


- 
- Remove the label and attach it to the return you are filing.
 - If any information on the label is incorrect, please do not use the label.

2003

Maryland Tax Forms for Fiduciaries

Forms and instructions for filing fiduciary income tax returns for calendar year or any other tax year or period beginning in 2003.

Important reminders:

- Read the instructions in this booklet.
- Use the above label on Form 504.
- Enter the Federal Employer Identification Number and tax year beginning and ending dates on all forms and payments.
- Sign and date the return.

Electronic Filing

You can file electronically through an approved commercial tax preparer. Look for our e-file logo.



Direct Deposit is Available!



William Donald Schaefer

These are the forms and instructions you need to file your 2003 Maryland Fiduciary income tax return:

- ❖ **Form 504** - Maryland Fiduciary Tax Return
- ❖ **Form 504E** - Application for Extension of Time to File
- ❖ **Form 504D** - Declaration of Estimated Maryland and Local Fiduciary Income Tax for the Year 2004
- ❖ **Form 504 UP** - Underpayment of Estimated Maryland Income Tax by Fiduciaries

Please send us your original completed Maryland tax return. Photocopies could delay the processing of your refund.

Please read this *before* filling out your forms!

- ❖ File electronically through a commercial tax preparer or use the forms in this booklet.
- ❖ Your top state income tax rate is **4.75 percent** for tax year 2003.
- ❖ Some Fiduciaries may qualify for a **new tax credit**. See Instruction 17.
- ❖ **Call us for free state tax help** Monday through Friday, from **8:00 a.m. until 9:00 p.m. eastern time** from January 20 until April 16, 2004. You can also e-mail your tax questions to us any time at: taxhelp@comp.state.md.us

- ❖ A contribution can be made to **two programs on your return**: the Chesapeake Bay and Endangered Species Trust Fund and the Fair Campaign Financing Fund.

FREE ASSISTANCE
by phone

1-800-MD TAXES

or 410-260-7980 from Central Maryland
Monday - Friday
8:00 a.m. - 9:00 p.m.
January 20 - April 16, 2004

F O R M S	<p>BY PHONE</p> <p>410-260-7951</p> <p>Place your order and we'll mail the forms.</p>	<p>INTERNET</p> <p>www.marylandtaxes.com</p> <p>Tax forms, instructions, publications and e-mail access to taxpayer assistance.</p>
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FIDUCIARY TAX RETURN



(OR FISCAL YEAR BEGINNING , 2003, ENDING)

Please Print Blue or Black Ink Only

Name of estate or trust, Federal employer identification number, Name and title of fiduciary, Address of fiduciary (number and street), City or town, State, Zip code

CHECK BOX IF: NAME OR ADDRESS HAS CHANGED THIS IS AN AMENDED RETURN (ATTACH EXPLANATION) AMENDED RETURN

TYPE OF ENTITY, DECEDENT'S ESTATE INFORMATION, RESIDENT STATUS, Maryland tax, Local tax

COMPUTATION OF TAXABLE INCOME AND TAX OF FIDUCIARY

Staple check here

Table with 46 rows for computation of taxable income and tax of fiduciary, including lines 21-46.

DIRECT DEPOSIT OF REFUND (See Instruction 18) Please be sure the account information is correct.

47. To choose the direct deposit option, complete the following information: 47a. Type of account: 47b. Routing number 47c. Account number

Daytime telephone no. (Fiduciary)

Preparer's SSN or PTIN

CODE NUMBER

FOR OFFICE USE ONLY

Make checks payable to: COMPTROLLER OF MARYLAND. Write federal employer identification no. on check using blue or black ink. Mail to: Comptroller of Maryland, Revenue Administration Division, Annapolis, Maryland 21411-0001

**2003 MARYLAND
FIDUCIARY TAX RETURN
PAGE 2**



FIDUCIARY'S SHARE OF MARYLAND MODIFICATIONS

(a) Do not complete lines 1 through 9 if the fiduciary distributes all of the income during the taxable year. (b) Complete lines 1 through 8 and enter on line 24 if the fiduciary retains 100% of the income for the taxable year. (c) Complete lines 1 through 9 if a partial distribution of income is made by the fiduciary during the taxable year. Write a minus sign (-) in front of any negative numbers.

ADDITIONS

1. Interest on state and local obligations other than Maryland	<input type="text"/>	<input type="text"/>	
2. Income taxes deducted on federal return	<input type="text"/>	<input type="text"/>	
3. Other additions to income (Specify)	<input type="text"/>	<input type="text"/>	<input type="text"/>
4. Total additions (Add lines 1 through 3)	<input type="text"/>	<input type="text"/>	<input type="text"/>

SUBTRACTIONS

5. Income from U.S. obligations	<input type="text"/>	<input type="text"/>	
6. Other subtractions (Specify)	<input type="text"/>	<input type="text"/>	
7. Total subtractions (Add lines 5 and 6)	<input type="text"/>	<input type="text"/>	<input type="text"/>
8. Net Maryland modifications (Line 4 less line 7)	<input type="text"/>	<input type="text"/>	<input type="text"/>
9. Fiduciary's share of net Maryland modifications. Divide the total distribution from federal Form 1041 by the distributable net income, expressing the answer in decimal form. Subtract the decimal from 1 and multiply the difference by line 8.			

$$1 - \left(\frac{\text{Total distribution}}{\text{Distributable net income}} \right) = \text{Undistributed income factor}$$

Line 11, Schedule B, federal Form 1041
Line 7, Schedule B, federal Form 1041

$$\text{Undistributed income factor} \times \text{Line 8} =$$

Enter here and on line 24	

NONRESIDENT DEDUCTION

Complete this area only if any beneficiaries are nonresidents of Maryland

10. Income from intangible personal property accumulated for a nonresident (See Instruction 9)	<input type="text"/>	<input type="text"/>
11. Related expenses	<input type="text"/>	<input type="text"/>
12. Nonresident deduction (Subtract line 11 from line 10.) Enter on line 26	<input type="text"/>	<input type="text"/>

CREDIT FOR TAXES PAID TO OTHER STATES

Complete this area if the fiduciary is a resident and is liable for income tax to another state. Attach a copy of the return filed with the other state.

13. Net taxable income (from line 29)	<input type="text"/>
14. Net taxable income of fiduciary in other state	<input type="text"/>
15. Revised net income (Subtract line 14 from line 13. If less than 0, write 0)	<input type="text"/>
16. Maryland tax (from line 30)	<input type="text"/>
17. Tax on amount on line 15 (Use rate schedule.)	<input type="text"/>
18. Tentative tax credit (Line 16 less line 17)	<input type="text"/>
19. State tax shown on return filed with the state of _____ (Attach copy of return filed with the other state.)	<input type="text"/>
20. Credit for tax paid to the other state (Enter the lesser of line 18 or 19 here and on line 38)	<input type="text"/>

AMENDED RETURNS

If you are filing an amended fiduciary income tax return, check the box and draw a line through any barcodes on the front. Explain the changes you are making in the space below. Attach a copy of the amended federal Form 1041 if the federal return is being amended.

EXPLANATION OF CHANGES

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, the declaration is based on all information of which the preparer has any knowledge. Check here if you authorize your preparer to discuss this return with us.

MAIL TO: COMPTROLLER OF MARYLAND
REVENUE ADMINISTRATION DIVISION
ANNAPOLIS, MARYLAND 21411-0001

Signature of fiduciary or officer representing fiduciary	Date
Date	Signature of preparer other than fiduciary
	Address and telephone of preparer

FIDUCIARY TAX RETURN



(OR FISCAL YEAR BEGINNING , 2003, ENDING)

Please Print Blue or Black Ink Only

Name of estate or trust, Federal employer identification number, Name and title of fiduciary, Address of fiduciary (number and street), City or town, State, Zip code

CHECK BOX IF: NAME OR ADDRESS HAS CHANGED THIS IS AN AMENDED RETURN (ATTACH EXPLANATION) AMENDED RETURN

TYPE OF ENTITY, DECEDENT'S ESTATE INFORMATION, RESIDENT STATUS, Subdivision code, County, City, town or taxing area

COMPUTATION OF TAXABLE INCOME AND TAX OF FIDUCIARY

Staple check here

Table with 46 rows for tax computation, including Federal taxable income, Maryland tax, local tax, and total amount due.

