

PERSONAL INCOME TAX CREDITS FOR INDIVIDUALS



ATTACH TO YOUR TAX RETURN

Please Print Blue or Black Ink Only

Form fields for taxpayer and spouse names (First name, Initial, Last name)

YOUR SOCIAL SECURITY NUMBER

Form fields for taxpayer's Social Security Number

SPOUSE'S SOCIAL SECURITY NUMBER

Form fields for spouse's Social Security Number

Read Instructions for Form 502CR

Note: You must complete and submit both pages 1 and 2 of this form to receive credit for the items listed.

PART A - TAX CREDITS FOR INCOME TAXES PAID TO OTHER STATES

If you were a part-year resident, you may not claim a credit for tax paid on nonresident income you subtracted on line 13 of Form 502.

Form fields for Part A (lines 1-8) including taxable net income, other state taxes, and credits.

PART B - CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

Form fields for Part B (lines 1-4) including federal adjusted gross income and child/dependent care credit.

PART C - QUALITY TEACHER INCENTIVE CREDIT

Form fields for Part C (lines 1-6) including tuition paid and reimbursement, with separate columns for Taxpayer and Spouse.

PART D - CREDIT FOR AQUACULTURE OYSTER FLOATS

Form fields for Part D (line 1) including amount paid for aquaculture oyster float(s).



PART E - LONG-TERM CARE INSURANCE CREDIT

Complete Columns A through D. Answer questions and see instructions below before completing Column E.

Column A Name and Age of Insured	Column B Social Security No. of Insured	Column C Relationship to Taxpayer	Column D Amount of Premium Paid	Column E Credit Amount
1.				1.
2.				2.
3. TOTAL				3.

Question 1 - Did any of the above-named insured individuals have long-term care insurance prior to July 1, 2000? Yes No

Question 2 - Is the credit being claimed for any of the above-named insured individuals in this year by any other taxpayer? Yes No

Question 3 - Is the credit being claimed for any of the above-named insured individuals in any other tax year? Yes No

If you answered yes to any of the above questions, enter "0" in Column E for that insured person

Unless you have already entered zero, enter in Column E the lesser of the amount of premium paid for each insured or:

- \$240 for those insured that are under the age of 41;
- \$450 for those insured that are age 41 to 50; and
- \$500 for those insured that are over age 50.

Add the amounts in Column E and enter the total on line 3 (TOTAL) and line 5 of Part H, below.

PART F - CREDIT FOR PRESERVATION AND CONSERVATION EASEMENTS

1. Enter the total of the current year donation amount, and any carryover from prior year(s)
2. Enter the amount of any payment received for the easement during 2002.
3. Subtract line 2 from line 1.
4. Enter the amount from line 24 of Form 502, line 32 of Form 505 or line 33 of Form 515, or \$5,000, whichever is less
5. Enter the lesser of lines 3 or 4 here and on line 6 of Part H below. (If you itemize deductions, see Instruction 14.)
6. Excess credit carryover. Subtract line 5 from line 3.

1		
2		
3		
4		
5		
6		

PART G - CLEAN ENERGY INCENTIVE CREDIT FOR PHOTOVOLTAIC AND SOLAR WATER HEATING PROPERTY

1. Enter 15% of the cost of photovoltaic property (may not exceed \$2,000)
2. Enter 15% of the cost of solar water heating property (may not exceed \$1,000)
3. Total (Add lines 1 and 2.) Enter here and on line 7 of Part H below.

