

**2010**

MARYLAND

FORM

**MW506AE**

# Application for Certificate of Full or Partial Exemption

For Calendar Year 2010 or other tax year

Beginning \_\_\_\_\_, 2010 and Ending \_\_\_\_\_

**DO NOT WRITE OR STAPLE IN THIS SPACE**

**NOTE:** This form is to be used only to request a Certificate of Full or Partial Exemption from the withholding requirements on the proceeds of the sale of real property and associated personal property in Maryland by nonresident individuals and nonresident entities. This form must be RECEIVED by the Comptroller of Maryland, Revenue Administration Division, NRS Exemption Requests, P.O. Box 2031, Annapolis, MD 21404-2031 no later than 21 days before the closing date.

### Transferor/Seller's Information

Name (If joint, give first names and initials of both)	Last Name	Your Social Security Number
Name (Corporation, Partnership, Trust, Estate, etc.)		Spouse's Social Security Number
T/A or C/O or Fiduciary		Federal Employer I.D. Number
Address (Number and street)		
City, State and Zip Code (province, postal code and country)		
Transferor/Seller's Entity Type <input type="checkbox"/> Individual <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Trust <input type="checkbox"/> C Corporation <input type="checkbox"/> Limited Liability Partnership <input type="checkbox"/> Other: <input type="checkbox"/> S Corporation <input type="checkbox"/> Business Trust <input type="checkbox"/> Partnership <input type="checkbox"/> Estate		Ownership Percentage  _____ %

### Property Information

Description of Property (Include address, or district, subdistrict and lot numbers if no address is available)	Date of Closing
	Contract Sales Price
	Property Account ID Number
Transferor/Seller's Acquired Property By <input type="checkbox"/> Purchase <input type="checkbox"/> 1031 Exchange <input type="checkbox"/> Gift <input type="checkbox"/> Foreclosure/Repossession <input type="checkbox"/> Inheritance <input type="checkbox"/> Other: _____	Transferor/Seller's Adjusted Basis:  Purchase price      \$ _____  Add: capital improvements and settlement costs      _____  Less: depreciation (if any)      _____  Adjusted basis:      \$ _____
Use of Property at Time of Sale: <input type="checkbox"/> Rental/Commercial <input type="checkbox"/> Vacant land <input type="checkbox"/> Secondary/Vacation <input type="checkbox"/> Other: _____  Length of time used for this purpose: Years _____ Months _____	

### Transferee/Buyer's Information

Name (If joint, give first names and initials of both)	
Name (Corporation, Partnership, Trust, Estate, etc.)	
Address (Number and street)	
City, State and Zip Code (province, postal code, and country)	
Transferee/Buyer's Entity Type <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input type="checkbox"/> Business Trust <input type="checkbox"/> Trust <input type="checkbox"/> C Corporation <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Estate <input type="checkbox"/> Other: <input type="checkbox"/> S Corporation <input type="checkbox"/> Limited Liability Partnership	

Transfer/Sellers Name	Your Social Security Number/FEIN
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**Reason for Full or Partial Exemption from Withholding**  
(Attach documentation and calculation)

