

wages, you are required to file a Maryland tax return if your gross income is more than the amounts listed in the tables in Instruction 4. Your non-Maryland income will be subtracted from your federal adjusted gross income on line 6b of Form 505NR.

12 Additions to income.

Determine which additions to income apply to you. Write the non-Maryland loss and adjustments on line 18 of Form 505. Include the other additions to income on line 19 of Form 505, only to the extent that they apply to Maryland-source income.


Line 18. NON-MARYLAND LOSS AND ADJUSTMENTS. Enter the total amount of non-Maryland losses or adjustments to federal income that were realized or paid attributable to a non-Maryland source.

Line 19. OTHER ADDITIONS TO INCOME. If one or more of these apply to your Maryland-source income, enter the total amount on line 19 and identify each item using the code letter:

▼ CODE LETTER

- a. Net Maryland additions from Maryland Schedule K-1 for your share of income from pass-through entities or fiduciaries not attributable to decoupling.
- b. Taxable tax preference items from line 5 of Maryland Form 502TP. The items of tax preference are defined in Internal Revenue Code Section 57. If the total of your tax preference items is more than \$10,000 (\$20,000 for married taxpayers filing joint returns) you must complete and attach Maryland Form 502TP, whether or not you are required to file federal Form 6251.
- c. Total amount of credit(s) claimed in the current tax year to the extent allowed on Form 500CR for the following Business Tax Credits: Enterprise Zone Tax Credit, Maryland Disability Employment Tax Credit, Research and Development Tax Credit, Small Business Research & Development Tax Credit, Maryland Employer Security Clearance Costs Tax Credit (do not include Small Business First-Year Leasing Costs Tax Credit), and Cellulosic Ethanol Technology Research and Development Tax Credit. Also, the amount of carryover claimed in the current tax year for the expired Maryland Employment Opportunity Tax Credit is added to income. In addition, include any amount deducted as a donation to the extent that the amount of the donation is included in an application for the Endow Maryland Tax Credit on Form 500CR or 502CR.
- d. Oil percentage depletion allowance claimed under Section 613 of the Internal Revenue Code.
- e. Income exempt from federal tax by federal law or treaty that is not exempt from Maryland tax
- f. Net operating loss deduction to the extent of a double benefit. See Administrative Release 18.
- g. Pickup contributions of a Maryland State retirement or pension system member. (The pickup amount will be stated separately on your W-2 form.) See Administrative Release 21.
- h. The amount claimed and allowed as a deduction for federal income tax purposes for expenses attributable to operating a family day care home or a child care center in Maryland without having the registration or license required by the Family Law Article.
- i. Any refunds of advanced tuition payments made under the Maryland Prepaid College Trust, that were not used for qualified higher education expenses to the extent the payments were subtracted from federal adjusted gross income and any refunds of contributions made under the Maryland College Investment Plan or the Maryland Broker-Dealer College Investment Plan, **not used for**

qualified higher education expenses, to the extent the contributions were subtracted from federal adjusted gross income. See Administrative Release 32.

- j. Net addition modification to Maryland taxable income when claiming the federal depreciation allowances from which the State of Maryland has decoupled. Complete and attach Form 500DM. See Administrative Release 38.
- k. Net addition modification to Maryland taxable income when the federal special 5-year carryback period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Complete and attach Form 500DM. See Administrative Release 38.
- l. The amount deducted on your federal income tax return for Domestic Production Activities (line 35 of Form 1040) attributable to Maryland-source income only.
- m. Amount deducted on your federal income tax return for tuition and related expenses. Do not include adjustments to income for Educator Expenses or Student Loan Interest deduction.
- n.  Any refunds received by an ABLÉ account contributor under the Maryland ABLÉ Program or any distribution received by an ABLÉ account holder, to the extent the distribution was not used for the benefit of the designated beneficiary for qualified disability expense, that were subtracted from federal adjusted gross income.
- cd. Net addition modification to Maryland taxable income resulting from the federal deferral of income arising from business indebtedness discharged by reacquisition of a debt instrument. See Form 500DM.
- dm. Net addition modification from multiple decoupling provisions. See the table at the bottom of Form 500DM and Administrative Release 38.
- dp. Net addition decoupling modification from a pass-through entity. See Form 500DM and Administrative Release 38.

