FORM
502TP

COMPUTATION OF TAX PREFERENCE INCOME

ATTACH TO YOUR TAX RETURN

2009

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

Who must file: File this form if the total tax preference items (line 2) is more than $10,000 ($20,000 for a joint return).

1. Tax preference items		
(a) Depletion		
(b) Depreciation (pre-1987 Rules)		
(c) Intangible drilling costs		
(d) Exclusion for gains on sale of certain small business stock		
2. Total tax preference items (add lines 1a-1d)		
3. Exclusion. Enter $10,000 ($20,000 for a joint return)		
4. Subtract line 3 from line 2		
5. Taxable tax preference items. Multiply line 4 by 50% (.50) Enter this amount on line 5 of Form 502 or line 3 of Form 504, or line 19 of Form 505.		

Instructions for Form 502TP
COMPUTATION OF TAX PREFERENCE INCOME

GENERAL INSTRUCTIONS
An addition modification is required for certain items of income that are considered to be of a tax preference nature, as defined in Internal Revenue Code Section 57. The addition is computed by first totaling all the items of tax preference, then reducing this amount by a specific exclusion of $10,000 ($20,000 for a joint return). The excess is further reduced by 50%.

WHO MUST FILE
Any individual or fiduciary of an estate or trust with items of tax preference in excess of $10,000 ($20,000 for a joint return) must complete Form 502TP and file with the income tax return.

ITEMS OF TAX PREFERENCE
The items of tax preference are those listed below.

Line 1(a) Depletion:
Calculate the excess of the deduction for depletion allowable under IRC Section 611 for the tax year over the adjusted basis of the property at the end of the tax year. Subtract any oil percentage depletion deduction included in the figure you calculated. Enter the result on line 1(a).

The Depletion tax preference item does not apply to you if you are an independent producer or royalty owner claiming percentage depletion for oil and gas wells.

Line 1(b) Depreciation (Pre-1987 Rules):
For tax preference purposes, you must use the straight line method to figure depreciation on real property for which accelerated depreciation was determined using pre-1987 rules. Use a recovery period of 19 years for 19-year real property other than recovery property, enter the amount by which your regular tax depreciation using the pre-1987 rules exceeds the depreciation allowable using the straight line method. For leased 10-year recovery property and leased 15-year public utility property, enter the amount by which your regular tax depreciation exceeds the depreciation allowable using the straight line method with a half-year convention, no salvage value, and a recovery period of 15 years (22 years for 15-year public utility property). You must figure the excess depreciation separately for each property and include on line 1(b) only positive amounts.

Line 1(c) Intangible Drilling Costs:
Enter the amount from line 27 of federal Form 6251.

Line 1(d) Exclusion of Gains on Sale of Certain Small Business Stock:
Enter the amount from line 14 of federal Form 6251.

The federal Form 6251 also includes adjustments to develop alternative minimum taxable income for federal purposes. These adjustments do not affect your Maryland tax preference items.

HOW TO FILE
Complete federal Form 6251.

If you have taken a deduction for depletion, or if you have taken depreciation on your federal tax return using pre-1987 rules, follow the instructions for line 1(a) and/or 1(b) above. If you have any other tax preference item referenced in lines 1(c) through 1(d) go to the Form 6251 to determine the amount reportable on the Form 502TP. If your total tax preference items on line 2 of the Form 502TP are over $10,000 ($20,000 for joint returns), you must include these items as an addition to income regardless of whether you are subject to the Alternative Minimum Tax on your federal return. Taxpayers who file separate Maryland returns must compute their addition to income on separate Forms 502TP.

NONRESIDENT AND PART-YEAR RESIDENT INDIVIDUALS
The items of tax preference of nonresident and part-year residents should include only those items that are properly allocated to Maryland. Generally, this includes tax preference items derived from tangible property (real and personal) permanently located in Maryland (whether the income is derived directly or indirectly from a trust or estate); tax preference items attributable to a business, trade, occupation or profession wholly carried on or carried on both in and out of Maryland; and tax preference items derived from a business wholly carried on or carried on both in and out of Maryland of which the individual is a partner of a partnership, shareholder of an S corporation, member of a limited liability company taxed as partnership, beneficiary of a business trust taxed as a partnership, or proprietor.

If all of the tax preference items reported to the IRS are allocated to Maryland, then the nonresident or part-year resident may claim the exclusion of $10,000 for a individual return or $20,000 for a joint return on line 3. If the tax preference items reported are based on income derived both in and out of Maryland (income from preference items taxable to Maryland should be reported on this form (on line 1(a) through 1(d)) by using separate accounting), then the nonresident or part-year resident may only claim a partial exclusion on line 3.

The partial exclusion is calculated by using a fraction, with the numerator being the dollar amount of the tax preference items based on income taxable in Maryland and the denominator being the total amount of the tax preference items, multiplied by $10,000 for an individual return or $20,000 for a joint return. Enter the amount of this calculated partial exclusion on line 3 and continue to follow the form numbered instructions.

SMALL BUSINESS CORPORATIONS
Individual shareholders of small business corporations that have elected to be S corporations under Section 1362 of the Internal Revenue Code shall account for the corporation's tax preference items as belonging to the individual shareholders. A pro rata apportionment of the items of tax preference is reportable by each shareholder on his or her individual return in a manner consistent with the method in which net operating losses are passed through and apportioned among them for federal purposes.