



COMPTROLLER
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Peter Franchot, Comptroller

What's new for the tax filing season

Here are some of the most important changes and benefits affecting three million taxpayers working on their 2006 Maryland income tax returns.

Two extra days

Maryland taxpayers will have until April 17, 2007, to file their individual tax returns or pay any taxes due this year, since the traditional April 15th deadline falls on a Sunday and April 16 is a state holiday in Massachusetts where Maryland taxpayers have been instructed by IRS to send their federal returns for processing this year.

If a filing or payment deadline falls on a Saturday, Sunday or legal holiday, taxpayers can satisfy any tax obligations by the next business day. To avoid confusion, all individuals in Maryland are required to file their personal state returns by April 17 this year, no matter where they are instructed by IRS to send their federal returns.

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Revenews gets a new look

Hope you like our re-design of *Revenews* which, by the way, is pronounced "revenues."

-- the Editor

From the desk of the Comptroller

I am honored to begin my term as the 33rd Comptroller of Maryland, and to serve the public with one of the most well-respected agencies of state government.

I follow two icons of public service: Louis Goldstein and William Donald Schaefer. Like both, I plan to continue to be an independent voice for the state's fiscal health.

The Comptroller of Maryland is unique in that it is truly an independent agency and able to act in a real partnership with the rest of state government, including the governor's office and the legislature.

This is a great state and I am acutely aware that without this agency to collect the funds to provide the services, there is no Maryland. I pledge to serve as a careful and exacting watchdog over hard-earned taxpayer dollars.

While I follow in the footsteps of two icons, I will bring to this office my own set of strongly-held values. Whether it is addressing

our state's health care crisis, relieving overcrowding in our classrooms and on our roadways, or protecting our precious natural resources, I will be an outspoken advocate for the progressive values for which I have always stood.

But even this progressive understands that we will not move Maryland forward...we will not make progress on these important issues unless -- and until -- we get our fiscal house in order. I look forward to working with the leadership team we have here in Maryland to come up with a thoughtful, long-term solution to our structural fiscal needs. Our challenges are, indeed, complex, but our opportunities are truly exhilarating.



Peter Franchot
Comptroller of Maryland

Revenews

IRS updates online AMT assistance

The Internal Revenue Service has updated its online tool to help taxpayers determine whether they may owe the Alternative Minimum Tax (AMT).

The online AMT Assistant is an automated version of the Worksheet to see if you should fill in Form 6251, *Alternative Minimum Tax*. The worksheet, contained in the Form 1040 Instruction Booklet, is used to determine how much AMT, if any, a taxpayer owes. The IRS projects that most taxpayers using the online AMT Assistant will find that the AMT does not apply to them.

The AMT Assistant is aimed at individual

taxpayers and can be used by individuals, tax practitioners and community or public service organizations. All entries are anonymous. Taxpayers filing paper returns benefit the most from the AMT Assistant since electronic filing software generally computes AMT liability automatically.

By entering "AMT Assistant" in the IRS.gov search box, taxpayers can easily find the tool. ([url: apps.irs.gov/app/amt2006/index.jsp?ck](http://apps.irs.gov/app/amt2006/index.jsp?ck)) To use the AMT Assistant, taxpayers must complete a draft Form 1040 through line 44 and have that information at hand to use the AMT Assistant, which is one of several online tools available on the IRS.gov.



Online workshop helps tax-exempts remain in compliance

The IRS has launched a new Internet-based version of its popular Exempt Organizations Workshop covering tax compliance issues confronted by small and mid-size tax-exempt organizations, including charities and churches.

The target audience for the free online workshop, "Stay Exempt – Tax Basics for 501(c)(3)s," is organizations that have no tax experts on staff or have no or limited contact with outside advisors on tax compliance issues. ([url: stayexempt.org](http://stayexempt.org))

The workshop consists of five interactive modules on tax compliance topics:

- **Tax-Exempt Status:** How can you keep your 501(c)(3) exempt?
- **Unrelated Business Income:** Does your organization generate taxable income?
- **Employment Issues:** How should you treat your workers for tax purposes?
- **Form 990:** Would you like to file an error-free return?
- **Required disclosures:** To whom do you have to show your records?

Each module contains learning objectives as well as interactive exercises to keep the sessions

Admissions and amusement tax initiatives

Reviews in Baltimore City and Anne Arundel County result in new steps

Emphasizing his commitment to ensure that every business and individual pays their fair share of taxes, Comptroller Peter Franchot announced two initiatives dealing with admissions and amusement tax compliance. The first project is the result of a review of various business establishments that had obtained Baltimore City licenses for coin-operated devices, but had not registered for the required admissions and amusement tax account with the comptroller. Letters have been sent to these businesses advising them of their obligations to obtain an admissions and amusement tax account and remit deficient taxes owed. Businesses that failed to respond will be subject to further review and audit.

The tax is due on the gross receipts from these devices, and is

collected on behalf of Baltimore City by the Comptroller's Office. Franchot wants to ensure that Baltimore City and other jurisdictions within Maryland receive all taxes that are legally due.

