

# UNDERPAYMENT OF ESTIMATED MARYLAND INCOME TAX BY CORPORATIONS AND PASS-THROUGH ENTITIES

SEE EXPLANATION ON REVERSE. ATTACH THIS FORM TO FORM 500 OR 510.

**IMPORTANT: PLEASE REVIEW THE INSTRUCTIONS BEFORE COMPLETING THIS FORM.**

TAX YEAR BEGINNING \_\_\_\_\_, 2003      ENDING \_\_\_\_\_

Name as shown on Form 500 or 510	Federal Employer Identification Number (9 digits)
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## SEE INSTRUCTIONS ON REVERSE SIDE

### EXCEPTIONS WHICH AVOID INTEREST AND PENALTY

NO INTEREST OR PENALTY IS DUE AND THIS FORM SHOULD NOT BE FILED IF:

- A. The tax developed for the current tax year is \$1,000 or less.
- B. Four payments of not less than 25% of the required estimated tax were filed on or before the 15th day of the 4th, 6th, 9th and 12th months of the tax year and total either (1) 90% of the tax developed for the current tax year or (2) 100% of the tax developed for the prior tax year.

### CALCULATION OF INTEREST AND PENALTY

1. Tax for current tax year (line 9 of Form 500 or Form 510) less any Business or Heritage Structure Rehabilitation Tax Credits . . .			
2. Enter 90% of the amount on line 1 . . . . .			
3. Tax for prior tax year (line 9 of prior year Form 500 or Form 510) less any Business or Heritage Structure Rehabilitation Tax Credits . . .			
4. Estimated tax required (Enter lesser of line 2 or line 3) . . . . .			

DUE DATES OF INSTALLMENT PERIODS				
	15th day 4th month	15th day 6th month	15th day 9th month	15th day 12th month
	1st Period	2nd Period	3rd Period	4th Period
5. Installment periods . . . . .				
6. Estimated payments required per installment period (See instructions) . . . . .				
7. Estimated tax paid per installment period on or before the due date indicated and prior year's overpayment applied to estimated tax . . .				
8. Underpayment per installment period (Subtract line 7 from line 6) . . .				
9. Interest factors (See instructions) . . . . .				
10. Interest per installment period (Multiply line 8 by factors on line 9) . . . . .				

11. Total interest (Add all amounts on line 10) . . . . .			
12. Penalty (See instructions) . . . . .			
13. Total interest and penalty (Add lines 11 and 12). Also enter this amount on line 13 of Form 500 or line 12 of Form 510 . . . . .			

# UNDERPAYMENT OF ESTIMATED INCOME TAX BY CORPORATIONS AND PASS-THROUGH ENTITIES

## GENERAL INSTRUCTIONS

**Purpose of Form** Form 500UP is used by a corporation or a pass-through entity to calculate the amount of interest and penalty for failure to pay the required amount of estimated income tax when due.

**NOTE:** Form 500UP is not required. The Maryland Revenue Administration Division will calculate the interest and penalty and notify the entity of any balance due.

**General Requirements** Every corporation or pass-through entity that reasonably expects its Maryland taxable income to develop a tax in excess of \$1,000 for the tax year or period must make estimated income tax payments. The total estimated tax payments for the year must be at least 90% of the tax developed for the current tax year or 100% of the tax developed for the prior tax year. At least 25% of the total estimated tax must be remitted by each of the four installment due dates. Corporations may not use the annualization method.

In the case of a short tax period, the total estimated tax required is the same as for a regular tax year: 90% of the tax developed for the current (short) tax year or 100% of the tax developed for the prior tax year. The minimum estimated tax for each of the installment due dates is the total estimated tax required divided by the number of installment due dates occurring during the short tax year.

Maryland law provides for the accrual of interest and imposition of penalty for failure to pay the required amount of estimated tax when due.

**When and Where to File** File Form 500UP by the original or extended due date for filing the Form 500 – Corporation Income Tax Return or Form 510 – Pass-Through Entity Income Tax Return. If used, Form 500UP must be attached to Form 500 or Form 510 and filed with the Comptroller of Maryland, Revenue Administration Division, Annapolis, Maryland 21411-0001.

## SPECIFIC INSTRUCTIONS

**Name and Other Information** Type or print the name as shown on Form 500 or Form 510 in the designated area. Enter the Federal Employer Identification Number (FEIN). If a FEIN has not been secured, enter “APPLIED FOR” followed by the date of application. If a FEIN has not been applied for, do so immediately.

**Tax Year or Period** Enter the beginning and ending dates in the space provided at the top of Form 500UP. The form used for filing must reflect the preprinted tax year in which the corporation’s tax year begins.