DIRECT DEPOSIT OF REFUND (See Instruction 18) Please be sure the account information is correct.

47. To choose the direct deposit option, complete the following information: 47a. Type of account: 47b. Routing number 47c. Account number

Daytime telephone no. (Fiduciary)

Daytime telephone number input field

CODE NUMBER input field

FOR OFFICE USE ONLY input field

Preparer's SSN or PTIN input field

Preparer's SSN or PTIN

Make checks payable to: COMPTROLLER OF MARYLAND. Write federal employer identification no. on check using blue or black ink. Mail to: Comptroller of Maryland, Revenue Administration Division, Annapolis, Maryland 21411-0001

**2003 MARYLAND
FIDUCIARY TAX RETURN
PAGE 2**



FIDUCIARY'S SHARE OF MARYLAND MODIFICATIONS

(a) Do not complete lines 1 through 9 if the fiduciary distributes all of the income during the taxable year. (b) Complete lines 1 through 8 and enter on line 24 if the fiduciary retains 100% of the income for the taxable year. (c) Complete lines 1 through 9 if a partial distribution of income is made by the fiduciary during the taxable year. Write a minus sign (-) in front of any negative numbers.

ADDITIONS

1. Interest on state and local obligations other than Maryland	<input type="text"/>	<input type="text"/>	
2. Income taxes deducted on federal return	<input type="text"/>	<input type="text"/>	
3. Other additions to income (Specify)	<input type="text"/>	<input type="text"/>	
4. Total additions (Add lines 1 through 3)			<input type="text"/>

SUBTRACTIONS

5. Income from U.S. obligations	<input type="text"/>	<input type="text"/>	
6. Other subtractions (Specify)	<input type="text"/>	<input type="text"/>	
7. Total subtractions (Add lines 5 and 6)			<input type="text"/>
8. Net Maryland modifications (Line 4 less line 7)			<input type="text"/>
9. Fiduciary's share of net Maryland modifications. Divide the total distribution from federal Form 1041 by the distributable net income, expressing the answer in decimal form. Subtract the decimal from 1 and multiply the difference by line 8.			

$$1 - \left(\frac{\text{Total distribution}}{\text{Distributable net income}} \right) = \text{Undistributed income factor}$$

Line 11, Schedule B, federal Form 1041 Line 7, Schedule B, federal Form 1041

$$\text{Undistributed income factor} \times \text{Line 8} = \text{Enter here and on line 24}$$

NONRESIDENT DEDUCTION

Complete this area only if any beneficiaries are nonresidents of Maryland

10. Income from intangible personal property accumulated for a nonresident (See Instruction 9)	<input type="text"/>	<input type="text"/>
11. Related expenses	<input type="text"/>	<input type="text"/>
12. Nonresident deduction (Subtract line 11 from line 10.) Enter on line 26	<input type="text"/>	<input type="text"/>

CREDIT FOR TAXES PAID TO OTHER STATES

Complete this area if the fiduciary is a resident and is liable for income tax to another state. Attach a copy of the return filed with the other state.

13. Net taxable income (from line 29)	<input type="text"/>
14. Net taxable income of fiduciary in other state	<input type="text"/>
15. Revised net income (Subtract line 14 from line 13. If less than 0, write 0)	<input type="text"/>
16. Maryland tax (from line 30)	<input type="text"/>
17. Tax on amount on line 15 (Use rate schedule.)	<input type="text"/>
18. Tentative tax credit (Line 16 less line 17)	<input type="text"/>
19. State tax shown on return filed with the state of _____ (Attach copy of return filed with the other state.)	<input type="text"/>
20. Credit for tax paid to the other state (Enter the lesser of line 18 or 19 here and on line 38)	<input type="text"/>

AMENDED RETURNS

If you are filing an amended fiduciary income tax return, check the box and draw a line through any barcodes on the front. Explain the changes you are making in the space below. Attach a copy of the amended federal Form 1041 if the federal return is being amended.

EXPLANATION OF CHANGES

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements and to the best of my knowledge and belief it is true, correct and complete. If prepared by a person other than taxpayer, the declaration is based on all information of which the preparer has any knowledge. Check here if you authorize your preparer to discuss this return with us.

MAIL TO: **COMPTROLLER OF MARYLAND
REVENUE ADMINISTRATION DIVISION
ANNAPOLIS, MARYLAND 21411-0001**

Signature of fiduciary or officer representing fiduciary	Date	Signature of preparer other than fiduciary	Date
		Address and telephone of preparer	

**APPLICATION FOR EXTENSION
OF TIME TO FILE MARYLAND
FIDUCIARY INCOME TAX RETURN**

2003

Important: The granting of an extension of time for filing your Maryland income tax return in no way changes the due date for payment of tax as provided by statute. Interest from the due date of the fiduciary return must be computed on any balance of tax due on the fiduciary income tax return, and included in the remittance accompanying the late-filed fiduciary income tax return.

Please Print or Type

Name of estate or trust		Federal Employer Identification No.	
Name and title of fiduciary			
Address of fiduciary (number and street)	City or town	State	ZIP code

- I request an automatic extension of time to August 15, 2004 to file for calendar year 2003.
- I request an extension of time to October 15, 2004 to file for calendar year 2003.
- I am a fiscal year taxpayer and am requesting an extension of time to file to _____, _____ for tax year ending _____, _____. (The extension period may not exceed six months.)

Complete the following:

Federal extension has been requested Yes No

If no, reason extension is needed: _____

1. Total income tax liability for 2003 (You may estimate this amount)	1		
Note: You must enter an amount on line 1. If you do not expect to owe tax, enter zero (0).			
2. Maryland income tax withheld	2		
3. 2003 estimated tax payments	3		
4. Other payments and credits	4		
5. Add lines 2, 3 and 4	5		
6. Income tax balance due (Subtract line 5 from line 1). Pay in full with this form. If line 5 is more than line 1, enter zero (0)	6		

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete; and, if prepared by someone other than the taxpayer, that I am authorized to prepare this form.

Signature of fiduciary _____ Date _____
or
Signature of preparer _____ Date _____
other than fiduciary

Make checks payable to and mail to:
COMPTROLLER OF MARYLAND
REVENUE ADMINISTRATION DIVISION
Annapolis, Maryland 21411-0001
(Write federal employer identification
number on check)

GENERAL INSTRUCTIONS

Purpose of Form

Use Form 504E to receive four more months to file Form 504. You do not have to explain why you are asking for the extension unless you are not requesting a federal extension. We will contact you only if your request is denied.

To get extra time you *MUST*:

1. fill in Form 504E correctly *AND*
2. file it by the due date of your return *AND*
3. pay ALL of the amount shown on line 6.

Fiduciaries requesting an extension of more than four months must enter on this application the reason for the request. No extension request will be granted for more than six months, except in the case of individuals who are out of the United States. In no case will an extension be granted for more than one year from the due date for submitting the fiduciary tax return.

When to File Form 504E

File Form 504E by April 15, 2004. If you are filing on a fiscal year basis, file by the regular due date of your return.

Where to File

Mail this form to the Maryland Revenue Administration Division, Annapolis, MD 21411-0001.

Filing Your Tax Return

You may file Form 504 at any time before the end of the extension period. Remember, Form 504E does not extend the time to pay taxes. If you do not pay the amount due by the regular due date, you will owe interest and be subject to a penalty.

Interest

You will owe interest on tax not paid by the regular due date of your return. The interest will accrue until you pay the tax. Even if you had a good reason not to pay on time, you will still owe interest.

Penalty

If tax and interest is not paid promptly, a penalty will be assessed on the tax.

How to Claim Credit for Payment Made with This Form

When you file your return, show the amount of any payment (line 6) sent with Form 504E on line 37 of your return.

Your Signature

This form must be signed by the fiduciary or officer representing the fiduciary.

Others Who Can Sign For You

Anyone with a power of attorney can sign. But the following can sign for you without a power of attorney:

- Attorneys and CPAs.
- A person in close personal or business relationship to you who is signing because you cannot. There must be a good reason why you cannot sign (such as illness or absence). Attach an explanation to the form.

