




- 
- 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.

2005

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 2005.

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.
- Nonresidents must add 1.25 percent to the base state tax of 4.75 percent for tax year 2006.
- Nonresident fiduciary members of a pass-through entity who have had tax paid on their behalves may now claim this credit on Form 504.

Electronic Filing

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



Formas en Español

Visitan nuestro sitio Web en www.marylandtaxes.com para obtener formas e instrucciones en Español.



Direct Deposit is Available!



William Donald Schaefer

These are the forms and instructions you need to file your 2005 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 2006
- ❖ **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!

- ❖ The top state income tax rate for resident fiduciaries is 4.75 percent for tax year 2005. For nonresident fiduciaries there is an additional income tax rate of 1.25 percent.
- ❖ **Call us for free state tax help** Monday through Friday, from **8:00 a.m. until 9:00 p.m. Eastern time** from January 17, 2006, until April 17, 2006. You can also e-mail your tax questions to us any time at: taxhelp@comp.state.md.us
- ❖ Nonresident fiduciary members of a pass-through entity who have had tax paid on their behalves may now claim the credit on Form 504.
- ❖ Fiduciaries required to file federal Form 990-T are required to file and pay income tax to Maryland on their unrelated business incomes attributable to Maryland sources.
- ❖ **A contribution can be made to three programs on your return:** The Chesapeake Bay and Endangered Species Trust Fund, the Fair Campaign Financing Fund and the Maryland Cancer 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 17 - April 17, 2006

FORMS

BY PHONE

410-260-7951

Place your order and we'll mail the forms.

INTERNET

www.marylandtaxes.com

Tax forms, instructions, publications and e-mail access to taxpayer assistance.

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IMPORTANT NOTES**Due Date**

Your return is due by April 17, 2006. 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.

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; or

2. Is a fiduciary for federal purposes and is required to file federal Form 990-T to report unrelated business taxable income, and

3. 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. 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.

Other

Check box 7 if you are the fiduciary filing for one of the following entities:

• **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.

• **Qualified Disabilities Trust Fund**

A trust created solely for an individual under 65 years of age who is disabled.

• **Alaskan Native Settlement Trust**

A settlement trust created within the meaning of the Alaska Native Claims Settlement Act

• **Tax-Exempt Trust with Unrelated Business Income required to file federal Form 990-T**

If the fiduciaries for the following entity types are required to file federal Form 990-T, they are required to file and pay income tax to Maryland on their unrelated business income attributable to Maryland sources:

- o Tax-Exempt Charitable Trusts
- o Individual Retirement Accounts (IRAs)
- o Simplified Employee Pensions (SEPs)
- o Simple Retirement Accounts (SIMPLE)
- o Roth IRAs

- o Coverdell Education Savings Accounts (ESAs)
- o Archer Medical Savings Accounts
- o Qualified tuition programs (Section 529 Plans)

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.

