

From the Desk of the
Comptroller



During the past year, my office has redoubled our efforts to provide world-class customer service, to safeguard taxpayers' hard-earned dollars and to operate in the most effective and efficient manner possible. When Maryland taxpayers contact the Comptroller's Office, they rightfully expect our "Three Rs of Taxpayer Service: Respect, Responsiveness and Results."

We "respect" Maryland taxpayers by treating them as valued customers and by protecting their hard-earned money and by ensuring that it's spent wisely. For me, that means standing up against wasteful and indiscriminate spending on the Board of Public Works, requiring state agencies to be efficient in their purchases and by eliminating paper wherever possible to save taxpayer dollars and preserve our natural resources.

It's understandable for citizens to get frustrated when government agencies don't respond in a timely manner. That's why "responsiveness" to taxpayers is a

top priority in the Comptroller's Office. We can't promise that taxpayers will always like the answers they receive, but they can and should expect a prompt response when they call or email our office. With an historic commitment to human and capital resources, we strive to offer fast solutions to taxpayers' needs.

At the Comptroller's Office, we pride ourselves in rewarding the vast majority of Marylanders who do the right thing by making the tax filing process as easy as possible and by aggressively going after those who don't. With the help of a hardworking staff and through investments in innovative tax collection strategies, we've delivered "results" for Maryland taxpayers, garnering \$3.6 billion in uncollectible taxes through the Comptroller's Tax Fairness Initiative.

I am honored to serve as your comptroller and proud of the incredible work my dedicated team does every day to serve the taxpayers of Maryland with respect, responsiveness and results.

New for Tax Year 2013

Inclusive language: We have modified our instructions to use more inclusive language as a result of Maryland's recognition of same sex marriage.

Reporting your Federal earned income: If you are claiming a federal earned income credit (EIC), enter the earned income you used to calculate your federal EIC on line 1b, on Form 502. Earned income includes wages, salaries, tips, professional fees and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you included in your federal adjusted gross income.

Limits on your itemized deductions: Limits on itemized deductions based on your income level has returned to both the federal and Maryland returns. In addition, Maryland has

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REVENUES

Comptroller Franchot Releases Statement on Board of Revenue Estimates

The Board of Revenue Estimates met September 17, to write down revenue estimates for fiscal year 2014 by \$61.9 million and to offer the first official estimates for fiscal year 2015.

Comptroller Peter Franchot, as chairman of the Board, said, “far too many Marylanders are taking home less pay at a time when their living costs are rising and they have less income to spend in an economy primarily based on consumer spending.”

Withholding receipts, which represent the primary income stream for the vast majority of working Marylanders, fell short in fiscal year 2013 by \$171.3 million and are being written down by \$324.2 million in the current fiscal year. Sales and use tax receipts also are being written down by \$31.1 million.

In a consumer-powered economy, weak wage growth numbers result in less disposable income, which has a negative effect on the entire Maryland economy. The comptroller said employment levels have yet to reach pre-recession levels. He also noted that at 96 percent of the

national rate, Maryland’s relative unemployment is at its highest point since the late 1990s.

“So we have far too many Marylanders without jobs, and still more who are struggling to put food on the table and keep a roof over their heads while bringing home less pay,” the comptroller said.

“There’s just no way to gloss over how fragile the Maryland economy remains, particularly for working families and small businesses,” he added.

In the long-term, the comptroller said he remains optimistic that Maryland’s economic bones are strong and resilient as evidenced by world-class education opportunities and research to an entrepreneurial spirit that continually resets the limits of innovation. But, he notes that it is evident from this report that Maryland’s economy is exceptionally fragile and we all must remain exceedingly cautious.

