

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

**SEE EXPLANATION ON REVERSE. ATTACH THIS FORM TO FORM 502, 503 OR 505.**

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

For tax year 2008 only, special instructions apply if your taxable net income exceeds \$1,000,000.

**FARMERS AND FISHERMEN SEE BACK OF FORM FOR COMPUTATION**

**IF YOUR INCOME IS TAXABLE BY ANOTHER STATE, SEE BACK OF FORM.**

Your first name and initial	Last name	Social Security number
Spouse's first name and initial	Last name	Social Security number

**EXCEPTIONS WHICH AVOID THE UNDERPAYMENT INTEREST**

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

- A.** The tax liability on gross income after deducting Maryland withholding is \$500 or less, or
- B.** You have made four quarterly payments as required, each equal to or more than one-fourth of 120% of last year's taxes.

**COMPUTATION OF UNDERPAYMENT - LINES 1 THROUGH 15**

1. Total Maryland income (from line 18 of Form 502, line 1 of Form 503, line 8 of Form 505NR, or line 25 of Form 505 when Form 505NR is not required) ..... **1.** \_\_\_\_\_
2. 2008 Maryland and local tax (from line 36 of Form 502, line 12 of Form 503 or line 38 of Form 505) ..... **2.** \_\_\_\_\_
3. Refundable earned income credit (from line 43 of Form 502, line 18 of Form 503 or line 45 of Form 505) . . . **3.** \_\_\_\_\_
4. Refundable income tax credits (from line 44 of Form 502 or line 47 of Form 505) . . . . . **4.** \_\_\_\_\_
5. Total tax developed on tax preference items ..... **5.** \_\_\_\_\_
6. Total (Add lines 3, 4 and 5) ..... **6.** \_\_\_\_\_
7. Balance (subtract line 6 from line 2) ..... **7.** \_\_\_\_\_
8. Multiply line 7 by 90% (.90) ..... **8.** \_\_\_\_\_
- 9a. 2007 tax [Enter line 36 of 2007 Form 502, line 12 of 2007 Form 503 or line 38 (reduced by any credits on line 46) of 2007 Form 505] . . . . . **9a.** \_\_\_\_\_
- 9b. Multiply line 9a by 120% (1.20) ..... **9b.** \_\_\_\_\_
10. Minimum withholding and/or estimated tax required (Enter the lesser of line 8 or 9b.) ..... **10.** \_\_\_\_\_

**INSTALLMENT PERIODS** .....

<b>DUE DATES OF INSTALLMENTS</b>			
April 15, 2008	June 15, 2008	September 15, 2008	January 15, 2009
Jan 1 to Mar 31	Jan 1 to May 31	Jan 1 to Aug 31	Jan 1 to Dec 31

11. Divide total Maryland income on line 1 into earnings per period (See instructions) ..... **11.** \_\_\_\_\_
12. Divide earnings per period on line 11 by the amount on line 1 to determine the percent per period ..... **12.** \_\_\_\_\_
13. Payments required. Multiply the amount on line 10 by the percent on line 12 for each period ..... **13.** \_\_\_\_\_
14. Estimated tax paid and tax withheld per period (See instructions) ..... **14.** \_\_\_\_\_
15. Underpayment per period (line 13 less line 14). If less than zero, enter zero. .... **15.** \_\_\_\_\_

**COMPUTATION OF INTEREST**

		.0217	.0325	.0433	.0325
16. Interest factor (based on 13% annual rate) ..... <b>16.</b>					
17. Multiply underpayment on line 15 by the factor on line 16 for each period. .... <b>17.</b>					
18. Interest (Add amounts on line 17.) Place total in appropriate box on line 50 of Form 502, line 22 of Form 503 or line 53 of Form 505 and include amount in your total payment with return ..... <b>18.</b>					

# UNDERPAYMENT OF ESTIMATED MARYLAND INCOME TAX BY INDIVIDUALS

## GENERAL INSTRUCTIONS

Section 10-815 of the Tax-General Article of the Annotated Code of Maryland requires every individual, or individuals filing jointly, 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 tax year and less than 120% of the tax that was developed for the prior year, shall be subject to penalty and interest.