LIST OF INCORPORATED CITIES, TOWNS AND TAXING AREAS IN MARYLAND

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	GARFORD 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	COUNTY1700	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	Aberdeen1301	Brentwood1705	Oxford2102
Midland0106	Port Deposit0807	Bel Air1302	Capitol Heights1706	Queen Anne2105
Mt. Savage0111	Rising Sun0808	Havre de Grace1303	Cheverley1707	St. Michael's2103
Potomac Park Addition0109	CHARLES COUNTY0900	HOWARD COUNTY1400	College Park1725	Trappe2104
Westersport0107	Indian Head0901	No incorporated cities or towns	Colmar Manor1708	WASHINGTON COUNTY2200
ANNE ARUNDEL COUNTY0200	La Plata0902	KENT COUNTY1500	Cottage City1709	Boonsboro2201
Annapolis0201	Port Tobacco0903	Betterton1501	District Heights1710	Clearspring2202
Highland Beach0203	DORCHESTER COUNTY1000	Chestertown1502	Eagle Harbor1711	Funkstown2203
BALTIMORE COUNTY0300	Brookview1008	Galena1503	Edmonston1712	Hagerstown2204
No incorporated cities or towns	Cambridge1001	Millington1504	Fairmount Heights1713	Hancock2205
BALTIMORE CITY0400	Church Creek1002	Rock Hall1505	Forest Heights1728	Keedysville2206
CALVERT COUNTY0500	East New Market1003	MONTGOMERY COUNTY1600	Glenarden1730	Sharpsburg2207
Chesapeake Beach0501	Eldorado1007	Barnesville1601	Greenbelt1714	Smithsburg2208
North Beach0502	Galestown1009	Brookeville1602	Hyattsville1715	Williamsport2209
CAROLINE COUNTY0600	Hurlock1004	Chevy Chase Sec. 31614	Landover Hills1726	WICOMICO COUNTY2300
Denton0602	Secretary1005	Town of Chevy Chase	Laurel1716	Delmar2301
Federalburg0603	Vienna1006	(formerly Sec. 4)1615	Morningside1727	Fruitland2308
Goldsboro0604	FREDERICK COUNTY1100	Chevy Chase Sec. 51616	Mt. Rainier1717	Hebron2302
Greensboro0605	Brunswick1101	Chevy Chase View1617	New Carrollton1729	Mardela Springs2303
Henderson0611	Burkittsville1102	Chevy Chase Village1613	North Brentwood1718	Pittsville2307
Hillsboro0606	Emmitsburg1103	Drummond1623	Riverdale Park1720	Salisbury2304
Marydel0607	Frederick1104	Friendship Heights1621	Seat Pleasant1721	Sharptown2305
Preston0608	Middletown1106	Gaithersburg1603	University Park1723	Willards2306
Ridgley0609	Mt. Airy1114	Garrett Park1604	Upper Marlboro1724	WORCESTER COUNTY2400
Templeville0610	Myersville1107	Glen Echo1605	QUEEN ANNE'S COUNTY1800	Berlin2401
CARROLL COUNTY0700	New Market1108	Kensington1606	Barclay1805	Ocean City2402
Hampstead0701	Rosemont1113	Laytonsville1607	Centreville1801	Pocomoke City2403
Manchester0702	Thurmont1110	Martin's Addition1622	Church Hill1802	Snow Hill2404

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 and Form 505 for nonresident individuals.

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

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 beneficiary.

10 Income

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

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

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

2005 LOCAL TAX RATE CHART					
Subdivision	Rate	Subdivision	Rate	Subdivision	Rate
Baltimore City	.0305	Charles County	.0290	Prince George's County	.0320
Allegany County	.0293	Dorchester County	.0262	Queen Anne's County	.0285
Anne Arundel County	.0256	Frederick County	.0296	St. Mary's County	.0305
Baltimore County	.0283	Garrett County	.0265	Somerset County	.0315
Calvert County	.0280	Harford County	.0306	Talbot County	.0225
Caroline County	.0263	Howard County	.0320	Washington County	.0280
Carroll County	.0305	Kent County	.0285	Wicomico County	.0310
Cecil County	.0280	Montgomery County	.0320	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.\$ _____

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.

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 and special non-resident 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 enter **.0125** on line 31. Multiply line 29 (taxable net income) by the rate entered on line 31.

16 Total Maryland tax, local tax and contributions.

Add line 30 and line 31 and enter on line 32. Add to your tax any contribution amounts from line 33, line 34 and line 35. Enter the total on line 36.

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.

Maryland Cancer Fund

You may contribute any amount you wish to this fund. 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 multiple funds, any reduction will be applied proportionately.

17 Taxes paid and credits

Write your taxes paid and credits on lines 37-41 of Form 504. Add lines 37 through 41 and enter the total on line 42.

Taxes paid

If Maryland tax was withheld from wages paid to a decedent's estate, enter the amount on line 37 and attach the wage and tax statement.

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

Enter on line 38 the total of Maryland estimated tax payments, any taxes withheld from a nonresident real estate transaction 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 39. 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 39. If both credits are applicable, enter the sum on line 39.