13 Subtractions from income.

Determine which subtractions from income apply to you. Write the amounts on lines 22 and 23 of Form 505.

Line 22. TAXABLE MILITARY INCOME OF NONRESIDENT. Enter the amount of military pay included in your federal adjusted gross income that you received while in the active service of any branch of the armed forces of the United States.

Line 23. SUBTRACTIONS FROM INCOME ON FORM 505SU. Determine which subtractions apply to you and enter the amount for each on Form 505SU. Enter the sum of all applicable subtractions from Form 505SU on line 23 of Form 505, and enter the code letters that represent the four highest dollar amounts in the code letter boxes. If multiple subtractions apply, be sure to identify all of them on Form 505SU and attach it to your Form 505.

Note: If only one of these subtractions applies to you, enter the amount and code letter on line 23 of Form 505, then the use of Form 505SU may be optional.

To the extent that one or more of these items have been included in your federal adjusted gross income, enter the total amount on the appropriate line in Part I of Form 505SU.

▼ CODE LETTER

- a. Payments from a pension system to firemen and policemen for job-related injuries or disabilities (but not more than the amount of such payments included in your total income).
- c. Amount of refunds of state or local income tax included in line 4 of Form 505.
- d. Distributions of accumulated income by a fiduciary, if

- income tax has been paid by the fiduciary to Maryland (but not more than the amount of such income included in your total income).
- e. Profit (without regard to losses) from the sale or exchange of bonds issued by Maryland.
- j. Amount added to your taxable income for the use of an official vehicle used by a member of a state, county or local police or fire department. The amount is stated separately on Form W-2.
- n. Payment received under a fire, rescue, or ambulance personnel length of service award program that is funded by a Maryland county or municipal corporation.
- r. Amount of interest on U.S. Savings Bonds and other U.S. obligations. Capital gains from the sale or exchange of U.S. obligations should be included on this line. Dividends from mutual funds that invest in U.S. Government obligations are also exempt from state taxation. However, only that portion of the dividends attributable to interest or capital gain from U.S. Government obligations can be subtracted. Do not subtract income from Government National Mortgage Association securities. See Administrative Releases 10 and 13.
- s. Amount of interest and dividend income (including capital gain distributions) of a dependent child which the parent has elected to include in the parent's federal gross income under Internal Revenue Code Section 1(g)(7).
- t. Social Security, Tier I, Tier II and/or supplemental Railroad Retirement benefits included in your federal adjusted gross income.
- u. Up to \$5,000 of military retirement income received by a qualifying individual during the tax year if the taxpayer has not yet attained the age of 65; or up to \$10,000 of military retirement income received by a qualifying individual if the taxpayer is of age 65 or over. To qualify, you must have been a member of an active or reserve component of the armed forces of the United States, an active duty member of the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, the Coast and Geodetic Survey, a member of the Maryland National Guard, or the member's surviving spouse or ex-spouse.
- w. Lesser of \$1,200 or the income subject to Maryland tax of the spouse with the lower income if both spouses have income subject to Maryland tax and you file a joint return.
- y. Any income of an individual that is related to tangible or intangible property that was seized, misappropriated or lost as a result of the actions or policies of Nazi Germany towards a Holocaust victim. For additional information contact the Revenue Administration Division.
- aa. Payments from a pension system to the surviving spouse or other beneficiary of a law enforcement officer or firefighter whose death arose out of or in the course of their employment.
- bb. Net subtraction modification to Maryland taxable income when claiming the federal depreciation allowances from which the State of Maryland has decoupled. Complete and attach Form 500DM. See Administrative Release 38.
- cc. Net subtraction modification to Maryland taxable income when the federal special 5-year carryback period was used for a net operating loss under federal law compared to Maryland taxable income without regard to federal provisions. Complete and attach Form 500DM. See Administrative Release 38.
- cd. Net subtraction modification to Maryland taxable income resulting from the federal ratable inclusion of deferred income arising from business indebtedness discharged by reacquisition of a debt instrument. Complete and attach Form 500DM. See Administrative Release 38.

