed on an electronic return now require the supporting documentation and certifications to be faxed, emailed or mailed to Maryland once the electronic return has been accepted.

When providing the required supporting documentation and certifications, send the Form EL101 (if applicable) as the cover sheet with the taxpayer name(s) and social security number(s). Also 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 Form EL101 and the required certification(s) either by email to cert@comp.state.md.us, fax to (410) 974-2274 or by mail to the post office box at:

**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 electronically filed returns for tax year 2011.

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 required certification(s) has not been received within 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. Submit a copy of the required DBED certification.
- Form 500CR Part N - Clean Energy Incentive Tax Credit. 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. 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. 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 EL101, retained by the return preparer and taxpayer either in paper form or electronically. Do not send this documentation to MRAD unless specifically requested.

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 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. The direct deposit and direct debit options are not available 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.

Who Can Participate

There are three (3) 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 both the IRS and MRAD. They may be volunteers or paid preparers. EROs must use software that has been tested and approved by 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 via computer.

Software Acceptance and Participation

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 the Maryland schema, business rules and test data to perform the Maryland testing. Tax and Transmission Software Developers are required annually 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 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 Personal MeF e-File Test Booklet.

Software Developers must test with and receive acceptance from MRAD before submitting live production returns. To receive final approval, the Software Developer must transmit all of the test returns at the same time. Next, 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. A Software Developer who successfully completes the state testing process will receive two written verifications, one by email and one by mail upon completion of testing.

Software Developers must provide the following information to the 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
- 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 from our website at www.marylandtaxes.com:

- Maryland Personal MeF e-File Handbook, Test Package, Scheme and Business Rules
- 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 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 (MSID) number is a five-digit number that is assigned by the Maryland e-File Help Desk to all software companies. Each software package developed by a software company must have a unique MSID hard coded into their product for identification purposes to assist the e-File Help Desk in quickly identifying program problems during production processing.

A copy of the IRS acceptance letter should not be sent to MRAD.

SECTION 2

The Filing Process

What Can Be Transmitted Electronically

The Maryland e-File 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. A form with an asterisk (*) is considered required. Any form not indicating 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 support the forms they desire to transmit electronically.

Maryland State Forms and Attachments

- Form 502* Maryland Resident Tax Return
- 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 505SU Maryland Subtractions from Income (with 505 form only)
- Form 502B Maryland Dependent Information (with 502 & 505)
- Form 588 Direct Deposit of Maryland Refund to More than One Account
- Form 510 Schedule K-1 Maryland Pass-Through Entity Member Information
- Form 500CR Maryland Business Income Tax Credits
- Form 502H Maryland Heritage Structure Rehabilitation Tax Credit
- Form 502S Maryland Sustainable Communities Tax Credit
- Form 500DM Maryland Decoupling Modification

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 W-G Statement for Certain Gambling Winnings

- Form 1099R Retirement Distributions

Binary Attachments (PDFs)

Binary PDF attachments are accepted by MRAD. The 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 MeF filing:

- Returns with a power of attorney currently in effect, requesting a refund to be sent to a third party
- Amended returns (even if the original return was filed electronically)
- Return filings that are duplicates of a filed paper return
- 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:
 - 100-510 Schedule K-1s
 - 50-W-2 forms
 - 30-W-2G forms
 - 20-1099-R forms
 - 10-1099G/MD forms
 - 1-502CR form or more than 10 Parts A in Form 502CR

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 Maryland Form 502 and Form 505 electronic filings.

Additional Documents to be provided

Additional documents that e-File MeF software **must** generate:

- Maryland Form EL102 – Payment Voucher for filers with a balance due
- Maryland Form EL101 – Maryland Income Tax Declaration

Form EL102

The Form EL102, Maryland Electronic Payment Voucher, must be furnished to all taxpayers who electronically file a balance due return without direct debit. Taxpayers who choose 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. 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 (whole dollars only) must be completed for either a refund or amount due. The amount of a refund may be split between 2012 estimated taxes and the amount to be refunded. This must be the same as reported on the electronically filed return.
- Part II, Taxpayer Declaration and Signature authorization. The 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 they consent to either Direct Deposit of refund or Electronic Funds Withdrawal (direct debit). Indicate whether the account(s) are checking or savings account(s) 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. The taxpayer(s) signature(s) and date are also required. The Electronic Return Preparer must obtain the signature(s) of the taxpayers prior to transmitting the e-File return to MRAD.
- Part III, Declaration of Electronic Return Originator (paid preparer) must contain the originator's signature, date, EFIN, Firm's name (or yours if self-employed), firm's address and firm's telephone number.