Reason for Exemption	Amount of Total Payment Subject to Tax is:	
	None (totally Exempt)	Only a portion
1. <input type="checkbox"/> Transfer is to a corporation controlled by transferor for purposes of IRC §351:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
2. <input type="checkbox"/> Transfer is pursuant to a tax-free reorganization for purposes of IRC §351:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
3. <input type="checkbox"/> Transfer is pursuant to an installment sale under IRC §453 and the transferor/seller will receive less than the full purchase price during the taxable year.	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
4. <input type="checkbox"/> Transfer is by a tax-exempt entity for purposes of IRC §501(a) and transfer involves limited or no unrelated business taxable income under IRC §512:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
5. <input type="checkbox"/> Transfer is by transferor to a partnership, such that no gain or loss is recognized on the transfer under IRC §721:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
6. <input type="checkbox"/> Transfer is treated as a transfer by a partnership for purposes of IRC §731:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
7. <input type="checkbox"/> Transfer is treated as a transfer by a real estate investment trust for purposes of IRC §857:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
8. <input type="checkbox"/> Transfer is a tax-free exchange for purposes of IRC §1031 and is treated as: <input type="checkbox"/> simultaneous without boot, <input type="checkbox"/> simultaneous with boot, or <input type="checkbox"/> delayed, with funds in escrow for acquiring replacement property:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
9. <input type="checkbox"/> Transfer is pursuant to a condemnation and conversion into similar property for purposes of IRC §1033.	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
10. <input type="checkbox"/> Transfer is between spouses or incidents to divorce for purposes or IRC §1041:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
11. <input type="checkbox"/> Transfer is treated as a transfer by an S corporation for purposes of IRC §1368:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
12. <input type="checkbox"/> Transfer is by transferor to a disregarded entity, classified as such under 26 CFR §301.7701-3, that is solely owned by the transferor:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____
13. <input type="checkbox"/> Transfer is otherwise fully or partially exempt from the recognition of gain in accordance with the attached explanation:	<input type="checkbox"/>	<input type="checkbox"/> \$ _____

**Provide Brief Explanation of Your Reason for Requesting Exemption**

**Calculation of Tax to be Withheld**

1. Enter the amount subject to tax .....	1	
2. Enter tax rate, whichever applies. a. If you are a business entity, enter 8.25% <input type="checkbox"/> ..... b. If you are an individual, enter 7.50% <input type="checkbox"/> .....	2	
3. Amount of tax to be withheld at closing. Line 1 multiplied by line 2. (This line MUST be completed.) .....	3	

Under the penalties of perjury, I declare that I have examined this application, including any schedules or statements attached, and to the best of my knowledge and belief, it is true, correct and complete. If prepared by a person other than taxpayer, the declaration is based on all information of which the preparer has any knowledge.

**Please  
Sign  
Here**

Signature	Applicants phone number	Date
Signature	Applicants phone number	Date
Signature	Applicants phone number	Date

**INSTRUCTIONS FOR APPLICATION FOR  
CERTIFICATE OF FULL OR PARTIAL EXEMPTION**

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**The Comptroller's decision to issue or deny a certificate and the amount of tax is final and not subject to appeal.**

**GENERAL INSTRUCTIONS**

**Purpose of Form**

Use Form MW506AE to apply for a Certificate of Full or Partial Exemption from the withholding requirements on the proceeds of the sale of real property and associated personal property in Maryland by nonresident individuals and nonresident entities. A nonresident entity is defined to mean an entity that: (1) is not formed under the laws of Maryland; and (2) is not qualified by or registered with the Department of Assessments and Taxation to do business in Maryland.

**Who May File an Application**

An individual, fiduciary, C corporation, S corporation, limited liability company, or partnership transferor/seller may file Form MW506AE. Unless the transferors/sellers are a husband and wife filing a joint Maryland income tax return, a separate Form MW506AE is required for each transferor/seller.

**IMPORTANT:** The completed Form MW506AE must be received by the Comptroller of Maryland no later than 21 days before the closing date of the sale or transfer to ensure timely receipt of a Certificate of Full or Partial Exemption.

**The Comptroller's decision to issue or deny a Certificate of Full or Partial Exemption and the determination of the amount of tax to be withheld if a partial exemption is granted are final and not subject to appeal.**

**SPECIFIC INSTRUCTIONS**

Enter the tax year of the transferor/seller if other than a calendar year.

**Transferor/Seller's Information**

Enter the name, address and identification number (Social Security number or federal employer identification number) of the transferor/seller applying for the exemption. If the transferor/seller was issued an individual taxpayer identification number (ITIN) by the IRS, enter the ITIN.

Check the box indicating the transferor/seller's entity type.

Enter the transferor/seller's ownership percentage of the property.

**Property Information**

Enter the description of the property, including the street address(es) for the property as listed with the State Department of Assessments and Taxation

(SDAT). If the property does not have a street address, provide the full property account ID numbers used by SDAT to identify the property.

Enter the date of closing for the sale or transfer of the property.

Enter the contract sales price of the property being sold or transferred.

