

Tax Alert



Tax Alert Comptroller of Maryland
Revenue Administration Division
110 Carroll Street
Annapolis, Maryland 21401

Call 1-800-MD-TAXES (1-800-638-2937)
or 410-260-7980 from Central Maryland

For tax information: www.marylandtaxes.com.
Questions? Send them to taxhelp@comp.state.md.us.

13-10

REQUIREMENT TO NOTIFY EMPLOYEES OF POTENTIAL EARNED INCOME TAX CREDIT (EITC) ELIGIBILITY

Tax General Article 10-913 requires an employer to provide, on or before December 31, 2013, electronic or written notice to an employee who may be eligible for the federal and Maryland EITC.

Your employees may be entitled to claim an EITC on their 2013 federal and Maryland income tax returns if both their federal adjusted gross income and their earned income is less than the following:

- \$46,227 (\$51,567 married filing jointly) with three or more qualifying children
- \$43,038 (\$48,378 married filing jointly) with two qualifying children
- \$37,870 (\$43,210 married filing jointly) with one qualifying child
- \$14,340 (\$19,680 married filing jointly) with no qualifying children

Employees who meet this income eligibility should be advised to go to the Internal Revenue Service Web site at www.irs.gov, or contact their tax advisor, to see if they meet the other federal criteria. Employees who meet all of the federal requirements may be eligible for a Maryland credit up to half of the federal EITC, but not greater than the state income tax. Additionally, certain employees also may qualify for a refundable Maryland credit, or a local EITC.

You may choose to notify all of your employees; or you may choose to notify only those employees with wages less than or equal to the amounts shown above. A sample notification is included on the back of this alert and may be photocopied and distributed to your employees, or you may choose to develop your own notice.

For more information about the Maryland EITC, visit our Web site at www.marylandtaxes.com, or call 1-800-MD-TAXES (1-800-638-2937), or 410-260-7980 from Central Maryland.

Reminder: Legally married same-sex couples must file as married filing jointly or married filing separately for tax year 2013. Employees wishing to adjust their withholding to reflect married status should complete a new Maryland Form MW507, as well as federal Form W-4.

Recordatorio: Parejas del mismo sexo legalmente casadas deberán presentar la declaración de impuestos como casado en conjunto o casado pero realizando la presentación separado para el año tributario 2013. Empleados que deseen ajustar la retención de impuestos con su empleador para reflejar el estado civil como casado, deberán completar una nueva forma de Maryland MW507 así como la forma federal W-4.

Para obtener información en español sobre el Crédito por Ingreso del Trabajo (EITC) de Maryland, visite www.marylandtaxes.com.

Please see our 2014 edition of *Withholding Tax Facts* which offers more information about filing your employer withholding tax forms, reconciliation statement and other employer withholding related forms.

Withholding Tax Facts is available at www.marylandtaxes.com.

IMPORTANT NOTICE TO MARYLAND EMPLOYEES

Did you know that federal and Maryland earned income tax credits are available to certain low-income individuals and families?

These credits can reduce the amount of income tax you owe or increase your income tax refund; and, you may qualify to receive some of these credits even if you did not earn enough income to be required to file a tax return.

2013 Maryland Earned Income Tax Credit (EITC)

Maryland's EITC is a credit for certain taxpayers who have income and have worked. The state EITC reduces the amount of Maryland tax you owe. The local EITC reduces the amount of county tax you owe. Some taxpayers may even qualify for a refundable Maryland EITC.

Most taxpayers who are eligible and file for a federal EITC can receive the Maryland state and local EITC. The allowable Maryland credit is up to one-half of the federal credit. To be eligible for the federal and Maryland EITC, your federal adjusted gross income and your earned income must be less than the following:

- \$46,227 (\$51,567 married filing jointly) with three or more qualifying children
- \$43,038 (\$48,378 married filing jointly) with two qualifying children
- \$37,870 (\$43,210 married filing jointly) with one qualifying child
- \$14,340 (\$19,680 married filing jointly) with no qualifying children

To receive the Maryland EITC, you must be eligible for the federal credit. If your income is less than the amounts shown in this notice, visit the Internal Revenue Service Web site at www.irs.gov, or contact your tax advisor, to learn if you meet the other requirements. You also may be entitled to a refundable Maryland EITC and to a local EITC.

If you are a part-year resident or a nonresident of Maryland, you may be entitled to a prorated share of the credit, if you have Maryland income.