**DECLARATION OF ESTIMATED MARYLAND
AND LOCAL FIDUCIARY INCOME TAX**

2004

IMPORTANT: Please review the instructions on reverse side before completing this form.

Estimated Tax Worksheet

1. Total income expected in 2004 (federal taxable income)	1		
2. Federal exemption amount	2		
3. Add lines 1 and 2	3		
4. Net modifications (See instructions)	4		
5. Line 3 above plus or minus line 4	5		
6. Nonresident deduction (See instructions)	6		
7. Balance (Subtract line 6 from line 5)	7		
8. Maryland exemption (Personal representatives enter \$600; other fiduciaries enter \$200)	8		
9. Maryland taxable income of fiduciary	9		
10. Maryland income tax (See instructions)	10		
11. Local income tax: Multiply the taxable income from line 9 by .0 ___ (Resident fiduciaries only - see instructions)	11		
12. Total Maryland and local income tax (Add lines 10 and 11)	12		
13. Credit for income tax paid to another state (resident fiduciaries only) or from Form 500CR, 502H and/or worksheet in Instruction 17	13		
14. Total estimated tax (Subtract line 13 from line 12)	14		
15. Amount to be submitted with each declaration (Divide line 14 by four)	15		

Record of installment payments

This is your record of the estimated tax paid, that is to be claimed as a credit on your 2004 Maryland fiduciary income tax return.

Date due	Date paid	Check number	Amount
April 15, 2004	_____	_____	_____
June 15, 2004	_____	_____	_____
September 15, 2004	_____	_____	_____
January 18, 2005	_____	_____	_____
		Total	_____

The total payment above should be shown as a credit on line 37 of Form 504.

Cut along this line and file with Comptroller of Maryland, Revenue Administration Division, Annapolis, Maryland 21411-0001

**FORM
504D
2004**

**DECLARATION OF ESTIMATED
MARYLAND AND LOCAL INCOME TAX FOR
FIDUCIARIES FOR THE YEAR 2004**

CHECK HERE IF THIS IS
A CHANGE OF ADDRESS

CHECK HERE IF YOU NEED VOUCHERS
FOR REMAINING PAYMENTS

Comptroller of Maryland
Revenue Administration Division
Annapolis, Maryland 21411-0001

(OR FISCAL YEAR BEGINNING _____, 2004 and ENDING _____)

Name of estate or trust		Federal employer ID number	
Name and title of fiduciary			
Present address (number and street) of fiduciary	City or town	State	ZIP code
ESTIMATED TAX PAID FOR 2004 WITH THIS DECLARATION		\$	

Who must file a declaration You must file a declaration of estimated tax if you are required to file a Maryland fiduciary income tax return *and* your taxable income would be expected to develop a tax of more than \$500. You must file a declaration with payment in full within 60 days of receiving \$500 or more of income from awards, prizes, lotteries or raffles, whether paid in cash or property if Maryland and local tax has not been withheld.

A personal representative of an estate is not required to remit estimated tax payments for the first two tax years of the estate.

When to file a declaration You must pay at least one-fourth of the total estimated tax on or before April 15, 2004. The remaining quarterly payments are due June 15, 2004, September 15, 2004, and January 18, 2005. You may pay the total estimated tax with your first payment, if you wish. If you are filing on a fiscal year basis, each payment is due on the 15th day of the 4th, 6th, 9th and 13th month following the beginning of the fiscal year.

Overpayment of tax If you overpaid your 2003 income tax (Form 504) you may apply all or part of the overpayment to your 2004 estimated tax. If the overpayment applied equals or exceeds the estimated tax liability for the first quarterly payment, you are not required to file the declaration. If the overpayment applied is less than the estimated tax liability, you should file the declaration and pay the balance of the first installment. Preprinted vouchers will be mailed to you for the remaining payments.

Changes in income Your situation may not require you to file a declaration on April 15, 2004. However, a large increase in income after that date may require you to file a declaration. If at any time during the year you need to amend your original declaration, simply increase or decrease the remaining payments.

How to estimate your 2004 tax The worksheet on page 1 is designed to develop an estimate of your 2004 Maryland and local income tax. Be as accurate as you can in forecasting your 2004 income. You may use your 2003 income and tax as a guide, but if you will receive more income in 2004, you must pay at least **110%** of the prior year tax to avoid interest for underpayment of estimated tax. For the purpose of estimating, rounding all amounts to the nearest dollar is recommended.

The annualized income installment method used for federal estimated tax purposes may be used to compute Maryland estimated tax.

Specific instructions:

Line 1. Total income expected in 2004 is your estimated federal taxable income.

Line 2. Federal exemption amount. Enter the exemption amount you expect to claim on your federal fiduciary income tax return.

Line 4. Net modifications. Fiduciaries are permitted those additions and subtractions allowed individuals. For further information, see the instructions for Form 502 for resident individuals or Form 505 for nonresident individuals. Only the fiduciary's allocable portion should be used.

Line 6. Nonresident deduction. If any beneficiaries of the estate are nonresident individuals or corporations not doing business in this state, enter on this line the total income from intangible personal property less allocable expenses which you expect to accumulate (and not distribute) during the tax year for their benefit.

Line 8. Maryland exemption. The Maryland exemption allowed to a personal representative is \$600. A fiduciary other than a personal representative is allowed \$200.

Line 10. Maryland fiduciary income tax. Compute your tax on the amount on line 9 using the following tax rate schedule:

Tax rate schedule

If the amount on line 9 is:		Amount of tax
At least	but not over	(Enter on line 10)
\$ 0	- \$1,000	2% of the amount on line 9
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	- over	\$90 plus 4.75% of the excess over \$3,000

Line 11. Local income tax. Maryland counties and Baltimore City levy an income tax which is a percentage of taxable net income. Using the following criteria, determine to which city, county or local taxing jurisdiction the fiduciary must pay the local income tax.

1. A personal representative should use the rate for the jurisdiction in which the decedent was domiciled on the date of death.

2. Other fiduciaries should use the rate for the jurisdiction in which the trust was created or is principally administered.

The amount you entered on line 9 is your taxable net income. Multiply that by your local tax rate (see below) and enter on line 11.

Subdivision	Rate	Subdivision	Rate
Baltimore City	.0305	Harford County	.0306
Allegany County	.0293	Howard County	.0320
Anne Arundel County	.0256	Kent County	.0258
Baltimore County	.0283	Montgomery County	.0320
Calvert County	.0280	Prince George's County	.0320
Caroline County	.0263	Queen Anne's County	.0285
Carroll County	.0305	St. Mary's County	.0310
Cecil County	.0280	Somerset County	.0315
Charles County	.0290	Talbot County	.0225
Dorchester County	.0262	Washington County	.0280
Frederick County	.0296	Wicomico County	.0310
Garrett County	.0265	Worcester County	.0125

Filing a return instead of the fourth payment Instead of making the fourth declaration payment on or before January 18, 2005, you may file your 2004 fiduciary income tax return provided you file it on or before January 31, 2005, and pay in full with the return any balance of tax due.

Forms and information Declaration of estimated tax forms for fiduciaries and any additional information may be obtained from the Comptroller of Maryland, Revenue Administration Division, Annapolis, MD 21411-0001 or from any of its branch offices.

Payment instructions Make your check or money order payable to the "Comptroller of Maryland." Put your federal employer identification number on your check. *Do not send cash.*

Mailing instructions Mail your declaration of estimated fiduciary income tax to:

Comptroller of Maryland
Revenue Administration Division
Annapolis, Maryland 21411-0001

Penalties and interest If you are required by law to file a declaration of estimated tax for any tax year and you either (1) fail to file on the date prescribed, (2) fail to pay the installment or installments when due or (3) estimate a tax less than ninety (90) percent of the developed tax shown on the return for the current tax year and which estimate was less than the **110%** of tax paid for the prior year, you shall be subject to the penalties and interest as provided by law for failure to file a return and failure to pay tax when due.