Enter the property account ID number. If the property is made up of more than one parcel and has more than one property tax account number, include all applicable property account ID numbers.

Check the box that describes the transferor/seller's acquisition of the property. Check the box that describes the transferor/seller's use of the property at the time of the current sale, and enter the length of time the property has been used for this purpose.

Complete the transferor/seller's adjusted basis section by entering the purchase price when the transferor/seller acquired the property, adding the cost of capital improvements (including acquisition costs such as commissions and state transfer taxes), and subtracting depreciation, if applicable.

**Transferee/Buyer's Information**

Enter the name and address.

Check the box indicating the transferee/buyer's entity type.

Attach schedule if there are multiple transferees/buyers.

**Reason for Full or Partial Exemption from Withholding**

Check the box in the "Reason for Exemption" column that indicates the reason you are requesting a full or partial exemption from the income tax withholding requirements.

Check one of the boxes in the "Amount of Total Payment Subject to Tax" column to indicate that you are: (1) claiming a total exemption, or (2) providing the dollar amount that you are claiming as subject to tax and upon which the income tax withholding should be calculated.

**Specific Line Instructions for Reason for Full or Partial Exemption**

**Line 1.** Transfer is to a corporation controlled by the transferor for purposes of §351 of the Internal Revenue Code.

**Required documentation:** Copy of the agreement of sale; Certificate of Good Standing of transferee issued by the state in which transferee is incorporated; notarized affidavit executed on behalf of transferee by its President and its Treasurer stating that immediately after the exchange the transferor(s) will own stock in the transferee possessing at least eighty percent (80%) of the total combined voting power of all classes of transferee's stock entitled to vote and at least eighty percent (80%) of the total number of shares of all other classes of stock of the transferee; and an appraisal establishing the fair market value, at the time of the exchange, of any property other than stock in the transferee which is part of the consideration for the exchange. The fair market value of any such other property and/or any money which is part of the consideration for the exchange must be stated on the application as the taxable amount.

**Line 2.** Transfer is pursuant to a tax-free reorganization as described in §361 of the Internal Revenue Code.

**Required documentation:** Copy of agreement governing the transfer between transferor and transferee; Certificates of Good Standing of transferor and transferee issued by the state(s) in which transferor and transferee are incorporated; copy of the plan or reorganization showing that transferor and transferee are parties to the reorganization; and an appraisal establishing the fair market value, at the time of the exchange, of any property other than stock or securities in the transferee which is part of the consideration for the exchange and will not be distributed by the transferor in pursuance of the plan of reorganization. The fair market value of any such other property and/or any money which is part of the consideration for the exchange and will not be distributed by the transferor in pursuance of the plan or reorganization must be stated on the application as the taxable amount.

**Line 3.** Transfer is pursuant to an installment sale under §453 of the Internal Revenue Code.

**Required documentation:** Copy of contract of sale or copy of HUD-1 settlement sheet; copy of promissory note to transferor which will be executed by transferee at settlement. That portion of the total payment that the transferor receives at or within sixty (60) days of settlement must be stated on the application as the taxable amount.

# INSTRUCTIONS FOR APPLICATION FOR CERTIFICATE OF FULL OR PARTIAL EXEMPTION

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**Line 4.** Transfer is by a tax-exempt entity for purposes of §501(a) of the Internal Revenue Code and transfer involves limited or no unrelated business taxable income under §512 of the Internal Revenue Code.

**Required documentation:** Copy of determination by the Internal Revenue Service that transferor is a tax-exempt entity for purpose of §501(a) of the Internal Revenue Code; Certificate of Good Standing of transferor issued by the state in which transferor is incorporated; notarized affidavit executed on behalf of transferor by its President and by its Treasurer stating that the transfer involves limited or no unrelated business income under §512 of the Internal Revenue Code.

**Line 5.** Transfer is to a partnership in exchange for an interest in the partnership such that no gain or loss is recognized under §721 of the Internal Revenue Code.

**Required documentation.** Copy of agreement governing transfer between transferor and transferee; copy of the partnership agreement of the transferee.