For more information about the Maryland EITC, visit our Web site at www.marylandtaxes.com or call 1-800-MD-TAXES (1-800-638-2937), or 410-260-7980 from Central Maryland. You must have a valid Social Security Number and file a tax return to claim this credit.

Reminder: Legally married same-sex couples must file as married filing jointly or married filing separately for tax year 2013. Employees wishing to adjust their withholding to reflect married status should complete a new Maryland Form MW507, as well as federal Form W-4.

Recordatorio: Parejas del mismo sexo legalmente casadas deberán presentar la declaración de impuestos como casado en conjunto o casado pero realizando la presentación separado para el año tributario 2013. Empleados que deseen ajustar la retención de impuestos con su empleador para reflejar el estado civil como casado, deberán completar una nueva forma de Maryland MW507 así como la forma federal W-4.

Para obtener información en español sobre el Crédito por Ingreso del Trabajo (EITC) de Maryland, visite www.marylandtaxes.com.

2013 Federal Earned Income Tax Credit (EITC)

For more information about the federal EITC,
visit: www.irs.gov/individuals or call the IRS at 1-800-829-1040.



MARYLAND WITHHOLDING TAX FACTS

January 2014 - December 2014

This edition of Withholding Tax Facts offers information about filing your employer withholding tax forms, reconciliation statement and other employer withholding related forms.

INCOME TAX RATE

The local income tax is computed without regard to the impact of the state tax rate. The state rates and rate brackets are indicated below:

TAX RATE SCHEDULE I

(For taxpayers filing as Single, Married Filing Separately, or as Dependent Taxpayers. This rate is also used for taxpayers filing as Fiduciaries.)

Taxable Net Income is: Maryland Tax is:

Over	But Not Over	
\$ 0	\$ 1,000	2% of the amount
1,000	2,000	\$20 plus 3% of the excess over \$1,000
2,000	3,000	\$50 plus 4% of the excess over \$2,000
3,000	100,000	\$90 plus 4.75% of the excess over \$3,000
100,000	125,000	\$4,697.50 plus 5% of the excess over \$100,000
125,000	150,000	\$5,947.50 plus 5.25% of the excess over \$125,000
150,000	250,000	\$7,260.00 plus 5.5% of the excess over \$150,000
250,000	-----	\$12,760.00 plus 5.75% of the excess over \$250,000

TAX RATE SCHEDULE II

(For taxpayers filing Joint Returns, Head of Household, or for Qualifying Widows/Widowers.)

Taxable Net Income is: Maryland Tax is:

Over	But Not Over	
\$ 0	\$ 1,000	2% of the amount
1,000	2,000	\$20 plus 3% of the excess over \$1,000
2,000	3,000	\$50 plus 4% of the excess over \$2,000
3,000	150,000	\$90 plus 4.75% of the excess over \$3,000
150,000	175,000	\$7,072.50 plus 5% of the excess over \$150,000
175,000	225,000	\$8,322.50 plus 5.25% of the excess over \$175,000
225,000	300,000	\$10,947.50 plus 5.5% of the excess over \$225,000
300,000	-----	\$15,072.50 plus 5.75% of the excess over \$300,000

Note: These tax rates are used for computing tax on individual tax return. Maryland law does not permit the use of a rate of less than 4.75% to be used for withholding tax purposes.

Reminder: Legally married same-sex couples must file as married filing jointly or married filing separately for tax year 2013. Employees wishing to adjust their withholding to reflect married status should complete a new Maryland Form MW507, as well as federal Form W-4.

PERSONAL EXEMPTIONS

Employees may be required to adjust their personal exemption amount if their federal adjusted gross income exceeds \$100,000, or if they wish to use their excess itemized deductions as exemptions. These employees should refer to the Maryland Exemption Certificate (Form MW507) for guidance to determine how many exemptions they may claim.

As an employer, you are to treat each exemption as if it were \$3,200.

COUNTY RATES

Local tax is based on taxable income and not on Maryland state tax. Listed below are the actual 2014 local income tax rates.

We provide separate tables for the convenience of employers who do not withhold using an automated or computerized system, or who prefer to look up the amounts to be withheld manually. For these tables, we have continued our practice of grouping the local income tax rates into rate brackets. For 2014, we will use fourteen brackets: 1.25%, 2.25%, 2.40%, 2.50%, 2.60%, 2.65%, 2.80%, 2.85%, 2.90%, 3.00%, 3.05%, 3.10%, 3.15%, and 3.20%. Refer to the county listing below and use the table that agrees with, or is closest to, without going below the actual local tax rate. Employers will use \$3,200 as the value of an exemption when using the withholding tables. There is no need to adjust for the reduction in the exemption amount as employees are instructed to reduce the number of exemptions being claimed on their Exemption Certificate, Form MW507.