If the estate or trust was a member of a pass-through entity (PTE) doing business in Maryland and the PTE paid nonresident tax on its behalf, enter the amount on line 40. You must attach a Schedule K-1 or other statement from the PTE showing the amount of tax paid on behalf of the estate or trust. If the estate or trust participated in a nonresident real estate transaction as a member of a PTE that paid taxes on its

behalf using Form MW506NRS, report this payment here.

Enter on line 41 any tax credits from Form 500CR and/or Form 502H.

18 Overpayment or balance due.

Calculate the Balance Due (line 43 of Form 504) or Overpayment (line 44 of Form 504).

Part or all of any overpayment may be applied to 2006 estimated tax by completing line 45. Subtract line 45 from the overpayment (line 44). 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 47 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 110% 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 47.

Total Interest

Enter the total interest for underpayment of estimated tax and interest for late filing on line 47.

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 2004 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 2005
- 3. Subtract line 2 from line 1
- 4. Enter the amount from line 30 (nonresident fiduciaries use line 32) of Form 504 or \$5,000, whichever is less
- 5. Enter the lesser of lines 3 or 4 here and on line 39 of Form 504
- 6. Excess credit carryover. Subtract line 5 from line 3

1			
2			
3			
4			
5			
6			

Direct Deposit of Refund

Complete lines 49a, 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 49a

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 49b

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 49c

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

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 one of the boxes marked CODE NUMBER at the bottom of Form 504.

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 one of the boxes marked CODE NUMBER at the bottom of Form 504. 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 one of the CODE NUMBER boxes. 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. Penalties may be imposed for tax preparers who fail to sign the tax return and provide their social security number or preparer's tax identification number.

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 Mailing your return

Mail your return to:

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

21 Payment Instructions

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.

22 Due Date

Returns must be mailed by April 17, 2006, 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 2005 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 17, 2006.

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 2005 forms in this package for fiscal years that begin during calendar year 2005. 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 of the amended Form 504. Include a copy of the amended federal return.

Changes to Your Federal Return

If the Internal Revenue Service makes any changes to 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 provides 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 Chesapeake Bay Trust and the Wildlife and Heritage Division of the Maryland Department of Natural Resources. For more information call the Trust at 410-974-2941 or the Department of Natural Resources at 410-260-8540.

www.chesapeakebaytrust.org

Maryland Cancer Fund

Use Line 35 and join the fight against cancer in Maryland.

Your contribution supports grants for cancer research, prevention and treatment.

It's easy:

1. Enter the amount you wish to donate on Line 35.
2. That amount will be deducted from your refund or will be added to your tax payment.

For more information, call the Maryland Department of Health and Mental Hygiene at 1-800-477-9774.

www.mdcanccerfund.org

You can make a contribution...

...on line 34 to the **Maryland 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 and 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.

Bay Restoration Fee Effective 1/1/05 this fee is collected by all non-exempt local governmental entities, billing authorities, drinking water and sewage water treatment plant owners, who provide water or sewage services to residential, multi-residential, and non-residential users. Effective 10/1/05, county governments are responsible for collecting a septic fee from owners of private wells and septic systems. The fees are remitted by these entities

quarterly to the Comptroller for deposit to the Bay Restoration Fund.

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 three years. 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 7/1/05. For additional information, see the reverse side for the addresses and phone numbers of the Maryland agencies most frequently contacted by businesses.

MARYLAND STATE AGENCIES

(MOST FREQUENTLY CONTACTED BY BUSINESSES)

COMPTROLLER OF MARYLAND
www.marylandtaxes.com

Online business registration
www.marylandtaxes.com
*New businesses can register online and set up
tax accounts any time 24 hours a day.*
For other new business information, visit the
Business License Information System at www.blis.state.md.us.

