

Tax Alert



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Important Tax Information for Certain Corporate Entities

The Maryland General Assembly has created a Business Tax Reform Commission to review and evaluate the State's current business tax structure and to provide recommendations for fair and equitable taxation for all corporations and other business entities doing business in the State. To assist the Commission in its work, and the General Assembly in its consideration of these issues, certain corporate entities will be required to file pro forma combined corporate income tax returns beginning in October 2008. The Comptroller's Office is currently developing regulations to implement this action of the General Assembly. The regulations and other information regarding these new corporate reporting requirements will be posted on the Comptroller's website (www.marylandtaxes.com) as they become available.

Under the Tax Reform Act of 2007, as amended by Chapter 177 / 178 (Senate Bill 444 / House Bill 664) of the 2008 regular session of the General Assembly, pro forma corporate income tax returns will be required from all corporations that are members of a corporate group and are subject to the Maryland income tax. A corporate group is defined as an affiliated or controlled group under §1504 or §1563 of the Internal Revenue Code, or an affiliated group of corporations engaged in a unitary business with more than 50% of the voting stock of each entity held by a common owner(s) or by one or more members of the group. Those members of a corporate group that are not subject to the United States federal income tax, which are insurers as defined in §1-101 of the Maryland Insurance Article, or are a regulated investment company as defined in §851(A) of the Internal Revenue Code, are not considered as members of the group for these information reporting purposes.

The pro forma combined returns for tax year 2006 are due October 15, 2008. Pro forma returns for tax year 2007 are due by the extension due date for tax year 2007 corporate income tax returns (October 15, 2008 for calendar year taxpayers). For tax years 2008 through 2010, the pro forma returns will also be due by the extension due date. These reporting requirements expire after tax year 2010.

The Comptroller's Office is currently developing a means of electronically filing these reports (required by law) as well as a penalty system to ensure information returns are filed accurately and timely. The online filing system will be available by September. If your corporation is a member of a corporate group but another member will be filing the pro forma return, you will be required to report through the electronic filing system which member is filing the return for the group. Similarly, if you receive this notice but are not a member of a corporate group or otherwise not required to file the pro forma return, you will be required, this year only, to affirm that fact through the electronic reporting system.

All information regarding these requirements will be posted on the Comptroller's website as it becomes available; please check www.marylandtaxes.com periodically. Our corporate information reporting hotline is 410-767-3015 (toll free 866-588-2086).