Please note that the only changes in local rates are Caroline County, Carroll County and Charles County.

Allegany	3.05%	Howard	3.20%
Anne Arundel	2.56%	Kent	2.85%
Baltimore County	2.83%	Montgomery	3.20%
Calvert	2.80%	Prince George's	3.20%
Caroline	2.73%	Queen Anne's	3.20%
Carroll	3.04%	St. Mary's	3.00%
Cecil	2.80%	Somerset	3.15%
Charles	3.03%	Talbot	2.40%
Dorchester	2.62%	Washington	2.80%
Frederick	2.96%	Wicomico	3.20%
Garrett	2.65%	Worcester	1.25%
Harford	3.06%	Baltimore City	3.20%

Withholding tables can be downloaded from the Comptroller's Web site at www.marylandtaxes.com. If you do not have Internet access, you may call 410-260-7951 from Central Maryland or 1-800-MD-TAXES (1-800-638-2937) from elsewhere.

FOR YOUR INFORMATION

- Taxpayers on an accelerated filing schedule may request a

waiver allowing monthly returns for the remainder of the calendar year. A renewal of the waiver is also available if eligibility to file federal withholding tax returns on a monthly basis is unchanged.

- Payers of distributions that are Eligible Rollover Distributions (ERDs) under IRC Section 3405(c), subject to mandatory federal income tax withholding, are required to withhold Maryland income tax from these distributions paid to Maryland residents at the rate of 7.75%.
- Designated Distributions are only subject to Maryland income tax withholding if the payee elects to have withholding made by the payor. The amount required to be withheld is the amount that the payee requests using Form MW507P.
- A spouse whose wages are exempt from Maryland income tax under the Military Spouses Residency Relief Act may claim an exemption from Maryland withholding tax by filing Forms MW507 and MW507M with their employer.
- MW507 has been updated to reflect language as it pertains to employees who are Pennsylvania residents. Employers with Pennsylvania residents should download updated Form MW507 at www.marylandtaxes.com.
- The paper version of Business Income Tax Credits Form 500CR has been discontinued. For more information, see www.marylandtaxes.com. If you are a tax-exempt non-profit employer who is eligible for a Maryland Business Tax Credit, you will need to download Maryland Form MW508CR.

ELECTRONIC FILING

Save time and money by meeting your business tax filing obligations electronically. The payment methods listed below qualify as Electronic Fund Transfers and will meet the EFT requirement. Except for ACH Credit, these electronic filing and payment options are also available to some taxpayers who must file and pay Maryland sales and use tax.

File over the Internet and pay by direct debit: Use bFile, the Comptroller's free internet filing service for businesses, to file and pay online at www.marylandtaxes.com. bFile is a free service that allows you to file and make your payment by electronic funds withdrawal (direct debit). Zero reports may also be filed through the bFile service.

File and pay by ACH Credit: File and pay through your bank using the ACH Credit method. Contact your bank to see if it offers this service. Your bank may charge a nominal fee for an ACH Credit transaction.

File and pay by phone: Use your telephone and the free ACH Debit Electronic Funds Transfer (EFT) service to pay your employer withholding, sales and use tax, motor fuel tax and corporation income tax. You must preregister for EFT payments. Visit www.marylandtaxes.com or call 410-260-7601 for more information on the EFT program and registration requirements.

File and pay by credit card: For alternative methods of payment, such as credit card, visit our Web site at www.marylandtaxes.com.

File zero reports: If you did not withhold any Maryland income tax for a reporting period, **DO NOT MAIL** us your Form MW506. Instead, file online using bFile or call 410-260-7225 to file the zero report by phone. Please have the form in front of you when you call.

ANNUAL WITHHOLDING FILERS

Annual withholding tax filers, who have requested to continue to receive paper coupons, will receive a coupon book with four quarterly returns. Use the return with the quarter ending that corresponds with your tax end. For example, if your tax year ends between October 1 and December 31, use the fourth quarter coupon to report and pay tax withheld.