- dd. Any amount of income derived within any arts and entertainment district by a qualifying residing artist from the publication, production, or sale of an artistic work that the artist wrote, composed or executed. Complete and attach Form 502AE.
- dm. Net subtraction modification from multiple decoupling provisions. See the table at the bottom of Form 500DM for the line numbers and code letters to use.
- ee. Amount received as a grant under the Solar Energy Grant program administered by the Maryland Energy Administration.
- gg. Amount of income for services performed in Maryland by the spouse of a member of the armed services, if the spouse is not domiciled in Maryland and is in Maryland solely to be with the servicemember serving in compliance with military orders, pursuant to the Military Spouses Residency Relief Act. See Administrative Release 1.
- hh. Exemption Adjustment for high income taxpayers with interest on U.S. obligations. If you have received income from U.S. obligations and your federal adjusted gross income exceeds \$100,000 (\$150,000 if filing Joint, Head of Household, or Qualifying Widow(er)), enter the difference, if any, between the exemption amount based on your federal adjusted gross income and the exemption amount based upon your federal adjusted gross income after subtracting your U.S. obligations using the EXEMPTION ADJUSTMENT WORKSHEET (13A).

hh. EXEMPTION ADJUSTMENT WORKSHEET (13A)


- Line 1: **Enter** the exemption amount to be reported on line 28 of Form 505, using the chart in Instruction 10. . \$ _____
- Line 2: **Enter** your federal adjusted gross income as reported in Column 1 of line 17 of your Form 505 \$ _____
- Line 3: **Enter** your income from U.S. obligations to be included in line 23 of Form 505 \$ _____
- Line 4: **Subtract** amount on line 3 from amount reported in line 2. \$ _____
- Line 5: **Recalculate** your exemption amount using the chart in Instruction 10 using the income from line 4. Remember to add your \$1,000 exemptions for age and blindness, if applicable \$ _____
- Line 6: **Subtract** the exemption amount calculated in line 1 from the exemption amount calculated in line 5. If the amount is less than zero (0), enter zero (0). If the amount is zero (0), you have already received the maximum exemption that you are entitled to claim on Form 505. \$ _____

If the amount is greater than zero (0), enter this amount as a subtraction on line hh of Form 505SU.

Example:

Pat and Chris Jones had a federal adjusted gross income of \$180,000. They also had \$40,000 on interest from U.S. Savings Bonds and had a dependent son whom they claimed on the Maryland tax return. Using Instruction 10, they found that the exemption amount on their Maryland return (based upon \$180,000 of income) was \$2,400 (\$800 for three exemptions). If it were not for the \$40,000 of U.S. Savings Bonds, their federal adjusted gross income would have been \$140,000 and their exemption amount would have been \$9,600 (\$3,200 for three exemptions). Therefore, Pat and Chris Jones are entitled to claim a subtraction of \$7,200 (\$9,600 - \$2,400) on line hh


of Form 505SU.

- ii. Interest on any Build America Bond that is included in your federal adjusted income. See Administrative Release 13.
- jj. Gain resulting from a payment from the Maryland Department of Transportation as a result of the acquisition of a portion of the property on which your principal residence is located.
- mm. Amount received by a claimant for noneconomic damages as a result of a claim of unlawful discrimination under Internal Revenue Code Section 62(e).
- nn. Amount of student loan indebtedness discharged due to total or permanent disability or death. Attach a copy of the notice stating that the loans have been discharged due to total and permanent disability or death.
- qq.  Any amount of a distribution to a designated beneficiary from a Maryland ABLE account, unless it is a refund or non-qualified distribution.

To the extent that one or more of these items apply to your Maryland income, include only that part attributable to Maryland on the appropriate line in Part II of Form 505SU.