Maryland Comptroller’s Office Sponsors 39th Annual Federal & State Tax Institutes

As November nears, the 39th Annual Federal & State Tax Institutes are approaching. This year’s tax institutes will be held on the following dates and locations throughout Maryland:

- November 12 - Easton, The Milestone
- November 13 - Frederick, Holiday Inn
- November 19 - Greenbelt, Martin’s Crosswinds
- November 22 - Baltimore, Martin’s West

Federal & State Tax Institute brochures may be downloaded at www.marylandtaxes.com. No brochures will be mailed. The workshops explain new developments in federal and state tax law and other reporting requirements for tax preparers and practitioners. The series is sponsored by the Internal Revenue Service, the

Comptroller of Maryland and the Maryland Society of Accountants.

Tax professionals may register by filling in the registration form online, print it and mail it with your payment. Registrations will not be accepted by phone or by e-mail. Payment must accompany your registration. The agency will not accept credit or debit cards for payment.

When filling out the registration form, please write legibly or use the fill-in feature provided. Again this year, the Comptroller of Maryland will send binder material by e-mail to the e-mail address provided on your registration form.

For an additional cost of \$25, printed material will be provided. Please make sure to indicate on the registration

Tax Institutes *continued from Page 2*

form if you would like to purchase the binder. As in previous years, attendees will be asked for PTIN numbers when picking up your badge. The PTIN number and program information is needed so to get credit for attending the institutes.

If you have any questions, please contact RADTAXINSTITUTE@comp.state.md.us or Benay O'Brien at 410-260-7468.

There will be a total of eight CPE credits given for attending the Institutes. CPAs can earn a maximum of eight (8) credits. Enrolled Agents can earn a maximum of four (4) credits and Maryland Individual Tax Preparers can earn a maximum of six (6) credits.

Full-time attendance at all sessions is required to earn the maximum credits allowed.

Motor Vehicle Tax Certifications

Under the Maryland Highway Safety Act of 2013, certain individuals who previously were unable to obtain a state drivers' license, ID card or moped operators' permit will be able to obtain these documents starting January 2, 2014.

Applying individuals must provide certification of filing a Maryland personal income tax return for the last two years or being claimed as a dependent on a tax return.

Taxpayers can self-certify online if they have filed two years of Maryland tax returns as a primary/secondary taxpayer and used an ITIN. When you have self-certified, you can print your certification letter make an appointment with the Motor Vehicle Administration (MVA). The electronic process will be available in November 1, 2013.

If you are unable to provide two years of tax records, you will need to make an appointment with the Comptroller's Office to acquire the certification letter. That process will also begin November 1, 2013.

The certification letter is FREE. Appointments can be made online or by calling the taxpayer services information line, 1-800-MD TAXES or 410-260-7980.

When coming for an appointment in the Comptroller's Office to obtain certification, a taxpayer should bring a

completed Maryland Form 130 (Request for Certification of Tax Filings) and must have:

- A photo ID and an original or copy of the Individual Taxpayer Identification Number (ITIN) letter from the IRS or Social Security Card **or**;
- A photo ID and any three of the following five items from the most recent Maryland tax return **or**:
 - Adjusted Gross Income (AGI)
 - Filing Status
 - Number of Exemptions
 - Dollar amount of refund or balance due
 - Deduction Method, i.e. Standard or Itemized, and the dollar amount; **or**,
- Proof of identity acceptable to the MVA, the address from which the most recent year's tax return was filed and the ITIN or SSN.

The certification letter expires 12 months after the issue date and you must wait 24 hours after getting the certification letter before you make an appointment with the MVA.

If you are a dependent, you can make an appointment and nothing is required by the parent or guardian.

**Did You Know? The Comptroller's Office
Offers Free Assistance Throughout the Year**

Income Deduction 101: How to Maximize MD 529 Tax Benefits

Did you know the Maryland College Investment Plan (MCIP) and Maryland Prepaid College Trust (MPCT) are the only 529 plans that offer a state income deduction to Maryland taxpayers? If your client is a Maryland taxpayer, there are several ways you can make this benefit work harder for them. Here's one example:

Open accounts in both plans

A person can deduct up to \$2,500 for each beneficiary in MCIP, and each account they hold in MPCT for their contributions in that tax year.