FILING YOUR RETURN

- Filing your withholding return electronically is now the default option for employers. Our free bFile program is available for filing and reporting to all employers. You can access bFile by visiting www.marylandtaxes.com. We will only send paper coupons to employers who have requested them.
- If you have notified us that you wish to continue to receive paper coupons you will receive paper coupons in the mail by December 31; otherwise, you will need to use one of our electronic options mentioned above to file and pay your required withholding tax returns with the State of Maryland.
- The number one error is sending in the wrong coupon. If you are using paper coupons, please send us the coupon marked for the correct period.
- The number two error is incorrect figures. Please double-check your entries.
- If you are filing accelerated (Form MW506M) you must enter the pay date (the day you pay your employees) on the MW506M.
- Use your account number on all correspondence and checks relating to your income tax withholding account.
- If a due date falls on a Saturday, Sunday or legal holiday, the return is due on the next business day.
- File Form MW506FR (Final Return) if you are closing your business to avoid unnecessary delinquent notices and collection action. This form is at www.marylandtaxes.com.
- When you move, please notify us of your change of address by writing to the Comptroller of Maryland, Revenue Administration Division, 110 Carroll Street, Annapolis, MD 21411-0001. You also may use our change of address form online, available at www.marylandtaxes.com. Please reference your Central Registration number and Federal Employer Identification Number (FEIN).
- You must provide each employee with a wage and tax statement, federal Form W-2, on or before January 31 each year.
- If you do not have the window envelope but do have your Form MW506, mail it with your payment to: Revenue Administration Division, P.O. Box 17132, Baltimore, MD 21297-0175.

YEAR-END RECONCILIATION DUE FEBRUARY 28, 2014

The annual employer withholding reconciliation report (MW508) is due the last day of February (February 28, 2014). Form MW508 is available at www.marylandtaxes.com. You must send in the bar coded MW508 corresponding with the proper tax year along with the state copy of Form W-2 for each person for whom income tax was withheld.

Employers have three options to file their year-end reconciliation (Form MW508). Please note: employers who have 25 or more Forms W-2 to report must select option 1 or 2. However, we encourage all employers regardless of the number of statements to file using magnetic media or electronically.

- 1) Employers can file their year-end reconciliation electronically using bFile at www.marylandtaxes.com. The bFile application is free of charge and employers will receive confirmation of the filing. Employers can key up to 250 Forms W-2 and their Form MW508 directly to our Web site or use the new W-2 file upload application for an unlimited number of Forms W-2.
- 2) All employers may continue to file on magnetic media. However, for the 2015 tax season, employers no longer will be able to file via magnetic media.
- 3) Employers with fewer than 25 Forms W-2 to report may file their year-end reconciliation on paper.

There have been no changes to the record layout for tax year 2013; however, all fields in all records are now required. The 2013 Maryland record layout is the only acceptable format for both current and back year tax magnetic media submissions.

The RV record is an electronic version of the paper form, MW508, Annual Employer Reconciliation Return. The RV record contains all of the data from the Form MW508 and is a required record if you file using magnetic media.

To obtain a complete copy of the Magnetic Media Specification Booklet please visit www.marylandtaxes.com.

For questions on magnetic media, please call the Revenue Administration Division at 410-260-7150.

EARNED INCOME CREDIT INFORMATION ACT

House Bill 632 (Chapter 352, Acts of 2011), the Earned Income Credit Information Act requires the Comptroller to publish the maximum eligibility for the State earned income tax credit (EIC) on or before January 1 of each calendar year. This Act also requires the Comptroller to notify all employers in Maryland by mail of the information on the State EIC. The employer then must notify each employee who may be eligible for the federal or State earned income tax credits electronically or in written form by December 31. If you have not received a Tax Alert about this new requirement, please download the Tax Alert from our Web site.

FOR QUESTIONS ABOUT...

Withholding, obtaining forms, lost or destroyed return booklets, corporation income tax, personal income tax, nonresident shareholders' or partners' tax, e-mail taxhelp@comp.state.md.us, or call 410-260-7980 from Central Maryland or 1-800-MD-TAXES (800-638-2937) from elsewhere.

If you have a delinquent withholding tax collection problem, call 410-649-0633.

For the hearing impaired: TTY users call via Maryland Relay at 711. If you need a reasonable accommodation for a disability, or need the information in this Tax Facts in an alternate format, contact the Comptroller's Office.

(10/13)

UPLOAD W-2S ELECTRONICALLY

Employers can now upload an unlimited number of Forms W-2 and receive confirmation of the filing.

Waivers granted last year were for 1 year only.

FILE ELECTRONICALLY at www.marylandtaxes.com!!

It's Fast! It's Secure! It's Free!

- ✓ You can file your withholding returns over the Internet using our free bFile program at www.marylandtaxes.com and pay by direct debit.
- ✓ You can file and pay by ACH Credit.
- ✓ You can file and pay by phone with ACH Debit.
- ✓ You can file and pay by credit card.