**Line 6.** Transfer is by a partnership to a partner of the partnership in accordance with §731 of the Internal Revenue Code.

**Required documentation:** Copy of agreement governing transfer between transferor and transferee; copy of the partnership agreement of the transferor.

**Line 7.** Transfer is treated as a transfer by a real estate investment trust for purposes of §857 of the Internal Revenue Code.

**Required documentation:** Copy of agreement governing transfer between transferor and transferee; certified copy of Articles of Incorporation of transferor; Certificate of Good Standing of transferor issued by the state in which transferor is incorporated.

**Line 8.** Transfer is a tax-free exchange for purposes of §1031 of the Internal Revenue Code.

**Required documentation:** Letter signed by the qualified intermediary, or by the person authorized to sign on behalf of a business entity acting as the qualified intermediary, which states the name(s) of the transferor(s), the property description, that the individual or business will be acting as the qualified intermediary for the transferor(s) as part of a 1031 exchange of the property, whether there will be any boot, and if so, the amount of boot. The amount of any boot must be stated on the application as the taxable amount.

**Line 9.** Transfer is pursuant to a condemnation and conversion into a similar property for purposes of §1033 of the Internal Revenue Code.

**Required documentation:** Copy of agreement governing transfer between transferor and government body or authority condemning the property; notarized affidavit executed by transferor stating that transferor will identify and purchase replacement property within the time limits required by §1033 of the Internal Revenue Code, or copy of contract of sale if transferor has already identified replacement property. If proceeds from condemnation exceed price of replacement property, the excess must be stated on the application as the taxable amount.

**Line 10.** Transfer is between spouses or incident to divorce for purposes of §1041 of the Internal Revenue Code.

**Required documentation:** Copy of marriage license or divorce decree; copy of deed which will be recorded to accomplish the transfer; if incident to divorce, copy of section of court order or separation agreement governing transfer of the property.

**Line 11.** Transfer is treated as a transfer by an S-corporation for purposes of §1368 of the Internal Revenue Code.

**Required documentation:** Copy of agreement governing transfer between transferor and transferee; copy of approval by the Internal Revenue Service of transferor's S-corporation election; Certificate of Good Standing of transferor issued by the state in which transferor is incorporated.

**Line 12.** Transfer is to a disregarded entity, classified as such under 26 CFR §301.7701-3, that is solely owned by the transferor.

**Required documentation:** Copy of agreement governing transfer from transferor to transferee; certified copy of transferee's Articles of Organization; Certificate of Good Standing of transferee issued by state in which transferee is organized; copy of transferee's Operating Agreement.

**Line 13.** The transfer is otherwise fully or partially exempt from the recognition of gain in accordance with attached explanation.

**Required documentation:** Attach any and all documents necessary to show that the transfer is fully or partially exempt from tax.

## Provide Brief Explanation of Your Reason for Requesting Exemption

Provide a brief explanation of why the sale or transfer of the property qualifies for a full or partial exemption from the income tax withholding requirement. If necessary, attach additional documentation to support your request for a full or partial exemption, and to support your calculation of the dollar amount subject to tax, if the request is for partial exemption.

## Calculation of Tax to be Withheld

Complete this section if you are requesting a partial exemption. This section must be completed or the application for partial exemption will be denied.

## Signature(s)

Form MW506AE must be signed by an individual (both taxpayer and spouse, if filing a joint Maryland income tax return), or a responsible corporate officer.

Please include a daytime telephone number where you can be reached between 8:00 AM and 5:00 PM.

Your signature(s) signifies that your application, including all attachments, is, to the best of your knowledge and belief, true, correct and complete, under the penalties of perjury.

If a power of attorney is necessary, complete federal Form 2848 and attach to your application.

## Where to File

Mail the completed form and all attachments to:

Comptroller of Maryland  
Revenue Administration Division  
Attn: NRS Exemption Requests  
P.O. Box 2031  
Annapolis, MD 21404-2031

## Additional Information

For additional information, please call 410-260-7980 or 1-800-MDTAXES (1-800-638-2937) from Central Maryland.