**UNDERPAYMENT OF ESTIMATED
MARYLAND INCOME TAX
BY FIDUCIARIES**

SEE SEPARATE INSTRUCTIONS. ATTACH THIS FORM TO FORM 504.

IMPORTANT: PLEASE REVIEW THE INSTRUCTIONS BEFORE COMPLETING THIS FORM.

IF YOUR INCOME IS TAXABLE BY ANOTHER STATE, SEE INSTRUCTIONS.

Name of estate or trust	Federal employer identification number
-------------------------	--

EXCEPTIONS THAT AVOID THE UNDERPAYMENT PENALTY

No interest is due and this form should not be filed if:

- A. the tax year ends less than 2 years after the decedent's date of death;
- B. the tax liability on gross income after deducting Maryland withholding is \$500 or less; or
- C. each current year payment, made quarterly as required, is equal to or more than one-fourth of last year's taxes.

REQUIRED ANNUAL PAYMENT

1. Total Maryland income (from line 27 of Form 504)	\$ _____
2. 2003 Maryland and local tax (from line 32 of Form 504)	_____
3. Credits (from lines 38 and 39 of Form 504)	_____
4. Total <u>tax</u> developed on tax preference items	_____
5. Total (Add lines 3 and 4.)	_____
6. Balance (Subtract line 5 from line 2.)	_____
7. Multiply line 6 by 90% (.90)	_____
8. 2002 tax [Enter amount from line 32 (reduced by any credits on lines 38 and 39) of 2002 Form 504.]	_____
9. Minimum withholding and/or estimated tax required (Enter the lesser of line 7 or 8.)	\$ _____

COMPUTATION OF UNDERPAYMENT

INSTALLMENT PERIODS	DUE DATES OF INSTALLMENTS			
	April 15, 2003	June 15, 2003	September 15, 2003	January 15, 2004
	Jan. 1 to Mar. 31	Jan. 1 to Jun. 30	Jan. 1 to Sept. 30	Jan. 1 to Dec. 31
10. Required payments. Enter the amount derived from line 9 or line 32, whichever is applicable. (See instructions.)				
11. Estimated tax paid and tax withheld per period (See instructions.)				
12. Underpayment per period (Subtract line 11 from line 10.) If less than zero, enter zero.				

COMPUTATION OF INTEREST

13. Interest factor (based on 13% annual rate)	.0217	.0328	.0435	.0321
14. Multiply underpayment on line 12 by the factor on line 13 for each period.				
15. Interest (Add amounts on line 14.) Place total on line 45 of Form 504 and include amount in your total payment with return.				

**UNDERPAYMENT OF ESTIMATED
MARYLAND INCOME TAX
BY FIDUCIARIES**

CAUTION: COMPLETE LINES 16-32 OF ONE COLUMN BEFORE GOING TO THE NEXT COLUMN

ANNUALIZED INCOME INSTALLMENT METHOD

	INCOME PERIODS			
	Jan. 1 to Feb. 28	Jan. 1 to Apr. 30	Jan. 1 to July 31	Jan. 1 to Nov. 30
16. Taxable income without exemption for each period				
17. Annualization factor	6	3	1.71429	1.09091
18. Annualized income (Multiply line 16 by line 17)				
19. Exemption (Personal representative enter \$600, all other fiduciaries enter \$200)				
20. Annualized taxable income (Subtract line 19 from line 18)				
21. Compute the tax on the amount from line 20 (See instructions)				
22. Credits and tax developed on tax preference items (See instructions)				
23. Total tax after credits (Subtract line 22 from line 21). If less than zero, enter zero				
24. Applicable percentage	22.5% (.225)	45% (.45)	67.5% (.675)	90% (.9)
25. Annualized tax (year to date amount) (Multiply line 23 by line 24)				
26. Add the amounts from line 32 in all preceding columns				
27. Subtract line 26 from line 25. If less than zero, enter zero				
28. Enter 1/4 of line 9 from page 1 in each column				
29. Enter amount from line 31 of the preceding column				
30. Add line 28 and line 29 and enter total				
31. Subtract line 27 from line 30. If less than zero, enter zero				
32. Enter the smaller of line 27 or line 30 here and the cumulative amounts on line 10 of page 1. (See instructions)				

Underpayment of Estimated Maryland Income Tax By Fiduciaries

GENERAL INSTRUCTIONS

Section 10-815 of the Tax-General Article of the Annotated Code of Maryland requires every individual, including a fiduciary, who receives taxable income which is not subject to Maryland withholding or from which not enough Maryland tax is withheld to file a declaration of estimated tax if the income can be expected to develop a tax of more than \$500 in excess of the Maryland withholding. Furthermore, Sections 13-602 and 13-702 stipulate that any individual so required to file, who either (1) fails to file on the date or dates prescribed; (2) fails to pay the installment or installments when due; or (3) estimates a tax less than ninety (90) percent of the developed tax shown on the return for the current taxable year and less than the tax paid for the prior year, shall be subject to interest and penalty.

WHO MUST FILE

If you believe that you are liable for interest for one of the reasons outlined above, then please complete and submit this form with your tax return.

If you meet one of the following exceptions, then you are not required to file this form:

- (1) the tax year ends less than two years after the decedent's date of death;
- (2) the tax liability on gross income after deducting Maryland withholding is \$500 or less; or
- (3) each current year payment, made quarterly as required, is equal to or more than 1/4 of last year's taxes.

If you want us to figure the interest for you, complete your return as usual. Do not file Form 504UP. You will be notified of any interest due.

IMPORTANT: If you complete Form 504UP and, because of the distribution of income, have no interest due, attach the form to your fiduciary return and write code number "301" in the box marked Code Number at the bottom of Form 504, above the signature area.

If you use the annualization method to calculate interest for underpayment of estimated tax, attach Form 504UP to your fiduciary return and write code number "301" in the box marked Code Number at the bottom of Form 504 above the signature area. In order for the Revenue Administration Division to recognize your use of this calculation method, you must enter the code number and attach the form, even if there is no interest due.

SPECIFIC INSTRUCTIONS

Lines 1 through 9 are used to determine the minimum amount required to be paid by estimated or withholding tax to avoid interest.

Lines 1-3

Enter the amounts specified from your 2003 Form 504.

Line 4

Multiply the amount on line 6 of the Form 502TP by 4.75% (.0475). Apply the local tax rate in effect for your return and enter the sum on this line.

Line 8

If your 2002 tax was corrected or amended, be sure to include any additional tax when calculating your total tax for the year.

Lines 10 through 12 will determine which periods are underpaid and the amount of underpayment.

Line 10

If you are utilizing the regular method of computing the underpayment of estimated income tax, then enter one-fourth of line 9 in column 1, one-half of line 9 in column 2, three-fourths of line 9 in column 3 and an amount equal to line 9 in column 4. If you are utilizing the annualized income installment method, enter the amounts from line 32 in the respective columns.

Line 11

Enter in each column the sum of any estimated payments you have made and any Maryland tax withheld for the period covered by that column. **NOTE:** Just as in line 10, each successive entry will include the amount from the prior columns. For example, if you paid \$500 in estimated payments each quarter, the first column will contain \$500, the second \$1,000, the third \$1,500 and the fourth \$2,000.

Lines 13 through 15 determine the amount of interest due for each underpaid quarter.

Line 13

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 12.

Line 14

Using the factors on line 13 or the adjusted factor described above, determine the amount of interest due for each quarter and enter the amounts in the appropriate columns.

Line 15

Add all interest amounts in columns 1 through 4 on line 14. Enter the total interest on line 45 of your Form 504. Attach this form to your Form 504.

ANNUALIZED INCOME INSTALLMENT METHOD

If your income varied during the year, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. If you use this method for any payment due date, you must use it for all payment due dates. This method automatically selects the smaller of the annualized income installment or the regular installment.

You must complete lines 16-32 of one column before starting the next column.

Line 16

Enter in each column the income received for the period of the year covered by the column. NOTE: Each successive column will include the amount from the prior columns. See the example in the instructions for line 11.

Line 19

Personal representatives of a decedent's estate enter \$600. All other fiduciaries enter \$200.

Line 21

Compute the state and local tax on the amount on line 20 using the tax rate schedules provided in the instructions for Form 504. Enter the total on line 21.