Have a spouse and other family members do the same

Each account holder is eligible for deductions, regardless of whether they are married or file taxes individually or jointly.

Open accounts for each child

Account holders and family members can earn additional deductions if they open and fund accounts in one or both plans for each child in their family.

Open an account for an adult

Family members can each open an account for an adult in the Maryland College Investment Plan for additional Maryland income deductions.

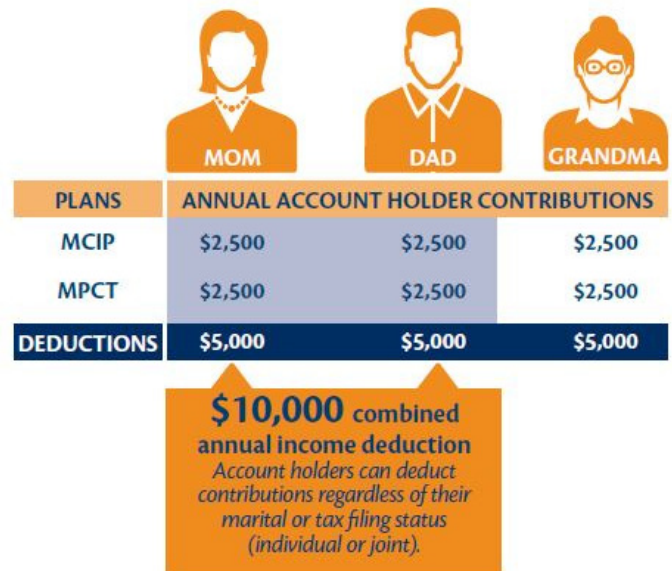
Reinvest the tax savings into the child's future

The Comptroller's Office estimates that each \$2,500 deduction saves \$190 on state and local taxes.* Assuming the account owner and spouse reinvest the money saved from four annual \$2,500 deductions—\$760—for 10 years at a 6% projected rate of return, they could have just over \$10,500 in additional savings!

Keep in mind, that contributions made into a single account over \$2,500 may be carried forward to future tax years. Visit the Comptroller's website for additional details about the income deduction and carrying over tax benefits.

Visit CollegeSavingsMD.org or call 888.4MD.GRAD (463.4723) to learn more.

*This is a hypothetical scenario and the amount of savings from your income deduction may vary.** Assumes an investment in a tax-deferred vehicle with a 6% hypothetical rate of return compounded annually and a 0.20% annual program fee. This is for illustrative purposes and does not represent the return of any specific investment option. Investment returns in a college savings plan will vary and may be higher or lower than in this example.



Remember that the fastest, safest and easiest way to meet your tax obligation is to file and pay electronically!

Join Maryland's Free CPAs for a Healthy Bay Program



Did you know Marylanders can help the Chesapeake Bay when they pay their state income taxes? Line 35 on the Maryland resident income tax form offers a voluntary donation program in which clients can make a contribution to protect

the Chesapeake Bay and its wildlife.

Donations are split between the Chesapeake Bay Trust and the Maryland Department of Natural Resources to help the Bay and to conserve Maryland's wildlife. Donations can be in any amount and all are tax deductible.

To increase awareness about Line 35, CPAs for a Healthy Bay was created to encourage CPAs and other tax professionals to raise awareness to support the Bay. In return for participating in this free program, the Chesapeake Bay Trust will promote you as a business committed to Maryland's great natural resources.

The Chesapeake Bay Trust is a nonprofit organization that funds Bay restoration, neighborhood clean-ups and education programs throughout the state. The Chesapeake Bay Trust is a four-star charity that takes 90 cents of every dollar it receives and directs it back to projects and programs that benefit the Bay. To date, more than 40 CPAs and tax firms have signed up.