**Calculation of Interest and Penalty** Enter the amounts as required for lines 1 through 13.

**Instructions for Line 6:** The first period extends from the beginning of the entity’s fiscal year to the last day of the third month. The second period extends from the beginning of the fiscal year to the last day of the sixth month. The third period extends from the beginning of the fiscal year to the last day of the ninth month. The fourth period extends from the beginning of the fiscal

year to the last day of the twelfth month. Therefore, enter one-quarter of the estimated tax required on line 4 in the first column of line 6, one-half in the second column, three-quarters in the third column and an amount equal to line 4 in the fourth column. For Pass-Through Entities, see specific instructions below.

**Instructions for Line 7:** Enter all payments made by the due date of the fourth quarterly estimated tax payment in the appropriate column according to the instructions for line 6. That is, all payments made by the 15th day of the fourth month of the entity’s fiscal year should be entered in the first column. All payments made by the 15th day of the sixth month (including those shown in the first column) should be entered in the second column. All payments made by the 15th day of the ninth month should be entered in the third column and all payments made by the fourth quarter due date should be entered in the fourth column.

**Instructions for Line 9:** The interest factors for calendar year corporations or S corporations are: 1st period – .0217; 2nd period – .0328; 3rd period – .0324; 4th period – .0321. The interest factors for calendar year partnerships or limited liability companies are 1st period – .0217; 2nd period – .0328; 3rd period – .0435; 4th period – .0321.

The factors represent the interest rate for the portion of the year between the due date of each quarter and the due date of the next quarter. The rate is 1/12 of 13% for each month or part of a month from the due date. If your estimated tax payment was not timely, but was paid earlier than the due date of the next quarter, adjust the factor as follows: count the number of months from the due date that the payment was late. Treat a partial month as one month. Divide that number by twelve and multiply it by the 13% annual rate. Apply this adjusted factor to the underpaid amount on line 8.

**Instructions for Line 12:** Penalty for underpayment of estimated tax is due for any quarter where timely payments are less than 50% of one-quarter of the annual estimated tax required (line 4). Calculate the penalty by adding the underpayments in all applicable quarters (do not use cumulative amounts from line 8) and multiplying the total by 10%. Enter the result on line 12.

**Pass-Through Entities** The due dates of estimated payments and annual returns for S corporations are the same as the due dates for corporations. If the entity is a partnership or limited liability company, the due date for the fourth quarterly payment is the 15th day of the month following the close of the tax year (January 15 for calendar year filers) and the due date for the annual return is the 15th day of the fourth month following the close of the tax year (April 15 for calendar year filers). These differences will cause variations in the interest factors.

Partnerships and limited liability companies electing to annualize must allocate to each period (and enter on line 6) a payment amount based on the income received between the dates for each installment period. If the interest calculated on line 11 is zero because the income was not received evenly throughout the year, enter code number “301” in the box marked “code number” under the signature area of Form 510, and attach this form to the return.

# MARYLAND BUSINESS REGISTRATION & TAXATION

## COMPTROLLER OF MARYLAND REGISTRATION & TAXES

**Registration and Licensing** All new businesses (corporations, S corporations, partnerships, limited liability companies, business trusts, and sole proprietorships) can file a single application with the Central Registration Unit of the Revenue Administration Division of the Comptroller's Office to establish accounts for employer income tax withholding, sales and use tax, admissions and amusement tax, tire recycling fee, motor fuel tax, alcohol and tobacco tax and unemployment insurance. The Revenue Administration Division offers assistance for filing applications and establishing accounts.

The Central Registration Unit assigns a single state identification number for the taxes listed above. Register online at [www.marylandtaxes.com](http://www.marylandtaxes.com)

**Corporation Income Tax** The corporation income tax applies to every Maryland corporation and every other corporation which has a nexus with Maryland. Nexus is the term used to indicate a taxable connection between a corporation and a taxing authority. If a corporation conducts business activity within Maryland and exceeds the provisions of U.S.C.A. Title 15, Section 381 of the Interstate Commerce Act (P.L. 86-272) it has a nexus and must file an income tax return.

The tax is based on federal taxable income after state modifications. Corporations engaged in multistate operations must allocate income using an apportionment formula, generally consisting of receipts, property and payroll factors. The tax is imposed at a flat rate of 7% of Maryland taxable income.

**Employer Withholding of Income Tax** Employers making payments to individuals of salaries, wages or compensation for personal services must withhold income tax and remit the withholding to the Maryland Revenue Administration Division. The amount of tax to be withheld is prescribed in published tables which are based on the individual income tax rates. See the General Instructions for Form 500 for additional information on employer withholding requirements.

**Sales and Use Tax** This tax applies to businesses selling in Maryland or purchasing out of state for Maryland use.

The general Maryland sales and use tax rate is 5% (1¢ tax on each 20¢ or fraction of price). A special 8% rate is imposed on rental trucks, and a special rate of 11½% is charged on rentals of passenger cars and recreational vehicles. Most sales of food by substantial grocery or market businesses are not subject to tax. Specific prepared foods purchased in grocery stores are subject to tax. Other exemptions include all sales solely for resale, medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies.