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 MRAD, a new Form EL101 must be prepared and signed by 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 and retained with the Form EL101:

- Letters of Administration and or death certificate for decedent taxpayer.
- Copies of forms W-2, W-2G, 1099s and 1099G/MD with Maryland withholding.
- Copies of other state returns unless included as PDF with electronic submission.
- Any Maryland supplemental forms or required documentation not included with the electronic submission.

Note: Do not send this documentation to MRAD unless specifically requested.

Form EL101 and the ERO

An ERO must complete Form EL101 and have it signed by the taxpayer(s) before electronically transmitting 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 and because the taxpayer(s) must review both the completed return and the Form EL101 prior to signing it. 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 EROs office.

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

The ERO will maintain a signed copy of all EL101 Forms 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 by MRAD, the ERO will be required to forward copies of Form EL101 with attachments, within ten (10) business days. An ERO who prefers to maintain a paperless office, may scan the Form EL101s with attachments and save them electronically as long there is the ability to reproduce the documents, if requested by MRAD.

Form EL101 may be transmitted electronically as a binary attachment. The suggested PDF name is 'MDEL101.pdf'

Expected values for the State Submission Manifest

<u>Form</u>	<u>Submission Type</u>	<u>Tax Year</u>
502	MD502	2010, 2011
502D	MD502D	2011, 2012
502E	MD502E	2010, 2011
505	MD505	2010, 2011

Maryland Acknowledgements

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

Direct Deposit

The fastest way to receive a refund is via direct deposit. When using this method, the taxpayer designates an eligible financial institution. A financial institution is defined as a state or national bank, savings and loan association, mutual saving bank or credit union. Check with the financial institution to make sure the 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 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 (3) 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 a specific date that 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 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

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

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

Delays may be caused when there are:

- Previous tax liabilities
- Liabilities to other state or federal agencies or the IRS
- Discrepancies between the amounts of estimated payments claimed on the return and the amount on file with MRAD
- Previous filings of the same year
- Missing required documentation/certifications

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.

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 by 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.

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 paying by check or money order, the EL102 should be included with payment and mailed to: Revenue Administration Division, PO Box 2601, Annapolis, MD 21404.

If full payment is not made by the due date, taxpayers will be sent a notice of tax due, plus interest and penalty for any late payment(s).

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 also be made.

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 Payments

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

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 by the due date of the return to: Revenue Administration Division, PO Box 2601, Annapolis, MD 21404.

SECTION 4

Responsibilities of EROs, Transmitters, and Software Developers

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 e-File Handbook and must maintain a high degree of integrity, compliance and accuracy in order to participate in the Maryland e-File program.

All Electronic filers, Transmitters and Electronic Return Originators must comply with the requirements and specifications set forth by the IRS and MRAD. 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 the 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 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 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 of receipt of acknowledgement. Failure to do so could lead to suspension from the Maryland e-File 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 e-File 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 e-File Test Booklet.

Once testing has been completed, software errors which cause electronic returns to be rejected 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.

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 if MRAD acknowledges it. Any return not acknowledged by MRAD as "accepted" is not considered filed.

On an Original Filing, the electronic record must be submitted within seventy-two (72) hours of receipt of the 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 five (5) business days of the Maryland electronic rejected acknowledgement.

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 wants to change any entry on an accepted electronic return, an amended paper return must be filed. Any address, name and/or SSN errors may be corrected for future filings by contacting Taxpayer Service at 410-260-7980 or toll-free at 1-800-638-2937.

Resubmission of Rejected Tax Returns

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) business days after the date Maryland gives notification the return is rejected.

If the electronic return cannot be corrected and retransmitted, the paper return must be filed. For timely filing it must be filed by the later of the due date of the return or ten (10) business days after the date Maryland rejected the return. 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 as the front page.

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 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.

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.

Advertising Standards

Electronic filers shall comply with the advertising media communication and endorsement restrictions specified in the IRS 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 that their acceptance into the Maryland electronic filing program does not constitute an endorsement or approval of quality of tax preparation services 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. Advertised refund timelines should be conservative.