1		
2		
3		

PART H - PERSONAL INCOME TAX CREDIT SUMMARY

1. Enter the amount from Part A, line 8 (If more than one state, see instructions)
2. Enter the amount from Part B, line 4
3. Enter the amount from Part C, line 6
4. Enter the amount from Part D, line 1
5. Enter the amount from Part E, line 3
6. Enter the amount from Part F, line 5
7. Enter the amount from Part G, line 3
8. Enter the amount from Section 2, line 4 of Form 502H. Attach Form 502H.
9. Total (Add lines 1 through 8.) Enter this amount on line 27 of Form 502, line 35 of Form 505 or line 36 of Form 515

▶ 1		
▶ 2		
▶ 3		
▶ 4		
▶ 5		
▶ 6		
▶ 7		
▶ 8		
▶ 9		

PART J - REFUNDABLE PERSONAL INCOME TAX CREDITS

1. Neighborhood Stabilization Credit. Enter the amount and attach certification.
2. Heritage Structure Rehabilitation Tax Credit (See instructions.) Attach certification.
3. Claim of Right. (See instructions)
4. Total (Add lines 1, 2 and 3.) Enter this amount on line 43 of Form 502, line 46 of Form 505, or line 53 of Form 515.

▶ 1		
▶ 2		
▶ 3		
▶ 4		

GENERAL INSTRUCTIONS

Purpose of Form. Form 502CR is used to claim personal income tax credits for individuals.

You may report the following tax credits on this form: the **Credit for Income Taxes Paid to Other States, Credit for Child and Dependent Care Expenses, Quality Teacher Incentive Credit, Clean Energy Incentive Credit, Long-Term Care Insurance Credit, Credit for Preservation and Conservation Easements, Credit for Aquaculture Oyster Floats, the Heritage Structure Rehabilitation Tax Credit, the Neighborhood Stabilization Credit and Claim of Right Credit.**

The Neighborhood Stabilization Credit, a portion of the Heritage Structure Rehabilitation Tax Credit and the Claim of Right Credit are refundable. The balance of the Heritage Structure Rehabilitation Tax Credit and all of the other credits may not exceed the state income tax.

Excess credit for preservation and conservation easements and for non-refundable heritage structure rehabilitation expenses may be carried forward to the next tax year. Excess amounts of the other credits cannot be carried forward.

Name and Other Information. Type or print the name as shown on Form 502, Form 505 or Form 515 in the designated area. Enter the social security numbers for each taxpayer.

When and Where to File. Form 502CR must be attached to the annual return (Form 502, 505 or 515) and filed with the Comptroller of Maryland, Revenue Administration Division, Annapolis, Maryland 21411-0001.

PART A - CREDIT FOR INCOME TAXES PAID TO OTHER STATES

If you are a Maryland resident and you paid income tax to another state, you may be eligible for a credit on your Maryland return. Non-residents (filing Form 505 or Form 515) are not eligible for this credit.

Find the state to which you paid a nonresident tax in the groups listed below. The instructions for that group will tell you if you are eligible for credit and should complete Part A of Form 502CR. You must file your Maryland income tax return on Form 502 and complete lines 1 through 24 of that form. Then complete Form 502CR Parts A and H and attach to Form 502.

A completed, signed copy of the income tax return filed in the other state must also be attached to Form 502.

CAUTION: Do not use the income or withholding tax reported on the wage and tax statement (W-2 form) issued by your employer for the credit computation. Use the taxable income and the income tax calculated on the return you filed with the other state.

If you are claiming credit for taxes paid to more than one state, a separate Form 502CR must be completed for each state. Total the amount from each Form 502CR, Part A, line 8. Using only one summary section, record the total on Part H, line 1. Credit cannot be allowed for the local portion of the tax calculated on the return of the other state or on the Maryland return (line 31 of Form 502).

GROUP I - Nonreciprocal - Credit is taken on the Maryland resident return.

Alabama	Massachusetts	Pennsylvania
Arizona	Michigan	(except wage income)
Arkansas	Minnesota	Rhode Island
California	Mississippi	South Carolina
Colorado	Missouri	Tennessee
Connecticut	Montana	Utah
Delaware	Nebraska	Vermont
Georgia	New Hampshire	Virginia
Hawaii	New Jersey	(except wage income)

Idaho	New Mexico	Washington, D.C.
Illinois	New York	(except wage income)
Indiana	North Carolina	West Virginia
Iowa	North Dakota	(except wage income)
Kansas	Ohio	Wisconsin
Kentucky	Oklahoma	Territories and
Louisiana	Oregon	Possessions of the
Maine		United States

Group I - A Maryland resident having income from one of these states must report the income on the Maryland resident return Form 502. To claim a credit for taxes paid to the other state, complete Form 502CR and attach it and a copy of the other state's nonresident income tax return (not just your W-2 Form) to your Maryland return.