Line 22

Enter in the appropriate column the amount of any credits from line 38 and 39 of the Form 504 and tax developed on tax preference items.

Line 32

Enter the smaller of line 27 or line 30 in each respective column and the cumulative amounts on line 10 of page 1. This is the amount of the required payments for each period.

Follow the instructions for lines 11 through 15 to compute the amount of interest for the underpayment of estimated taxes, if any.

IMPORTANT NOTES

Due Date

Your return is due by April 15, 2004. If you are a fiscal year taxpayer, see Instruction 24.

Completing the return

You must use blue or black ink when completing your return. **DO NOT** use pencil or red ink. Submit the original form, not a photocopy. If no entry is needed for a specific line, leave blank. Do not enter words such as "none" or "zero" and do not draw a line to indicate no entry.

You may round off all cents to the nearest whole dollar. Fifty cents and above should be rounded to the next higher dollar. State calculations are rounded to the nearest penny.

Electronic filing instructions

The instructions in this packet are designed specifically for filers of paper returns. If you are filing electronically and these instructions differ from the instructions for the electronic method being used, you should comply with the instructions appropriate for that method.

Penalties

There are severe penalties for failing to file a tax return, failing to pay any tax when due, filing a false or fraudulent return, or making a false certification. The penalties include criminal fines, imprisonment, and a penalty on your taxes. In addition, interest is charged on amounts not paid when due.

To collect unpaid taxes, the Comptroller is directed to enter liens against the salary, wages or property of delinquent taxpayers.

Substitute forms

You may file your Maryland income tax return on a computer-prepared or computer-generated substitute form provided the form is approved in advance by the Revenue Administration Division. The fact that a software package is available for retail purchase does not guarantee that it has been approved for use.

For additional information, see Administrative Release 26, Procedures for Computer-Printed Substitute Forms, which can be obtained from any office of the Comptroller. (See the back cover of this booklet.)

You may also call the tax information number listed on the back cover to find out which computer-generated forms have been approved for use or visit our website at www.marylandtaxes.com.

1 Who must file Form 504

A fiduciary must file a Maryland fiduciary tax return (Form 504) if the fiduciary:

1. Is required to file a federal fiduciary income tax return (Form 1041); and
2. Has Maryland taxable income.

Form 504 is used by both resident and nonresident fiduciaries.

Who is a fiduciary?

"Fiduciary" means any person by whom the legal title to real or personal property is held for the use and benefit of another and includes a trustee and a personal representative of an estate.

Although you may be required to file a federal income tax return, you are not required to file the Maryland fiduciary return if you are:

1. An agent holding custody or possession of property owned by your principal; or
2. A guardian.

Who is a resident fiduciary?

A personal representative of an estate is considered a resident fiduciary if the decedent was domiciled in Maryland on the date of death.

Fiduciaries other than personal representatives are considered residents of Maryland if:

1. The trust was created by the will of a decedent who was domiciled in Maryland on the date of death;
2. The trust consists of property transferred by the will of a decedent who was domiciled in Maryland on the date of death;
3. The creator or grantor of the trust is a current resident of Maryland; or
4. The trust is principally administered in Maryland.

Who is a nonresident fiduciary?

A nonresident fiduciary is a fiduciary who is not included in the above definition of a resident fiduciary.

2 Use of federal return

You will need information from your federal fiduciary return in order to complete your Maryland return. Therefore, complete your federal fiduciary return **before** you continue beyond this point. Maryland law requires that you start with the taxable income reported on your federal fiduciary return, Form 1041. All items reported on your Maryland return are subject to verification, audit and revision by the Maryland State Comptroller's Office.

3 Mailing label

Remove the mailing label from the booklet and place it over the name and address blanks of your tax return.

4 When Not To Use A Label

If you do not have a label or if any of the information on the label is incorrect or if

you are filing a computer generated form, print or type the required information in the boxes at the top of page 1. Enter the federal employer identification number of the estate or trust in the space provided.

Check the appropriate box if your name or address has changed or if you are filing an amended return.

5 Type of entity

Check the box on the return corresponding to your federal return. The types of entities are described below:

Decedent's Estate

An estate of a deceased person is a taxable entity separate from the decedent. It generally continues to exist until the final distribution of the assets of the estate is made to the heirs and other beneficiaries. The income earned from the property of the estate during the period of administration or settlement must be accounted for and reported by the estate.

Simple Trust

A trust may qualify as a simple trust if:

1. the trust instrument requires that all income must be distributed currently;
2. the trust instrument does not provide that any amounts are to be paid, permanently set aside, or used for charitable purposes; and
3. the trust does not distribute amounts allocated to the corpus of the trust.

Because the income is distributed each year, the fiduciary may be required to file a fiduciary return, but there is no taxable income.

Complex Trust

If some or none of the income is distributed, the trust is called a complex trust.

Because the trust is retaining all or part of the income, the fiduciary must file a fiduciary tax return to determine the taxable income from which to develop both State and local tax due.

Grantor Trust

Income earned by a grantor trust is taxable to the grantor, not the beneficiary, if the grantor keeps certain control over the trust. This rule applies if the property (or income from the property) put into the trust will or may revert (be returned) to the grantor or the grantor's spouse. The grantor is the one who transferred property to the trust.

Generally, a trust is a grantor trust if the grantor has a reversionary interest valued (on the date of transfer) at more than 5% of the value of the transferred property.

Bankruptcy Estate

The bankruptcy trustee or debtor-in-possession must file Form 504 for the estate of an individual involved in bankruptcy proceedings under Chapter 7 or 11

of Title 11 of the United States Code if the estate was required to file federal Form 1041. See Instruction 26. For additional information, contact any office of the Revenue Administration Division.

Qualified Funeral Trust

Maryland recognizes and follows federal law in the treatment of qualified funeral trusts. Maryland accepts the filing of composite returns for such trusts.

In most, if not all, cases, the income of each individual trust account does not exceed \$1,000. Therefore, the applicable state tax rate is 2%, and the applicable local tax rate is the rate for the situs of the fiduciary filing the composite return. For example, if the funeral home is located in Baltimore County, then the local rate for Baltimore County would apply to each trust included in the composite return. See Instruction 27.

Pooled Income Fund

A pooled income fund is a split-interest trust with a remainder interest for a public charity and a life income interest retained by the donor or for another person. The property is held in a pool with other pooled income fund property and does not include any tax-exempt securities. The income for a retained life interest is figured using the yearly rate of return earned by the trust.

6 Decedent's estate information

If the fiduciary return is for a decedent's estate, enter the following in the appropriate section: Date of death, domicile state of decedent and decedent's social security number. Check the box if this is the final return. If the return is not for a calendar year, enter the fiscal year beginning and ending dates at the top of the form.

7 Resident status

If the return is for a resident fiduciary, provide the entity's subdivision code, county and city, town or taxing area in the appropriate boxes. See the list below to determine the subdivision code.

Read the instructions describing who is a resident fiduciary and then check the appropriate box.

If you checked the box for resident, complete the county and city, town or taxing area boxes.

If you are a personal representative of an estate enter the county (or Baltimore City) in which the decedent was domiciled on the date of death. Also complete the decedent's estate information.

If you are a fiduciary other than a personal representative, enter the county (or Baltimore City) in which the trust is principally administered.

If the trust is not principally administered in Maryland, enter the county (or

Baltimore City) in which the decedent was domiciled if the trust was created by the will of the decedent or the trust consists of property transferred by the will of the decedent.

If the trust is not principally administered in Maryland but the creator or grantor of the trust is a current resident of Maryland, enter the county (or Baltimore City) in which the creator or grantor resides.

8 Maryland modifications

Fiduciary's share of Maryland modifications
Generally, certain items must be added to and subtracted from federal income to determine the Maryland income of a fiduciary. Lines 1 through 9 should not be completed if the trust is a complex trust that has distributed all of its distributable net income during the year or is a simple trust.

Fiduciaries are permitted those additions and subtractions allowed individuals. For further information see the instructions for Form 502 for resident individuals.

Only the fiduciary's allocable portion of the Maryland modifications should be used. Complete lines 1 through 9 to calculate this amount. See next page for primary modifications.