Monitoring

MRAD 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. 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. Taxpayers must always have convenient access to their returns regardless of changes in business names, addresses, telephone numbers, organization or personnel. This includes but is not limited to access to the current status of the 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 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

MRAD 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 e-File Program may request an administrative review within 30 days from the date of denial or suspension. All requests should be mailed to:

Director, Revenue Administration Division
Attn: e-File Appeal
PO Box 1829
Annapolis, Maryland 21404

SECTION 5

Software Design Information

Developer's Responsibilities

- 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
- State Only

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

Fed/State - 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 – The 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 allows individuals who file multiple state returns to have each participating state's return filed electronically. If a federal return is required it must be completed, transmitted and accepted by the 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 the IRS MeF system will validate certain elements of the submission and if the 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 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 taxpayer's 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.

Suspension

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

All must comply with the requirements and specifications contained in the Maryland MeF e-File Handbook. Failure to comply with all requirements and specifications could result in being suspended from the 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 is not registered
- If your company has any outstanding liabilities with Maryland
- If your company fails to adhere to the Maryland MeF e-File 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 software vendor who has been denied or suspended from participation in the Maryland MeF Program may request an administrative review within 30 days from the date of denial or suspension. All requests should be mailed to:

Director, Revenue Administration Division
Attn: e-File Appeal
PO Box 1829
Annapolis, Maryland 21404

Schemas and Specifications

All Maryland state schemas and specifications are available on our website at www.marylandtaxes.com from the homepage under Maryland Taxes, Information for Tax Professionals, then Electronic filing.

RETURN FORMAT

Requested Sequence Order

Form 502

Form 502
Form 502B
Form 502SU
Form 588
Form 502CR
Form 502UP
Form 1099G/MD
Form 502INJ
Form 500CR
Form 502H
Form 502S
Form 500DM
Form W-2
Form W-2G
Form 1099-R
Form 510 Sch K1

Form 505

Form 505
Form 505NR
Form 502B
Form 502SU
Form 588
Form 502CR
Form 502UP
Form 1099G/MD
Form 502INJ
Form 500CR
Form 502H
Form 502S
Form 500DM
Form W-2
Form W-2G
Form 1099-R
Form 510 Sch K1

ACCEPTED DATA CHARACTERS

The presence of special characters may cause reject conditions from the Maryland tax processing system. The characters outlined below are the only accepted special characters.

Name Lines: A-Z, a-z, 0-9, hyphen (-), apostrophe ('), and single space

Address Lines: A-Z, a-z, 0-9, hyphen (-), slash (/)

Financial Fields: 0-9 and minus sign (-)

ACKNOWLEDGEMENT FORMAT

Acknowledgement System

Maryland uses the IRS MeF system to post state acknowledgements for both testing and production returns.

Transmitters should contact the Maryland e-File Help Desk if the state acknowledgement has not been made available within three (3) business days after the return was transmitted. Make sure you have received an IRS acknowledgement before contacting the Maryland e-File Help Desk. Transmitters and Software Developers may reach the e-File Help desk by telephone at 410-260-7753, Monday through Friday, 8:00 a.m. until 5:00 p.m. EST. Have the primary Social Security number and date of transmission available when you call us.

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 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 (3) years along with any applicable attachments, and make it available to MRAD only if requested by MRAD. The taxpayer(s) is not required to submit Form EL101 to MRAD unless specifically requested.

Form EL101 may be transmitted electronically as a binary attachment. The suggested PDF name is 'MDEL101.pdf'

SECTION 6

Software Vendors Testing and Approval Information

System Operation

The IRS will make Maryland state returns available to the state from the IRS's Federal/State MeF system. After the returns have been retrieved by the state they will be processed through the state e-File validation program. Rejected returns will be acknowledged with error codes. If the e-filed return passes all the required validations, it will be released to the main processing system. After processing, an acknowledgement will be sent to the transmitter via the IRS.

Software Acceptance and Testing

Software companies new to MeF processing are required to contact the MRAD e-File Help Desk to obtain a Maryland Software Identification (MSID) Number. Each software package developed by a software company must have a unique MSID hard coded into the product for identification purposes.

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 by Maryland.

The Maryland business rules will include information on field type, field format, length, repeating group, schema rules or other edits. Developers should apply business rules to the appropriate data element in the XML schema.

