

**UNDERPAYMENT OF ESTIMATED  
MARYLAND INCOME TAX**

**BY CORPORATIONS AND PASS-THROUGH ENTITIES**

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

**IMPORTANT: SUBSTANTIAL CHANGES HAVE BEEN MADE TO THE METHOD OF COMPUTING THIS INTEREST CHARGE. THE NEW METHOD WILL RESULT IN A MORE ACCURATE CALCULATION OF INTEREST AND/OR PENALTY FOR UNDERPAYMENT OF ESTIMATED TAX, INCLUDING INTEREST FOR LATE PAYMENTS. PLEASE REVIEW THE INSTRUCTIONS BEFORE COMPLETING THIS FORM.**

TAXABLE YEAR BEGINNING \_\_\_\_\_, 1996      ENDING \_\_\_\_\_, 19\_\_\_\_

Name as shown on Form 500 or 510	Federal Employer Identification No. (9 digits)
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**SEE INSTRUCTIONS ON REVERSE SIDE**

**EXCEPTIONS WHICH AVOID INTEREST AND PENALTY**

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

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

**CALCULATION OF INTEREST AND PENALTY**

1. Tax for current taxable year (line 9 of Form 500 or Form 510) .....	
2. Enter 90% of the amount on line 1 .....	
3. Tax for prior taxable year (line 9 of prior year Form 500 or Form 510) .....	
4. Estimated tax required (Enter lesser of line 2 or line 3) .....	

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

11. Total interest (Add all amounts on line 10) .....	
12. Penalty (10% of all amounts on line 8). Disregard the penalty when an attempt has been made to adequately file declaration payments .....	
13. Total interest and penalty (Add lines 11 and 12). Also enter this amount on line 13 of Form 500 or line 12 of Form 510. ....	

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

## GENERAL INSTRUCTIONS

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

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

**General Requirements** Every corporation or pass-through entity having Maryland taxable income which will develop a tax in excess of \$1,000 for the taxable year or period must make estimated income tax payments. The total estimated tax payments for the year must be at least 90% of the tax developed for the current taxable year or 100% of the tax developed for the prior tax year. At least 25% of the total estimated tax must be remitted by each of the four installment due dates.

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

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

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

## SPECIFIC INSTRUCTIONS

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

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

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

**Instructions for Line 6:** The first period extends from the beginning of the entity's fiscal year to the last day of the third month. The second period extends from the beginning of the fiscal year to the last day of the sixth month. The third period extends from the beginning of the fiscal year to the last day of the ninth month. The fourth period extends from the beginning of the fiscal year to the last day of the twelfth month. Therefore, enter one-quarter of the estimated tax required on line 4 in the first column of line 6, one-half in the second column, three-quarters in the third column and an amount equal to line 4 in the fourth column.

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

**Instructions for Line 9:** Calculate the interest factor by dividing the number of days between the due date of one installment period and the due date of the next installment period by 365 and multiplying by the annual rate of interest of 13%. For example, a calendar year corporation would calculate the interest factor for the first period by dividing 63 days (from April 15 to June 15) by 365 and multiplying the result by 13% for a factor of .0217. The fourth period factor is calculated from the due date of the installment to the due date of the annual return.

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. If the estimated tax payment was not timely but was paid earlier than the due date of the next period the factor may be adjusted by dividing the number of days from the date the payment was due to the date it was paid by 365 and multiplying the result by 13%. Apply this adjusted factor to the underpaid amount on line 8.

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

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