GROUP II - Reciprocal for wages, salaries, tips and commission income only.

Pennsylvania	Washington, D.C.
Virginia	West Virginia

Group II - Maryland has a reciprocal agreement with the states included in Group II. The agreement applies only to wages, salaries, tips and commissions. It does not apply to business income, farm income, rental income, gain from the sale of tangible property, etc. If you had such income subject to tax in these states, complete Form 502CR and attach it and a copy of the other state's nonresident income tax return (not just your W-2 Form) to your Maryland return.

If you had wages, plus income other than wages from a state listed in Group II, you should contact the taxing authorities in the other state to determine the proper method for filing the nonresident return.

GROUP III - No state income tax - No credit allowed.

Alaska	Texas
Florida	Washington
Nevada	Wyoming
South Dakota	

Group III - You must report income from these states on your Maryland resident return. You cannot claim any credit for income earned in these states because you did not pay any income tax to the other state.

IMPORTANT NOTE FOR DUAL RESIDENTS

A person may be a resident of more than one state at the same time for income tax purposes. If you must file a resident return with both Maryland and another state, use the following rules to determine where the credit should be taken:

1. A person who is domiciled in Maryland and who is subject to tax as a resident of any of the states listed in Group I or II can claim a credit on the Maryland return (Form 502) using Part A of Form 502CR.
2. A person domiciled in any state listed in Group I or II who must file a resident return with Maryland must take the credit in the state of domicile.

SPECIAL INSTRUCTIONS

Members of Pass-through Entities - When a partnership, S corporation, limited liability company (LLC) or business trust files a composite return on behalf of its partners, shareholders or members with states in Groups I and II, Maryland resident partners, shareholders or members may claim a credit for their share of the tax paid.

If the Maryland resident must file an individual nonresident return reporting the partnership, S corporation, LLC or business trust income, a separate Form 502CR must be completed for each state and submitted with a copy of the return filed with the other state. For both composite returns and individual returns, no credit is available for taxes paid to states in Group III, or for taxes paid to cities or local jurisdictions.

Shareholders of S Corporations - Maryland resident shareholders can claim a credit for taxes paid by an S corporation to a state which does not recognize federal S corporation treatment. A copy of the corporation return filed in the other state is required to be attached to the Maryland return. A separate Form 502CR should be completed for each state showing the following information:

$$\frac{\text{Stock ownership percentage}}{\text{Corporation taxable income}} \times \text{Line 2, Part A, Form 502CR} =$$

$$\frac{\text{Stock ownership percentage}}{\text{Corporation tax}} \times \text{Line 7, Part A, Form 502CR} =$$

NOTE: A preliminary calculation using Form 502 must be made before calculating the credit on Form 502CR. Complete lines 1 through 24 on Form 502 to determine the amounts to be used for the 502CR computation.

The credit amount shown on line 8 of Part A, Form 502CR must then be included as an addition to income on line 5 of the Form 502 you will file.

D.C. Unincorporated Business Franchise Tax - Self-employed individuals and partners in a partnership that are subject to D.C. unincorporated business franchise tax may claim a credit on Form 502CR. A copy of the D.C. return is required for self-employed individuals and for partners a K-1 or other statement from the partnership showing the partner's share of income and the partner's share of the D.C. tax.