A second initiative deals with bingo halls in Anne Arundel County. As a result of issues raised by County Executive John Leopold to Franchot, audits will be conducted of these businesses to determine if the admissions and amusement tax is being properly remitted on receipts from instant bingo games sold through coin-operated machines and from regular bingo games. The tax is due on the net receipts from these activities in Anne Arundel after the cost of prizes or money winnings distributed have been deducted.

Avoid tax prep mistakes

As tax returns for 2006 are being prepared, the Maryland Comptroller's Office notes how to avoid some top problems.

- Double-check bank account and routing numbers before submitting.
- If paper filing is a must, print clearly and don't use a pencil.
- Include all required forms and documents and be sure to sign the paper return.
- Be cautious about refund anticipatory loans.

Tax changes, *continued from page 1*

Pass-through entity income tax returns (Form 510) and fiscal year corporate returns due April 15 must still be filed by Monday, April 16, 2007.

Extended payment deadline for e-filers

If you owe taxes and file electronically by the April 17 deadline, you have until April 30 to make the electronic payment by direct debit or credit card. Direct debit payments are available only if you file electronically.

Expanded tax break for military retirees

If you receive military retirement income, you may be able to subtract up to \$5,000 of your military retirement income from your federal adjusted gross income before determining your Maryland tax for tax year 2006.

The subtraction benefit affects retirement income received as a result of military service under the following conditions:

- induction into the U.S. armed forces for training and service under the Selective Training and Service Act of 1940 or a subsequent Act of similar nature;
- membership in a reserve component of the U.S. armed forces;
- membership in an active component of the U.S. armed forces; or
- membership in the Maryland National Guard.

The benefit also applies to persons separated from active duty employment with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey since July 1, 1991.

To claim the benefit, complete Form 502 and follow the instructions included in the resident tax booklet for line 14. Be sure to indicate code letter U on line 14.

Dependents information

This year, taxpayers have to report the names, Social Security numbers and relationships of all dependents in the exemptions section of returns. If claiming someone who is 65 or older, two exemptions can be claimed for that dependent.

Increased pension exclusion

Maryland's maximum pension exclusion, which is available to qualifying taxpayers 65 or older, increased from \$21,500 to \$22,600 for tax year 2006. If eligible, taxpayers may be able to subtract some taxable pension

and retirement annuity income from the federal adjusted gross income.

This subtraction applies only if a taxpayer is 65 or older or totally disabled, or a spouse is totally disabled, on the last day of the tax year; and the federal return includes income received as a pension, annuity or endowment from an employee retirement system. A traditional IRA, a Roth IRA, a simplified employee plan, a Keogh Plan or an ineligible deferred compensation plan does not qualify.

Expanded earned income tax credit

The maximum earned income amounts used for claiming Maryland's earned income credit have been increased, allowing more individuals to qualify for the tax benefit.

For tax year 2006, the earned income credit is allowed if your earned and adjusted gross income is:

- Less than \$12,120 (\$14,120 for married filing jointly), you have no children and you are 25-64 years of age.
- Less than \$32,001 (\$34,001 for married filing jointly) and you maintained a home for a child for at least six months of the year.
- Less than \$36,348 (\$38,348 for married filing jointly) and you have two or more children.

Tax break for families hosting Hurricane Katrina victims

Maryland taxpayers who have sheltered displaced victims of Hurricane Katrina may be eligible for an additional, one-time \$2,400 personal exemption on their 2005 or 2006 Maryland return for each displaced victim, up to a maximum of four. The exemption is doubled to \$4,800 for any displaced victim 65 or older or blind.

The exemption applies to a displaced victim whose principal residence was located within the Presidential Disaster Areas in Louisiana, Mississippi, Alabama and Florida hit by Hurricane Katrina on Aug. 28, 2005. The victim must have also maintained residence with the taxpayer for at least 60 consecutive days, free of charge, during a period ending in tax year 2005. An additional exemption may not be claimed if an additional exemption for the displaced victim was claimed in a previous year.

The exemption benefit applies to both resident and nonresident taxpayers. Nonresident taxpayers must prorate the exemption amount to reflect the taxable income earned in Maryland.

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To claim the additional exemption, taxpayers should enter tax code number "914" in the "Action Code Box" on their Maryland return. For paper filers, the box is located at the bottom of page 2 of Form 502. Paper filers must also attach a completed copy of federal Form 8914 to their Maryland tax return. Taxpayers who file electronically are not required to submit federal Form 8914, but they should keep the form with their records.

St. Mary's County income tax

The local income tax rate for St. Mary's County has been reduced from .0305 to .0300 for tax year 2006. Maryland's 23 counties and Baltimore City levy a local income tax which the Comptroller collects on the state income tax return as a convenience for local governments. The tax is calculated as a percentage of taxable income. Local officials set the rates, which ranged between 1.25 percent and 3.2 percent in 2006.

Estimated taxes

Taxpayers who pay estimated taxes may now schedule future payments when they make estimated payments on line.

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