LIST OF INCORPORATED CITIES, TOWNS AND TAXING AREAS IN MARYLAND

Code No.	Code No.	Code No.	Code No.	Code No.	Code No.
ALLEGANY COUNTY0100	Mt. Airy0703	Walkersville1111	North Chevy Chase1618	Millington1808	
Barton0101	New Windsor0704	Woodsboro1112	Oakmont1619	Queen Anne1807	
Belair0112	Sykesville0705	GARRETT COUNTY1200	Poolesville1608	Queenstown1803	
Bowling Green-	Taneytown0706	Accident1201	Rockville1609	Sudlersville1804	
Robert's Place0115	Union Bridge0707	Deer Park1203	Somerset1610	Templeville1806	
Cresaptown0108	Westminster0709	Friendsville1204	Takoma Park1611	ST. MARY'S COUNTY1900	
Cumberland0102	CECIL COUNTY0800	Grantsville1205	Washington Grove1612	Leonardtown1902	
Ellerslie0113	Cecilton0801	Kitzmilller1206	PRINCE GEORGE'S	SOMERSET COUNTY2000	
Frostburg0103	Charlestown0802	Loch Lynn Heights1207	COUNTY	Crisfield2001	
Lavale0110	Chesapeake City0803	Mountain Lake Park1208	Berwyn Heights1701	Princess Anne2002	
Lonaconing0104	Elkton0804	Oakland1209	Bladensburg1702	TALBOT COUNTY2100	
Luke0105	North East0805	HARFORD COUNTY1300	Bowie1704	Easton2101	
McCoole0114	Perryville0806	Bel Air1301	Brentwood1705	Oxford2102	
Midland0106	Port Deposit0807	Havre de Grace1303	Capitol Heights1706	Queen Anne2105	
Mt. Savage0111	Rising Sun0808	HOWARD COUNTY1400	Cheverley1707	St. Michael's2103	
Potomac Park Addition0109	CHARLES COUNTY0900	No incorporated cities or towns	College Park1725	Trappe2104	
Westernport0107	Indian Head0901	KENT COUNTY1500	Colmar Manor1708	WASHINGTON COUNTY2200	
ANNE ARUNDEL COUNTY 0200	La Plata0902	Betterton1501	Cottage City1709	Boonsboro2201	
Annapolis0201	Port Tobacco0903	Chestertown1502	District Heights1710	Clearspring2202	
Highland Beach0203	DORCHESTER COUNTY1000	Galena1503	Eagle Harbor1711	Funkstown2203	
BALTIMORE COUNTY0300	Brookview1008	Millington1504	Edmonston1712	Hagerstown2204	
No incorporated cities or towns	Cambridge1001	Rock Hall1505	Fairmount Heights1713	Hancock2205	
BALTIMORE CITY0400	Church Creek1002	MONTGOMERY COUNTY1600	Forest Heights1728	Keedysville2206	
CALVERT COUNTY0500	East New Market1003	Barnesville1601	Glenarden1730	Sharpsburg2207	
Chesapeake Beach0501	Eldorado1007	Brookeville1602	Greenbelt1714	Smithsburg2208	
North Beach0502	Galestown1009	Chevy Chase Sec. 31614	Hyattsville1715	Williamsport2209	
CAROLINE COUNTY0600	Hurlock1004	Town of Chevy Chase	Landover Hills1726	WICOMICO COUNTY2300	
Denton0602	Secretary1005	(formerly Sec. 4)1615	Laurel1716	Delmar2301	
Federalsburg0603	Vienna1006	Chevy Chase Sec. 51616	Morningside1727	Fruitland2308	
Goldsboro0604	FREDERICK COUNTY1100	Chevy Chase View1617	Mt. Rainier1717	Hebron2302	
Greensboro0605	Brunswick1101	Chevy Chase Village1613	New Carrollton1729	Mardela Springs2303	
Henderson0611	Burkittsville1102	Drummond1623	North Brentwood1718	Pittsville2307	
Hillsboro0606	Emmitsburg1103	Friendship Heights1621	Riverdale Park1720	Salisbury2304	
Marydel0607	Frederick1104	Gaithersburg1603	Seat Pleasant1721	Sharptown2305	
Preston0608	Middletown1106	Garrett Park1604	University Park1723	Willards2306	
Ridgely0609	Mt. Airy1114	Glen Echo1605	Upper Marlboro1724	WORCESTER COUNTY2400	
Templeville0610	Myersville1107	Kensington1606	QUEEN ANNE'S COUNTY 1800	Berlin2401	
CARROLL COUNTY0700	New Market1108	Laytonsville1607	Barclay1805	Ocean City2402	
Hampstead0701	Rosemont1113	Martin's Addition1622	Centreville1801	Pocomoke City2403	
Manchester0702	Thurmont1110		Church Hill1802	Snow Hill2404	

Modifications include but are not limited to the following:

Interest on state and local obligations other than Maryland. Enter on line 1 the total amount of interest received by the fiduciary on obligations of any state or political subdivision thereof (except the State of Maryland and its political subdivisions).

Income taxes deducted on federal return. Enter on line 2 the total of income taxes imposed by the State of Maryland, any political subdivision thereof, any other state or subdivision of any other state, or the District of Columbia to the extent included on line 11 of the federal form.

Income from U.S. government obligations. Enter on line 5 interest on U.S. savings bonds and other U.S. obligations. Capital gains from the sale or exchange of U.S. obligations should be included on this line. Dividends from mutual funds that invest in U.S. government obligations are also exempt from state taxation. However, only that portion of the dividends attributable to interest from U.S. government obligations can be subtracted. You cannot subtract income from Government National Mortgage Association securities.

Fiduciary's share of net Maryland modifications

Divide the total distribution from federal Form 1041 by the distributable net income, expressing the answer in decimal form. Subtract the decimal from 1 and multiply the difference by line 8.

9 Nonresident deduction

Nonresident individuals who have intangible income from sources within Maryland are not subject to tax on such income in Maryland. There are some resident fiduciaries that accumulate intangible income in the trust to be distributed later to nonresident beneficiaries. Because this income is not taxable to a nonresident, there is a provision that permits the fiduciary to subtract intangible income accumulated for later distribution to a nonresident beneficiary.

The law provides that a fiduciary shall not be liable for any tax on income from intangible personal property held in this state, in trust, to pay the income for the time being to, or to accumulate or apply such income for the benefit of any nonresident of this state, or any corporation not doing business in this state.

Accumulations of income for the benefit of an unborn or an unascertained person or persons with contingent interests are not exempt from taxation if accumulated for the benefit of an individual (natural person) who is a nonresident of this state, but such accumulations constitute taxable income to the fiduciary.

If any beneficiaries of the estate or trust are nonresident individuals or corporations not doing business in this state, enter on line 10 the total income from intangible personal property which was accumulated and not paid during the tax year for their benefit. Enter on line 11 expenses allocable to this income.

If all the remaindermen in being are nonresidents during the entire tax year, any capital loss derived from the sale or other disposition of intangible personal property that is held in trust is added to income and any capital gain derived from the sale or other disposition of intangible property is subtracted from income.

Do not enter on line 10 income that has been distributed. Line 10 is to be used only when income from intangible personal property is accumulated for a nonresident.

10 Income

Copy the figure for federal taxable income from your federal return onto line 21 of Form 504.

Nonresidents will modify the federal taxable income using the additions and subtractions provided in Maryland law for nonresident individuals.

All items reported on the Maryland return are subject to verification, audit and revision by the Comptroller's Office.

11 Exemptions

A Maryland exemption of \$600 is allowed for a personal representative filing for a decedent's estate (entity type 1). A fiduciary other than a personal representative (entity types 2 through 7) may deduct \$200 as an exemption.

12 Standard and itemized deductions

The fiduciary is NOT allowed a standard deduction or itemized deductions.

13 Figure your Maryland and local net taxable income.

What is Maryland and local net taxable income?

For a resident fiduciary, Maryland and local net taxable income is federal taxable income increased by the amount allowed the fiduciary as a deduction for a personal exemption under the Internal Revenue Code and the additions for an individual and decreased by the sum of the Maryland exemption amount and the subtractions for an individual.