Compliance Division

301 W. Preston Street
Baltimore, MD 21201-2383

- Bulk sales* **410-767-1579**
or **800-648-9638**
- Business tax collections* **410-767-1655**
or **888-614-6337**
- Sales & use, admissions & amusement
tax and tire fee refunds* **410-767-1538**
- State License Bureau* **866-239-9359**
or **410-260-6240**
- Unclaimed property* **410-767-1700**
or **800-782-7383**
- Utility surcharges*
- 911 Telephone System Surcharge* **410-585-3015**
- Environmental Surcharge on Electricity* **410-767-8025**
- Telecommunications Access Surcharge* **410-767-6962**
- Electric Universal Service Surcharge* **410-767-7415**

General Accounting Division

Goldstein Treasury Building — Room 200
Annapolis, MD 21404-0746

- Tax clearances* **410-260-7813**
or **888-784-0144**

Motor Fuel Tax Division

Goldstein Treasury Building — Room 315
Annapolis, MD 21404-1751

- Motor Fuel Licensing & Registration* **410-260-7127**
Room 317 or **888-784-0142**
- Motor Carrier & IFTA Licensing* **410-260-7138**
Room 317 or **888-784-0141**

Regulatory Enforcement Division **410-260-7314**

Goldstein Treasury Building — Room 310 or **888-784-0145**
Annapolis, MD 21404-2999

- Alcohol and Tobacco Tax* **410-260-7314**
or **888-784-0145**

Revenue Administration Division

Revenue Administration Center
Annapolis, MD 21411-0001

- Facsimile transmittal* **410-974-2967**
- Forms (all income tax and
employer withholding)* **410-260-7951**
- Substitute/computer-generated* **410-260-7442**
- Income tax information* **410-260-7980**
(corporation, individual, fiduciary,
pass-through entity) or **800-638-2937**
- Income tax refund inquiries* **410-260-7701**
or **800-218-8160**
- Tax-exempt organization registration* **410-260-7980**
or **800-638-2937**

Baltimore area office **410-767-1300**

301 W. Preston Street — Room 206 or **800-492-1751**
Baltimore, MD 21201-2383

- Admissions and amusement tax*
- Bay Restoration Fee*
- Central registration*
- Employer withholding tax*
- Sales and use tax*
- Tire recycling fee*

OTHER AGENCIES

Department of Agriculture **410-841-5700**
50 Harry S. Truman Parkway or **800-492-5590**
Annapolis, MD 21401

*Conservation tillage equipment
certification* **410-841-5863**
www.mda.state.md.us

Department of Assessments & Taxation

301 W. Preston Street — Room 806
Baltimore, MD 21201-2395

- Charter/incorporation information* **410-767-1350**
- Public service company franchise tax* **410-767-1940**
- New corporation information* **410-767-1350**
- Resident agent information* **410-767-1330**
- Personal property tax assessments* **410-767-1170**
or **888-246-5941**
- Property tax credits* **410-767-4433**
www.dat.state.md.us or **800-944-7403**

Office of Business and Economic Research **410-767-6300**

217 E. Redwood Street — 23rd Floor or **800-CHOOSEMD**
Baltimore, MD 21202

- Office of Regional Response* **410-767-0523**
- Enterprise Zones — Economically
disadvantaged employee certification* **410-767-6438**
www.dbed.state.md.us

Department of Labor, Licensing

& Regulation **410-767-2000**

1100 N. Eutaw Street — Room 414
Baltimore, MD 21201

- Unemployment insurance* **410-767-3246**
or **800-492-5524**
- Job services* **410-767-2148**
www.dlir.state.md.us

Department of the Environment **410-537-3000**

1800 Washington Blvd. or **800-633-6101**
Baltimore, MD 21230

- Air management and radiation
(oil furnace conversion)* **410-537-3265**
- Asbestos* **410-537-3801**
www.mde.state.md.us

Injured Workers' Insurance Fund **410-494-2000**

8722 Loch Raven Boulevard or **800-264-4943**
Towson, MD 21286-2235

www.iwif.state.md.us

Maryland Insurance Administration

525 St. Paul Place
Baltimore, MD 21202

- Insurance company premium tax* **410-468-2000**
www.mdinsurance.state.md.us or **800-492-6116**

Department of Natural Resources

Tawes State Office Building — 580 Taylor Avenue
Annapolis, MD 21401-2397

- Reforestation & timber stand
improvement information* **410-260-8507**
www.dnr.state.md.us

Workers' Compensation Commission **410-864-5100**

6 N. Liberty Street — Room 940 or **800-492-0479**
Baltimore, MD 21201-3785

www.wcc.state.md.us