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 Program.

Once testing has been completed, software errors which cause electronic returns to be rejected 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 together with any documentation needed.

Maryland's starting test date is tentatively scheduled to begin in November 2011 for tax year 2011, but is subject to IRS system availability and is subject to change. The MeF Test Package may be found on our website and will consist of documentation of special test conditions. Software Developers may submit test returns through 2012 until the IRS MeF test system shuts down.

Note: Software Developers should contact the e-File Help Desk prior to testing and again after they have successfully tested and retrieved their acknowledgement.

Software Vendors Final Approval

For final approval, the Software Developer must transmit all test returns at the same time to MRAD e-File and:

- A copy of the final test acknowledgments.
- A copy of Form EL102 Income Tax Payment Voucher.
- A copy of Form EL101 Maryland Income Tax Declaration for Electronic Filing.
- A copy of the Online Filing Consent to Disclosure and Perjury Statement.

A software developer who successfully completes the state process will receive both a written and email confirmation.

Online Filing Consent to Disclosure and Perjury Statement

Taxpayers who file a Maryland MeF e-File 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. Abbreviations are patterned in accordance with IRS standard conventions.

<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

Attachment 3 - Maryland County 2 Letter Abbreviations and 2011 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 - MD Incorporated towns, cities and special taxing areas with 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	.0283
NO INCORPORATED CITIES 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 .0320

NO INCORPORATED CITIES OR TOWNS

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 dependents relationship abbreviations

<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 a reduction in 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 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.

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".

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

“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 a 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 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 .000000. If line 16 is

positive and line 1 is negative or zero, the Maryland Income Factor is 1.00000. The value cannot exceed 1.00000. If greater than 1.00000, use 1.00000. Round the factor to six decimal places. Example: .7782658 = .778266.

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 23 (502)

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

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, 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. Round the factor to six decimal places. Example: .7712349 = .771235

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

Net		AGI		Maryland
Itemized	X	Factor	=	Itemized
Deductions				Deductions

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

Full Standard Deduction	X	AGI Factor	=	Prorated Standard Deduction
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Prorate the **exemptions** (Line 28) amount:

Total Exempt Amount	X	AGI Factor	=	Prorated Exemption Amount
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To prorate the **earned income credit** and **poverty level credit** (if any), use the AGI Factor.

½ Federal Earned Income Credit	X	AGI Factor	=	Prorated MD Earned Income Credit Line 33 (505)
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Poverty Level Credit from Line 5 of Worksheet	X	AGI Factor	=	Prorated MD Poverty Level Credit Line 34 (505)
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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 obtain Maryland Income Factor, divide Line 8 by Line 3 (505NR). If line 8 is negative or zero, Maryland Income Factor is .000000. If line 8 is positive and line 3 is negative or zero, Maryland Income Factor is 1.000000. The value cannot exceed 1.000000. If greater than 1.000000, use 1.000000. This factor must be rounded to six decimal places. Example: $.6734518 = .673452$

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

Net Itemized Deductions Line 26d (505)	X	Maryland Income Factor	=	Maryland Itemized Deduction
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If the **standard deduction** method is used, prorate the standard deduction (Line 10a):

Standard Deduction Line 8a (505NR)	X	Maryland Income Factor	=	Prorated Standard Deduction
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Prorate the **exemptions** (Line 12) amount:

Exempt Amount X Line 28 (505)	Maryland Income = Factor	Prorated Exemption Amount
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Prorate the **earned income credit** and **poverty level credit** (if any), use the Maryland Income Factor:

½ Federal Earned X Income Credit	Maryland Income = Factor	Prorated MD Earned Income Credit Line 33 (505)
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Poverty Level X Credit From Line 5 Of worksheet	Maryland Income = Factor	Prorated MD Poverty Level Credit Line 34 (505)
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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 1.00000. If greater than 1.00000, use 1.00000. This factor must be rounded to six decimal places. Example: .6100236 = .610024.

Attachment 10 - Exception Codes

Listed are the accepted codes for each form type.

Resident Form 502

- 200 - Injured spouse
- 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

Nonresident Form 505

- 200 - Injured spouse
- 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 nonresident sale of property

588 - Splitting Direct Deposit into multiple bank accounts

912 - Combat Zone