For a nonresident fiduciary, taxable income is the amount of the personal exemption allowed under the Internal Revenue Code plus that part of federal taxable income derived from real or tangible personal property located in Maryland and business carried on in Maryland (and additions applicable to that income) less the Maryland personal exemption amount

Maryland Tax Rate Schedule		
If the taxable income on line 29 is:		
At least	But not over	Enter on line 30
\$ 0	\$1,000	2% of the amount on line 29
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	—	\$90 plus 4.75% of the excess over \$3,000

2003 LOCAL TAX RATE CHART					
Subdivision	Rate	Subdivision	Rate	Subdivision	Rate
Baltimore City	.0305	Charles County	.0290	Prince George's County	.0310
Allegany County	.0293	Dorchester County	.0262	Queen Anne's County	.0285
Anne Arundel County	.0256	Frederick County	.0296	St. Mary's County	.0310
Baltimore County	.0283	Garrett County	.0265	Somerset County	.0315
Calvert County	.0260	Harford County	.0306	Talbot County	.0179
Caroline County	.0263	Howard County	.0245	Washington County	.0280
Carroll County	.0285	Kent County	.0258	Wicomico County	.0310
Cecil County	.0280	Montgomery County	.0295	Worcester County	.0125

LOCAL TAX WORKSHEET

Multiply the taxable net income by the tax rate from the LOCAL TAX RATE CHART for the county in which the fiduciary was a resident on the last day of the taxable period. Enter the result on line 31 of Form 504. This is the fiduciary local income tax.

1. Taxable net income from line 29 of Form 504\$ _____

2. Local tax rate from Local Tax Rate Chart above **.0** _____

3. Local income tax (Multiply line 1 by line 2.) Enter this amount on line 31 of Form 504 rounded to the nearest cent or whole dollar.\$ _____

(and subtractions applicable to the Maryland income).

Complete lines 21-29 using the amounts from lines 9 and 12, if applicable. Line 29 is your Maryland and local net taxable income.

14 Maryland tax

Compute the tax in accordance with the rate schedule on page 3 and enter the tax on line 30.

15 Local income tax

The counties of Maryland and Baltimore City are empowered to levy a local income tax that is collected by the Comptroller with the state tax. You must use the local tax rate in effect for the county that you entered on the front of the form. See the local tax rate chart and worksheet on page 3.

Nonresident fiduciaries are not subject to the local tax and should not complete line 31.

16 Total Maryland tax, local tax and contributions.

Add your Maryland tax from line 30 and your local tax from line 31 and enter on line 32. Add to your tax any contribution amounts from line 33 and line 34 and enter the total on line 35.

Chesapeake Bay and Endangered Species Fund

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

Fair Campaign Financing Fund

You may contribute any amount you wish up to \$500. The amount contributed will reduce your refund or increase your balance due.

IMPORTANT: If there are not sufficient credits or other payments to satisfy your tax and the contribution you have designated, the contribution amounts will be reduced. If you have entered amounts for contribution to both funds, any reduction will be applied proportionately.

17 Taxes paid and credits

Write your taxes paid and credits on lines 36-39 of Form 504. Add lines 36 through 39 and enter the total on line 40.

Taxes paid

If Maryland tax was withheld from wages paid to a decedent's estate, enter the amount on line 36 and attach the wage and tax statement.

If you participated in a nonresident real estate transaction after 10/1/03, you must report any income tax withheld on your behalf as an estimated payment.

Enter on line 37 the total of Maryland estimated tax payments, any taxes withheld from a nonresident real estate transaction (attached Copy C of Form MW506NRS) and any payment made with a request for an extension of time to file the return. See instructions on Form 504E.

Credits

If the fiduciary is a resident and must pay income tax to another state, complete lines 13-20 and enter the result on line 38. Note: You must attach a copy of the tax return filed in the other state. If this is not attached, no credit will be allowed. If any credit is being claimed for Preservation and Conservation Easements, complete the worksheet below and enter the result on line 38. If both credits are applicable, enter the sum on line 38.

Enter on line 39 any tax credits from Form 500CR and/or Form 502H.

18 Overpayment or balance due.

Calculate the Balance Due (line 41 of Form 504) or Overpayment (line 42 of Form 504).

Part or all of any overpayment may be applied to 2004 estimated tax by completing line 43. Subtract line 43 from the overpayment (line 42). This is the amount of the refund.

Underpayment of Estimated Tax

All taxpayers should refer to Form 504UP (in this booklet) to determine if they owe interest because they paid too little estimated tax during the year.

If you owe interest, complete Form 504UP and write the amount of interest (line 15 of Form 504UP) in the appropriate box on line 45 of Form 504. Attach Form 504UP.

Generally, you do not owe interest if:

- a. you owe less than \$500 tax on income which is not subject to Maryland withholding, OR

- b. each current year payment, made quarterly as required, is equal to or more than, one-fourth of last year's taxes, OR
- c. you made quarterly payments during the year which equal 90% of this year's tax, OR
- d. the year ends less than two years after the decedent's date of death.

If after completing Form 504UP there is no interest due or you meet exception "d", see Instruction 19 for additional information regarding code numbers.

Interest for Late Filing

Interest is due at an annual rate of 13% or 1.08% per month for any month or part of a month that tax is paid after the due date of the return. Enter any interest due in the appropriate box on line 45.

Total Interest

Enter the total interest for underpayment of estimated tax and interest for late filing on line 45.

Direct Deposit of Refund

Complete lines 47a, b and c if you want us to deposit your refund directly into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

Line 47a

Check the appropriate box to identify the type of account that will be used (checking or savings). You must check one box only or a refund check will be mailed.

Line 47b

The routing number must be nine digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. If you are not sure of the correct routing number, contact your financial institution.

Line 47c

The account number can be up to 17 characters (both numbers and letters). Include hyphens but omit spaces and special symbols. Enter the number from left to right and leave any unused boxes blank.

PRESERVATION AND CONSERVATION EASEMENTS WORKSHEET

Complete this area if the fiduciary is claiming a credit for the contribution of Preservation and Conservation Easements.

NOTE: 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 the 2002 worksheet.

- 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 2003
- 3. Subtract line 2 from line 1
- 4. Enter the amount from line 30 of Form 504 or \$5,000, whichever is less
- 5. Enter the lesser of lines 3 or 4 here and on line 38 of Form 504
- 6. Excess credit carryover. Subtract line 5 from line 3

1		
2		
3		
4		
5		
6		

If we are notified by the financial institution that the direct deposit is not successful, a refund check will be mailed to you.

Please have a bank statement for the account available if you contact us concerning the direct deposit of your refund.

Disclosure

Entering your bank account routing number, account number and account type in the area provided on your Maryland income tax return to effect a direct deposit of your income tax refund authorizes the Comptroller's Office to disclose this information and your refund amount to the Maryland State Treasurer's Office which performs banking services for the Comptroller's Office.

19 Telephone number, code number, signatures and attachments.

Enter your telephone number and sign and date your return. Be sure to attach all required forms, schedules and statements.

Code Numbers

IMPORTANT: If you complete Form 504UP and, because of the timing of the distributions of income, have no interest due, attach the form to your fiduciary return and write code number "301" in the box marked CODE NUMBER at the bottom of Form 504 to the right of the phone number area.

If you use the annualization method to calculate interest for underpayment of estimated tax, attach Form 504UP to your fiduciary return and write code number "301" in the box marked CODE NUMBER at the bottom of Form 504 to the right of the phone number area. In order for the Revenue Administration Division to recognize your use of this calculation method, you must enter the code number and attach the form, even if there is no interest due.

If the return is for a decedent's estate within two years of the date of death, enter "301" in the CODE NUMBER box. Do not attach Form 504UP.

Tax Preparers

If another person prepared your return, that person must also sign the return and enter their social security number or preparer's tax identification number (PTIN). The preparer declares that the return is based on all information required to be reported of which the preparer has knowledge, under the penalties of perjury.

Signature and verification

This return must be verified and signed by the individual fiduciary or an authorized officer of a corporate fiduciary. If two or more individuals act jointly as fiduciaries, the return may be verified and signed by either.

