

UNDERPAYMENT OF ESTIMATED MARYLAND INCOME TAX BY INDIVIDUALS

SEE EXPLANATION ON REVERSE. ATTACH THIS FORM TO FORM 502, 503, 504 OR 505.

IMPORTANT: PLEASE REVIEW THE INSTRUCTIONS BEFORE COMPLETING THIS FORM.

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 \$250 or less, or
- B. Each current year payment, made quarterly as required, is equal to or more than one-fourth of last year's taxes.

COMPUTATION OF UNDERPAYMENT – LINES 1 THROUGH 15

1. Total Maryland income (from line 55 of Form 502, 503 or 505 or from line 57 of Form 504)	\$ _____
2. 1997 Maryland and local tax (from line 62c of Form 502, 503 or 504 or from line 62 of Form 505)	_____
3. Out of state credit (from line 67 of Form 502 or 504)	_____
4. Business tax credits (from line 68 of Form 502 or 505)	_____
5. Total tax developed on tax preference items	_____
6. Total (Add lines 3, 4 and 5)	_____
7. Balance (line 2 less line 6)	_____
8. Multiply line 7 by 90% (.90)	_____
9. 1996 tax (Enter line 62c (reduced by any credits on lines 67 and 68) of 1996 Form 502, 503 or 504, or line 62 (reduced by any credits on line 68) of 1996 Form 505)	_____
10. Minimum withholding and/or estimated tax required (Enter the lesser of line 8 or 9.)	\$ _____

INSTALLMENT PERIODS

DUE DATES OF INSTALLMENTS			
April 15, 1997	June 16, 1997	September 15, 1997	January 15, 1998
Jan. 1 to Mar. 31	Jan. 1 to June 30	Jan. 1 to Sept. 30	Jan. 1 to Dec. 31

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

COMPUTATION OF INTEREST

16. Interest factor (based on 13% annual rate)0221	.0324	.0435	.0321
17. Multiply underpayment on line 15 by the factor on line 16 for each period.				
18. Interest (Add amounts on line 17) Place total on line 74 of Form 502, 503, 504 or 505 and include amount in your total payment with return				

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GENERAL INSTRUCTIONS

Section 10-815 of the Tax-General Article of the Annotated Code of Maryland requires every individual, or husband and wife living together, 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 \$250.00 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 penalty and interest.

WHO MUST FILE

If you believe that you are liable for interest for one of the reasons outlined above, 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.

Lines 1-4

Enter the amounts specified from your 1997 Form 502, 503, 504 or 505.

Line 5

Multiply the amount on line 5 of Form 502TP by 5% (.05). Apply the local tax rate in effect for your return and enter the sum on this line.

Line 9

If your 1996 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. Otherwise, allocate to each period the amount of income received between the dates for each installment shown at the top of each 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 for the period covered by that column. 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.

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. If your estimated tax payment was not timely, but was paid earlier than the due date of the next quarter, you may adjust the factor 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 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, enter code number 301 in the box marked "code number" on page 2 of Form 502. Attach this form to your Form 502, 503, 504 or 505.

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 1997 declaration and full payment of the estimated tax is due on or before January 15, 1998. In lieu of filing the declaration, you may elect to file your full and complete annual return on or before March 1, 1998 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 \$250.00, 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 the box marked "code number" on page 2 of Form 502.

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 the box marked "code number" on page 2 of Form 502.

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