Installment Sales in Another State - You may be eligible for credit for taxes paid to another state for gain recognized on installment sales proceeds, even if the other state required that the total gain be recognized in an earlier tax year. Credit is allowed against the state income tax only. The gain must have been deferred for federal tax purposes, but fully taxed in the year of the sale by another state which does not recognize the deferral. The credit allowed is the amount of the gain taxed in Maryland in the current year multiplied by the lesser of:

- the maximum state tax rate (currently 4.75%), or
- the tax rate imposed by the other state on the gain.

PART B - CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

If you were eligible for a Child and Dependent Care Credit on your federal income tax return, Form 1040 or 1040A for tax year 2002, you may be entitled to a credit on your Maryland state income tax return. The credit starts at 32.5% of the federal credit allowed, but is phased out for taxpayers with federal adjusted gross incomes above \$41,000 (\$20,500 for individuals who are married, but file separate income tax returns). No credit is allowed for an individual whose federal adjusted gross income exceeds \$50,000 (\$25,000 for married filing separately). Use the chart below to determine the decimal amount to be entered on line 3 of Part B.

PART C - QUALITY TEACHER INCENTIVE CREDIT

If you are a Maryland teacher, you may be able to claim a credit against your State tax liability for tuition paid to take graduate-level courses required to maintain certification. This credit applies to individuals who:

- currently hold a standard professional certificate or advanced professional certificate;
- are employed by a county/city board of education in Maryland;
- teach in a public school and receive a satisfactory performance evaluation for teaching;
- successfully complete the courses with a grade of B or better; and
- have not been fully reimbursed for these expenses. Only the unreimbursed portion qualifies for the credit.

Each spouse that qualifies may claim this credit. Complete a separate column in the worksheet for each spouse.

INSTRUCTIONS

- Line 1. Enter the amount of tuition paid for graduate-level courses for each qualifying teacher.
- Line 2. Enter the amount received as a reimbursement for tuition from your employer.
- Line 4. The maximum amount of credit allowed is \$1,500 for each qualifying individual.
- Line 5. The credit is limited to the amount paid less any reimbursement up to the maximum amount allowed for each qualifying individual. Enter the lesser of line 3 or line 4.
- Line 6. Enter the sum of line 5, Columns A and B. Also enter this amount on line 3, Part H.

CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES CHART

If your filing status is Married Filing Separately and your federal adjusted gross income is:		Decimal Amount	For all other filing statuses, if your federal adjusted gross income is:	
At Least	But less than		At least	But less than
\$0-	\$20,501	.3250	\$0	\$41,001
\$20,501	\$21,001	.2925	\$41,001	\$42,001
\$21,001	\$21,501	.2600	\$42,001	\$43,001
\$21,501	\$22,001	.2275	\$43,001	\$44,001
\$22,001	\$22,501	.1950	\$44,001	\$45,001
\$22,501	\$23,001	.1625	\$45,001	\$46,001
\$23,001	\$23,501	.1300	\$46,001	\$47,001
\$23,501	\$24,001	.0975	\$47,001	\$48,001
\$24,001	\$24,501	.0650	\$48,001	\$49,001
\$24,501	\$25,001	.0325	\$49,001	\$50,001
\$25,001	or over	.0000	\$50,001	or over

PART D - CREDIT FOR AQUACULTURE OYSTER FLOATS

A credit is allowed for 100% of the amounts paid on or after July 1, 2002 for the purchase of a new aquaculture oyster float that is designed to grow oysters at or under an individual homeowner's pier. The credit cannot exceed \$500.

PART E - LONG-TERM CARE INSURANCE CREDIT

A one-time credit may be claimed against the state income tax for the payment of qualified long-term care (LTC) insurance premiums as defined by the Internal Revenue Service (Publication 502) for a policy to insure yourself, or your spouse, parent, step-parent, child or stepchild.

A credit may not be claimed if:

- the insured was covered by LTC insurance prior to July 1, 2000;
- the credit for the insured is being claimed in this year by another taxpayer; or
- the credit is being claimed in any other tax year.