**Motor Fuel Tax** Generally, this tax applies to businesses selling or using motor fuel in Maryland.

The Maryland motor fuel tax rate is currently 23½¢ per gallon of gasoline and 24¼¢ per gallon of diesel fuel. There are other require-

ments for motor carriers, dealers, special fuel users, sellers, and service station operators.

Maryland implemented the International Fuel Tax Agreement (IFTA) for motor carriers on 1/1/96.

**Alcohol and Tobacco Tax** These taxes apply to businesses manufacturing, selling, distributing or storing alcoholic beverages or selling and/or distributing cigarettes in Maryland.

The Maryland excise tax rates on alcoholic beverages are \$1.50 per gallon of distilled spirits, 40¢ per gallon of wine, and 9¢ per gallon of beer. The tobacco tax rate is \$1.00 per pack of 20 cigarettes.

**Admissions & Amusement Tax** This tax is imposed on a variety of activities, such as admission to any place, including motion pictures, athletic events, races, shows or exhibits. Also subject to this tax are receipts from athletic equipment rentals, bingo, coin-operated amusement devices, boat rides and excursions, amusement rides, golf green fees, golf cart rentals, skating, bowling shoe rentals, lift tickets, riding academies, horse rentals, and merchandise, refreshments, or a service sold or served in connection with entertainment.

The admissions and amusement tax is a local tax collected by the Comptroller's Office on behalf of Maryland's counties, Baltimore City, other incorporated cities and towns. The tax is set by the localities at rates varying from one-half of 1% to 10% of the admissions and amusement receipts.

**Tire Recycling Fee** This fee applies to tire wholesalers or a tire retailer who buys tires from out-of-state sources. Registration and payment of the fee is handled by the Revenue Administration Division.

**Utility Surcharges** These surcharges are collected by electric companies that deliver electricity in Maryland and by telephone companies doing business in Maryland. The electricity surcharges are then paid to the Comptroller for deposit in the Environmental Trust and Universal Service Program Funds. The telecommunications surcharges are paid to the Comptroller for deposit in the 911 Emergency Telephone System and Communications Access of Maryland Funds.

The utility surcharges are collected by the Revenue Administration Division.

## OTHER REGISTRATIONS & TAXES

**New Corporations** In addition to registering with the Central Registration Unit of the Comptroller's Office, all corporations doing business in Maryland must register with the Department of Assessments and Taxation. This is also the office to contact to form a new corporation.

**Financial Institution Franchise Tax** The franchise tax has been replaced with the corporation income tax for commercial banks (effective 1/1/98) and all other financial institutions (effective 1/1/01).

**Public Service Company Franchise Tax** In addition to corporation income tax, public service companies are subject to the franchise tax on gross receipts. This tax is administered by the Department of Assessments and Taxation.

**Insurance Company Premium Tax** Insurance companies are exempt from the corporation income tax but are subject to the premium tax that is administered by the Maryland Insurance Administration.

**Unemployment Insurance** Employers are subject to the Department of Labor, Licensing and Regulation unemployment insurance requirements and must file a combined registration application to establish an account.

**Workers' Compensation** Employers in Maryland must provide workers' compensation insurance for all employees. Employers may obtain coverage from a private insurance company, by becoming self-insured or by contacting the State Injured Workers' Insurance Fund. Employers believing they are not required to obtain this insurance may contact the Workers' Compensation Commission for certification of compliance.

**Business Licenses** Licenses are required for certain businesses to operate in Maryland. To determine if a license is necessary, contact the clerk of the circuit court in the Maryland county (or Baltimore City) where the business operates. A circuit court is located in each of those jurisdictions.

## OTHER REQUIREMENTS

**Bulk Sales** When an existing business is bought, the purchaser must pay a 5% bulk sales and use tax on the price of tangible personal property, such as furniture and fixtures, that is part of the business. This tax is collected by the Compliance Division of the Comptroller's Office.

**Dissolution of Corporation** Articles of Dissolution must be filed with the Department of Assessments and Taxation for the dissolution of a corporation. As of 10/1/99, a tax clearance certificate is no longer required for the dissolution of a corporation.

**Unclaimed Property** Unclaimed funds such as wages, insurance benefits, bank accounts or security deposits must be reported if they remain unclaimed for five years (four years for reporting periods ending on or after 6/30/02 and three years for reporting periods ending on or after 6/30/03). This property must be reported to the Compliance Division.

**NOTE:** The information provided above is a brief summary of the various Maryland business requirements and is based on the law in effect as of 7/1/02. For additional information, see the reverse side for the addresses and phone numbers of the Maryland agencies most frequently contacted by businesses.