Attachments

Be sure to attach wage and tax statements (Form W-2, W-2G and 1099) to the front of your return if Maryland tax is withheld. Also attach all forms, schedules and statements required by these instructions. Place your check or money order on top of the wage and tax statements and fasten with one staple on the front of your tax return.

20 Electronically filing your return

The fastest way to file your return and receive your refund is to file electronically and request direct deposit. If you request direct deposit on your electronic return your refund should be in your bank account within 72 hours of acknowledgement from the Revenue Administration Division. For more information please see our website at:

www.marylandtaxes.com

Additionally, a return can be electronically filed by most professional tax return preparers. Please ask your preparer about this option.

21 Mailing your return

Mail your return to:

Comptroller of Maryland
Revenue Administration Division
Annapolis, Maryland 21411-0001

22 Payment Instructions & Deadlines

Payment by Check or Money Order

Make your check or money order payable to "Comptroller of Maryland." Use blue or black ink. Do not use red ink. Put your federal I.D. number, type of tax and year of tax being paid, on your check. **DO NOT SEND CASH.**

Electronic funds withdrawal (direct debit) payments are available only if you file electronically.

Due Date

Returns must be mailed by April 15, 2004, for calendar year taxpayers. Fiduciaries filing on a fiscal-year basis should see Instruction 24.

23 Extension of time to file

Follow the instructions on Form 504E to request an automatic extension of the time to file your 2003 return. Filing this form extends the time to file your return, but does not extend the time to pay your taxes. Payment of the expected tax due is required with Form 504E by April 15, 2004.

24 Fiscal year

You must file your Maryland return using the same tax year and the same basis (cash or accrual) as you used on your federal return.

To file a fiscal-year return, complete the Fiscal Year information at the top of Form 504 and print "FY" in bold letters in

the upper left corner of the form. Whenever the term "tax year" appears in these instructions, fiscal year taxpayers should understand the term to mean "fiscal year." Use the 2003 forms in this package for fiscal years that begin during calendar year 2003. If you are filing on a fiscal year basis, file Form 504E by the regular due date of your return.

25 Amended returns

If you need to change a return that you have already filed, or if the Internal Revenue Service changes your return, you must file an amended return.

Note: Changes made as part of an amended return are subject to audit for up to three years from the date the amended return is filed.

Use Form 504 to file an amended return and check the AMENDED RETURN box and draw a line through any barcode on the front of the return. An explanation must be provided on page two (2) of the amended Form 504. Include a copy of the amended federal return.

Changes in Your Federal Tax

If the Internal Revenue Service makes any changes on your federal return, you must notify the State of Maryland. Send notification to the Maryland Revenue Administration Division within 90 days of the final determination of the changes by the IRS.

If you file an amended federal fiduciary return that changes your Maryland fiduciary return, you must file an amended Maryland return.

If Your Original Return Showed a Refund

If you expect a refund from your original return, do not file an amended return until you have received your refund check. Then cash the check; do not return it. If your amended return shows a smaller refund, send a check for the difference with the amended return. If your amended return shows a larger refund, the Revenue Administration Division will issue an additional refund check.

Additional Information

Do not file an amended return until sufficient time has passed to allow the original return to be processed. For current year returns, allow at least six weeks.

Generally, you must file your claim for refund within three years from the date your original return was filed or within two years from the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

A claim for refund based on a federal net operating loss carryback must be filed within three years from the due date of the return for the tax year of the net operating loss.

If the claim for refund resulted from a federal adjustment or final decision of a federal court that is more than three years

from the date of filing the return or more than two years from the time the tax was paid, a claim for refund must be filed within one year from the date of the adjustment or final decision.

If the claim for refund resulted from a notification received from another state for income taxes due that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund resulting from a credit for taxes paid to that state must be filed within one year of the date of the notification that the other state's tax was due.

If the claim for refund or credit for overpayment resulted from a final determination made by an administrative board or an appeal of a decision of an administrative board, that is more than three years from the date of filing the return or more than two years from the time the tax was paid, the claim for refund must be filed within one year of the date of the final decision of the administrative board or final decision of the highest court to which an appeal of the administrative board is taken.

No refund for less than \$1.00 will be issued. No payment of less than \$1.00 is required.

26 Special instructions for bankruptcy estates

A bankruptcy estate is created for an individual under Chapter 7 (a liquidation) or Chapter 11 (a reorganization) under Title 11 of the United States Code. The bankruptcy estate is treated as a separate taxable entity. A separate taxable entity is not created when an individual is in a state receivership.

The fiduciary of a Chapter 7 or a Chapter 11 bankruptcy estate is required to file the estate's return and must file a Maryland return if the fiduciary or trustee is required to file a federal return and has Maryland taxable income. The fiduciary must use the Maryland Fiduciary Return, Form 504.

For an individual, the fiduciary return is the mechanism for paying the tax. The calculation is done on the individual income tax return, Form 502, and the tax is carried to the fiduciary return. The fiduciary of an individual bankrupt debtor should attach the completed Form 502 to the Form 504.

A trustee of a corporate debtor or other bankrupt entity, who has possession of the bankrupt estate by court order or who holds title to all or substantially all of the property of a bankrupt entity, must file the income tax return for the entity. The fiduciary would be required to file a Maryland income tax return, if the fiduciary is obligated to file a federal return on behalf of the bankrupt entity and also has Maryland taxable income.

The fiduciary should attach a notice of the filing of the bankruptcy estate, which is issued by the applicable bankruptcy court, to the return.

27 Qualified funeral trusts

A fiduciary may file a composite fiduciary income tax return reporting the income of the funeral trusts administered by that fiduciary instead of one fiduciary return for each trust. Check Entity Type Box 6. Attach a schedule showing the name, income, state tax and local tax of each individual trust. Add the state tax amounts and enter on line 30. Add the local tax

amounts and enter on line 31. Complete Form 504 according to Instructions 16 through 19.

28 Privacy act information

The Tax-General Article of the Annotated Code of Maryland authorizes the Revenue Administration Division to request information on tax returns to administer the income tax laws of Maryland, including determination and collection of correct taxes. Code Section 10-804 says that you must include your federal identification number on the return you file. This is so we know who you are and can process your return and documents.

If you fail to provide all or part of the requested information, then exemptions, exclusions, credits, deductions or adjustments may be disallowed and you may owe more tax. In addition, the law provides penalties for failing to supply information required by law or regulations.

You may look at any records held by the Revenue Administration Division which contain personal information about you. You may inspect such records, and you have certain rights to amend or correct them.

As authorized by law, information furnished to the Revenue Administration Division may be given to the United States Internal Revenue Service, a proper official of any state that exchanges tax information with Maryland and to an officer of this State having a right to the information in that officer's official capacity. The information may be obtained in accordance with a proper legislative or judicial order.

YOU TOO CAN HELP THE BAY.



Check Line 33 and join us in protecting Maryland's most treasured resource.

Your contribution supports on-the-ground projects that:

- restore wetlands,
- plant trees and Bay grasses,
- reintroduce oyster and fish populations,
- and actively protect threatened plants and animals.

It's this easy:

1. Enter the amount you wish to donate on Line 33.
2. That amount will be deducted from your refund or added to your tax payment.
3. The donation is tax deductible in the following year.

Donations are divided evenly between the Bay restoration grants programs of the Chesapeake Bay Trust and the nongame and endangered species programs of the Wildlife and Heritage Division of the Maryland Department of Natural Resources. For more information call the Chesapeake Bay Trust at 410-974-2941 or the Department of Natural Resources at 410-260-8540.

www.chesapeakebaytrust.org

You can make a contribution...

...to the **Fair Campaign Financing Fund**. Your contribution helps to provide a funding alternative to large private contributions in elections for governor/lieutenant governor when candidates accept a spending limit.

- ★ Enter the amount you choose to donate on **line 34** of your Maryland income tax form.
- ★ You can donate up to \$500.
- ★ The amount will be deducted from your refund or added to your tax payment.

NOTES

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

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 requirements 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 which 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 7/1/03. For additional information, see the reverse side for the addresses and phone numbers of the Maryland agencies most frequently contacted by businesses.