The credit is equal to the LTC premiums paid with a maximum per insured of:

Amount	Age of Insured
\$240	under 41 years
\$450	41 to 50 years
\$500	over 50 years

SPECIFIC INSTRUCTIONS

- Complete columns A through D of the worksheet for each insured individual. If more space is required, attach a separate statement.
- Answer Questions 1 through 3. If you answered "yes" for any of the questions, no credit is allowed for that individual. Enter "0" in column E.
- Unless you have already entered "0", enter in Column E the amount of premiums paid for each insured individual up to the maximum for that age group.
- Add the amounts in Column E and enter the total on line 3. Also enter this amount on line 5, Part H.

PART F - CREDIT FOR PRESERVATION AND CONSERVATION EASEMENTS

If you donated an easement to the Maryland Environmental Trust or the Maryland Agricultural Land Preservation Foundation to preserve open space, natural resources, agriculture, forest land, watersheds, significant ecosystems, viewsheds or historic properties, you may be eligible for a credit if:

- the easement is perpetual;
- the easement is accepted and approved by the Board of Public Works; and
- the fair market value of the property before and after the conveyance of the easement is substantiated by a certified real estate appraiser.

You must reduce the difference in the fair market values of the property by payments received for the easement. If the property is owned jointly by more than one individual such as a husband and wife, **each individual owner is entitled to the credit based on their percentage of ownership.** The credit amount is limited to the lesser of the individual's state tax liability for that year or

the maximum allowable credit of \$5,000. In the case of a joint return each spouse must calculate their own state tax liability for limitation purposes. You can use the rules for filing separate returns in Instruction 8 in the Resident booklet to calculate each spouse's Maryland tax.

If the individual's allowable credit amount exceeds the maximum of \$5,000 the excess may be carried forward for up to 15 years or until fully used. Complete lines 1-6 of Part F. If you itemize deductions, see Instruction 14 in the Resident booklet.

For Line 1, enter the amount by which the fair market value of the property before the conveyance of the easement exceeds the fair market value after the conveyance as substantiated by a certified real estate appraiser.

The carryover amount can be found on Part E line 6 of Form 502CR for tax year 2001.

For additional information, contact the Maryland Environmental Trust at 410-514-7900 (www.dnr.state.md.us/met), or the Maryland Agricultural Land Preservation Foundation at 410-841-5860.

PART G - CLEAN ENERGY INCENTIVE CREDIT

If you purchased photovoltaic property, you may be entitled to a tax credit of 15% (up to \$2,000) of the cost. A credit is also allowed for up to 15% (up to \$1,000) of the cost of solar water heating property. If either of these items were purchased for business purposes, use Form 500CR. For additional information, contact the Maryland Energy Administration, 1623 Forest Drive, Annapolis, MD 21403 (410-260-7183).

PART H - PERSONAL INCOME TAX CREDIT SUMMARY

This part is to summarize parts A through G and the non-refundable portion of Heritage Structure Rehabilitation tax credits. If the total from Part H, line 9 exceeds the state tax, the excess may not be refunded.

PART J - REFUNDABLE PERSONAL INCOME TAX CREDITS

Line 1 - NEIGHBORHOOD STABILIZATION CREDIT

If you live in Greater Hillendale, Lansdowne or Waverly, you may qualify for this credit. To apply for this credit, an individual should contact Baltimore City or Baltimore County. Individuals certified by Baltimore City or Baltimore County as qualified for the Neighborhood Stabilization Credit may claim a credit equal to the property tax credit granted by Baltimore City or Baltimore County. Enter the amount on line 1 of Part J and attach a copy of the certification.

Line 2 - HERITAGE STRUCTURE REHABILITATION TAX CREDIT

See instructions for Form 502H.

Line 3 - CLAIM OF RIGHT

If you repaid an amount reported as income on a prior year tax return this year that was greater than \$3,000, you may be eligible for an IRC Section 1341 Claim of Right credit. For additional information, contact our office at 410-260-7980.

Line 4 - Add lines 1 through 3 and enter the total on the appropriate line of the income tax form being filed.