## WHO MUST FILE

If you believe that you are liable for interest for one of the reasons outlined above, or if you believe that you are not liable for interest due to an unequal distribution of income, please complete and submit this form with your tax return.

If you meet one of the exceptions shown on page 1, you are not required to file this form.

If you want us to figure the interest for you, complete your return as usual. Do not file Form 502UP. You will be notified of any interest due.

## SPECIFIC INSTRUCTIONS

Lines 1 through 10 are used to determine the minimum amount required to be paid by estimated or withholding tax to avoid interest.

### Line 1

Enter your Maryland adjusted gross income from line 18 of Form 502, line 1 of Form 503, line 8 of Form 505NR or line 25 of Form 505 (If not required to file Form 505NR). Alternatively, if you itemize deductions, you may elect to enter taxable net income from line 22 of Form 502 or net income from line 11 of Form 505NR or from line 27 of Form 505 when the Form 505NR is not required.

### Lines 2-4

Special instructions for 2008: If your Maryland net taxable income exceeds \$1,000,000, recalculate the state portion of the tax as if the maximum rate were 5.5% to obtain the amount to enter on Line 2. Also, **enter 301 in one of the code number boxes to the right of the telephone number area.**

### Line 5

Multiply the amount on line 5 of Form 502TP by the highest state rate used on your tax return not to exceed 5.5%. Add this amount to your local tax.

### Line 9a

If your 2007 tax was corrected or amended, be sure to include any additional tax when calculating your total tax for the year.

Lines 11 through 15 will determine which periods are underpaid and the amount of underpayment.

### Line 11

Enter in each column the income received for the period of the year covered by that column. If your income was received evenly throughout the year, enter one-fourth of line 1 in column 1, one-half of line 1 in column 2, three-fourths of line 1 in column 3 and an amount equal to line 1 in column 4. You may elect to report your income based on the actual dates of receipt. If so, enter income received between January 1 and March 31 in the first column; enter income received between January 1 and May 31 in the second column; enter income received between January 1 and August 31 in the third column and 100% of your income in the fourth column. NOTE: Regardless of whether you use an even distribution or base your

entries on the actual receipt dates, each successive column will include the amount from the prior columns. See the example in the instructions for line 14.

### Line 14

Enter in each column the sum of any estimated payments you have made and any Maryland tax withheld from the beginning of the year to the due date at the top of that column. Include any nonresident tax paid by S-corporations, partnerships or limited liability companies on your behalf. NOTE: Just as in line 11, 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. Overpayments in later quarters may not be used to offset underpayments in previous quarters.

Lines 16 through 18 determine the amount of interest due for each underpaid quarter.

### Line 16

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 15.

### Line 17

Using the factors on line 16 or the adjusted factor described above, determine the amount of interest due for each quarter and enter the amounts in the appropriate columns.

### Line 18

Add all interest amounts in Columns 1 through 4 on line 17. Enter the total interest on the appropriate line of your tax return.

**If the interest calculated on line 18 is zero because your income was not received evenly throughout the year, enter code number 301 in one of the boxes marked "code numbers" to the right of the telephone number area and attach this form to your return.**

## FARMERS AND FISHERMEN

If your gross income from farming or fishing is at least two-thirds of your total estimated gross income for the year, the 2008 declaration and full payment of the estimated tax is due on or before January 15, 2009. In lieu of filing the declaration, you may elect to file your full and complete annual return on or before March 1, 2009 and make full payment of the developed tax at that time.

If you fail to do either of the above, and the income not subject to withholding or from which not enough Maryland tax is withheld would be expected to develop a tax of more than \$500, then you are subject to interest. To compute the applicable interest charge, complete lines 1 through 10 of this form. Enter the amount from line 10 on line 13, column 4 and complete the rest of the form. Only column 4 will have entries.

**To claim exemption from this interest charge or to use the special calculation, enter code number 300 in one of the boxes marked "code numbers" to the right of the telephone number area. Attach this form to your return if you used the special calculation.**

## INCOME TAXABLE BY ANOTHER STATE

If at least 90% of your taxable income is taxable by another state, and the underpayment is not greater than the local tax, no interest is due and you are not required to file this form.

**To claim exemption from this interest charge, enter code number 302 in one of the boxes marked "code numbers" to the right of the telephone number area.**