- f. Child care expenses. You may subtract the cost of caring for your dependents while you work. There is a limitation of \$3,000 (\$6,000 if two or more dependents receive care). To claim this subtraction from income, use the amount from line 6 of federal Form 2441. You may also be entitled to a credit for these expenses. See instructions for Part B of Form 502CR.
- g. Amount of wages and salaries disallowed as a deduction due to the work opportunity credit allowed under Internal Revenue Code Section 51.
- h. Expenses up to \$5,000 incurred by a blind person for a reader, or up to \$1,000 incurred by an employer for a reader for a blind employee.
- i. Expenses incurred for reforestation or timber stand improvement of commercial forest land. Qualifications and instructions are on Form DNR-393, available from the Department of Natural Resources, telephone 410-260-8531.
- k. Up to \$6,000 in expenses incurred by parents to adopt a child with special needs through a public or nonprofit adoption agency, and up to \$5,000 in expenses incurred by parents to adopt a child without special needs.
- l. Purchase and installation costs of certain enhanced agricultural management equipment as certified by the Maryland Department of Agriculture. Attach a copy of the certification.
- m. Deductible artist's contribution. Attach Maryland Form 502AC.
- o. Value of farm products you donated to a gleaning cooperative as certified by the Maryland Department of Agriculture. Attach a copy of the certification.
- q. Charitable travel expense. You may subtract from income unreimbursed vehicle travel expenses for:
 - 1. A volunteer fire company;
 - 2. Service as a volunteer for a charitable organization whose principal purpose is to provide medical, health or nutritional care; and
 - 3. Assistance for handicapped students at a Maryland community college (other than providing transportation to and from the college). Attach Maryland Form 502V.
- va. The Honorable Louis L. Goldstein Volunteer Fire, Rescue and Emergency Medical Services Personnel Subtraction Modification Program. \$4,250 for each taxpayer who is a qualifying volunteer as certified by a Maryland fire, rescue or emergency medical services organization. \$4,250 for each taxpayer who is a qualifying member of the U.S. Coast

Guard Auxiliary, Maryland Defense Force or Maryland Civil Air Patrol as certified by these organizations. Attach a copy of the certification.

- vb. The Honorable Louis L. Goldstein Volunteer Police Personnel Subtraction Modification Program. \$3,500 for each taxpayer who is a qualifying police auxiliary or reserve volunteer as certified by a bona fide Maryland police agency. Attach a copy of the certification.
 - xa. Up to \$2,500 per contract purchased for advanced tuition payments made to the Maryland Prepaid College Trust. See Administrative Release 32.
 - xb. Up to \$2,500 per contributor per beneficiary of the total of all amounts contributed to investment accounts under the Maryland College Investment Plan and Maryland Broker-Dealer College Investment Plan.
 - xc.  Up to \$2,500 per ABLE account contributor per beneficiary of the total of all amounts contributed under the Maryland ABLE Program. Subject to the \$2,500 annual limitation, any amount disallowed as a subtraction because it exceeds \$2,500 may be carried over until used to the next 10 succeeding taxable years as a subtraction.
 - z. Expenses incurred to buy and install handrails in an existing elevator in a healthcare facility (as defined in Section 19-114 of the Health-General Article) or other building in which at least 50% of the space is used for medical purposes.
 - ff. Amount of the cost difference between a conventional on-site sewage disposal and a system that uses nitrogen removal technology, for which the Department of Environment's payment assistance program does not cover. An individual must have applied to the Department of the Environment for assistance to claim the subtraction modification on the Form 505SU. Also, in order to claim the subtraction modification, the system that is purchased must be a system that utilizes nitrogen removal technology as per Environment Article of the Annotated Code of Maryland § 9-1108.
 - kk. Qualified conservation program expenses up to \$500 for an application approved by the Department of Natural Resources to enter into a Forest Conservation and Management Plan.
 - ll. Payment received as a result of a foreclosure settlement negotiated by the Maryland Attorney General.
 - pp. Up to \$1,500 of unreimbursed expenses that a foster parent incurs on behalf of a foster child. The foster parent must be approved by a local department to provide 24-hour care for a foster child in the house where the foster parent resides. A treatment foster parent licensed by a child placement agency may not claim the subtraction modification. Foster parent includes a kinship parent. The expenses must be approved as necessary by the local department of social services or the Montgomery County Department of Health and Human Services and may not include an expense for which the foster parent receives an allowance or reimbursement from any public or private agency.
- The share of net Maryland subtractions arising from a pass-through entity or fiduciary and passed through to you. Determine the appropriate amount of these subtractions; include the total amount on the appropriate line in Part III of Form 505SU.**
- b. Net Maryland subtractions from Maryland Schedule K-1 for your share of income from pass-through entities or fiduciaries not attributable to decoupling.
 - dp. Net subtraction decoupling modification from a pass-through entity. See Form 500DM and Administrative Release 38.

14 Adjusted Gross Income (AGI) Factor

You must adjust your standard or itemized deductions and

exemptions using the AGI factor calculated in the ADJUSTED GROSS INCOME FACTOR WORKSHEET (14A). Carry this amount to six decimal places.

NOTE: If Maryland adjusted gross income before subtractions (line 2) is 0 or less, use 0 as your factor. If your federal adjusted gross income (line 1) is 0 or less and line 2 is greater than 0, use 1 as your factor.

ADJUSTED GROSS INCOME FACTOR WORKSHEET (14A)

1. Enter your federal adjusted gross income (from line 17, column 1) \$ _____
2. Enter your Maryland adjusted gross income before subtraction of non-Maryland income (from line 25) . . . \$ _____
3. AGI factor. Divide line 2 by line 1 and enter on Form 505, line 26e. If greater than 1.000000, enter 1.000000 _____

15 Standard deduction.

Complete line 26a only if you are not itemizing deductions.

The standard deduction method gives you a standard deduction without the need to itemize deductions. Use the appropriate STANDARD DEDUCTION WORKSHEET (15A) to determine the total standard deduction for your filing status and Maryland income.

You must adjust the total standard deduction on line 26a using the AGI factor from the ADJUSTED GROSS INCOME FACTOR WORKSHEET (14A) in Instruction 14. Enter this AGI factor on line 26e.

STANDARD DEDUCTION WORKSHEET (15A)

If your filing status is:

Single, Married filing separately or Dependent taxpayer

Worksheet 1

If your income on line 25 is:		Your standard deduction is:
\$10,000 or less	\$	1,500
_____ or _____		
If your income is between \$10,000 - \$13,333		
Enter your income from above:	\$	_____
Multiply by 15 percent (.15)	X	.15
This is your standard deduction	\$	_____
_____ or _____		

If your income is:		Your standard deduction is:
\$13,333 or over	\$	2,000

Enter your standard deduction on 26a.

If your filing status is:

Married filing jointly, Head of household or Qualifying widow(er)

Worksheet 2

If your income on line 25 is:		Your standard deduction is:
\$20,000 or less	\$	3,000
_____ or _____		
If your income is between \$20,000 - \$26,667		
Enter your income from above:	\$	_____
Multiply by 15 percent (.15)	X	.15

This is your standard deduction \$ _____

or

If your income is:		Your standard deduction is:
\$26,667 or over	\$	4,000

Enter your standard deduction on line 26a.

16 Itemized deductions.

Copy the amount from Schedule A, line 29, Total Itemized Deductions, on line 26b of Form 505. Certain items of federal itemized deductions are not eligible for State purposes and must be subtracted from line 26b. State and local **income** taxes used as a deduction for federal purposes must be entered on line 26c. Also, any amounts deducted as contributions of Preservation or Conservation Easements for which a credit is claimed on Form 502CR must be added to line 26c. Complete lines 26b through 26e and enter the result on Line 26.

Note: Certain high-income taxpayers are required to reduce their federal itemized deductions. If you had to reduce your total federal itemized deductions, use the ITEMIZED DEDUCTION WORKSHEET (16A) to calculate the amount of state and local income taxes to enter on line 26c of Form 505.

You are not required to itemize deductions on your Maryland return because you have itemized deductions on your federal return. Figure your tax each way to determine which method is best for you.

Your itemized deductions are limited to those deductions related to Maryland income. You must adjust the total itemized deductions on line 26d using the AGI factor. On line 26e enter the AGI factor from the ADJUSTED GROSS INCOME FACTOR WORKSHEET (14A) in Instruction 14.

If your unreimbursed business expenses include depreciation to which an adjustment is required for Maryland purposes, complete Form 500DM to calculate the addition modification "j" or subtraction modification "bb."

17 Exemption allowance computation.

You must adjust the total exemption amount on line 28 using the AGI factor from the ADJUSTED GROSS INCOME FACTOR WORKSHEET (14A) in Instruction 14 to figure your Maryland exemption allowance.

18 Figure your Maryland taxable income.

Subtract line 30 from line 27 to compute your Maryland taxable income.

19 Figure your Maryland tax.

Complete Form 505NR to figure your tax. The instructions are on Page 2 of the form.

The 2016 Maryland tax rate schedules are shown so you can see the tax rate that applies to all levels of income; however, do not use them to figure your tax. Instead use the tax tables if your income is under \$50,000; otherwise, use the appropriate row in the MARYLAND TAX COMPUTATION WORKSHEET SCHEDULES (19A) at the end of the tax tables to figure your tax. The tax tables and the MARYLAND TAX COMPUTATION WORKSHEET SCHEDULES I AND II have been based on these tax rate schedules.