To participate in the free program:

- 1) Register at www.cbtrust.org or call 410-974-2941, ext. 107 and ask for a copy of the CPAs for a Healthy Bay brochure to be mailed to you. Registration also may be completed by phone.
- 2) When your registration is received, we will mail you, at no cost, signage for your office and the number of inserts you have requested to include in your tax preparation packets. Electronic inserts also are available.

- 3) We ask that you communicate with your clients and/or employees (through newsletters, on your company website, etc.) about the tax check-off and the reason these dollars are important to the community. Additional content is available.
- 4) Please be sure to mention Line 35 to your clients and ask them if they would like to make a tax-deductible donation to help the Bay. Our research has shown that more than 50 percent of Marylanders want to make a donation but no one asks them!

What you will get in return:

- 1) Web Promotion: Your business will be highlighted on the Trust's website, which reaches tens of thousands of people annually.
- 2) CPAs for a Healthy Bay Logo: You will receive a seal to market your commitment to social responsibility to current and prospective clients on your website and in printed materials.
- 3) Recognition in Electronic Newsletters: Your company with a direct web link will be included in multiple newsletters, which reach more than 10,000 subscribers three times a month.
- 4) Promotional Opportunities via Social Media: The Trust will highlight you and your business to more than 14,000 followers through Facebook and Twitter.
- 5) Recognition at Special Events: Your company name will be highlighted at multiple Trust events and through printed materials distributed by the Trust.

For more information, visit www.cbtrust.org or email Molly Alton Mullins at mmullins@cbtrust.org.



Use your smartphone to visit us online!



The First Winners Honored with New Maryland Masters Award

Cecil Students Are Among The First Winners Of The New Maryland Masters Award

Comptroller Peter Franchot presented the first Maryland Masters Award to Cecil County students in a special ceremony on October 4.

The new award program recognizes youth who have displayed extraordinary artistic skills and a vision for Maryland's future. The initiative will celebrate the achievements of Marylanders through the arts and showcase the work of students from Kindergarten through 12th grade.

"Maryland's economic potential undoubtedly lies in our ability to cultivate the creative spirit of our young people and to inspire them to embrace the diversity and beauty of their surroundings," the Comptroller said.

In Cecil County, the winners were: Paulania Gabbert of Rising Sun High School; Lauren "Nikki" Gray of Rising Sun

Middle School and Maverick Rau of Kenmore Elementary School. Cecil County Executive Tari Moore attended the presentation ceremony with the students.

To launch the program, Comptroller Franchot reached out to public school superintendents in 23 counties and Baltimore City, requesting that they identify one piece of artwork from an elementary, middle and high school student within their jurisdiction.

The selected students, their families and school officials will be invited to join Comptroller Franchot and other state officials for an official art exhibit unveiling ceremony where the students will receive the Maryland Master Award.

Following the debut, the art will remain on display for two months. The student artwork will join a collection of original paintings by one of the Comptroller's favorite artists, Herman Maril, a modernist who was born in Baltimore and served as a professor at the University of Maryland for more than 30 years.

Comptroller Returns Nearly \$330,000 in Unclaimed Property at State and Local Fairs

While summer has officially come to an end, a few lucky individuals are reveling in the unexpected windfall they discovered while attending local summertime events. Four attendees of the Maryland State Fair and Great Frederick Fair learned that they had more than \$20,000 in unclaimed property waiting to be returned.

Staff in the Comptroller's unclaimed property unit set up shop at various fairs and festivals throughout Maryland during the summer, with the goal of reuniting people with lost or forgotten property.

At the Maryland State Fair, 2,175 fairgoers checked the agency's database with 278 people discovering money. Three lucky people hit big with one unearthing nearly \$30,000, while another recovered more than \$23,000 and the third uncovered nearly \$25,000. One lucky person at the Great Frederick Fair found more than \$25,000 waiting to be claimed.

"My staff works tirelessly to return property to the rightful owners," says Comptroller Franchot. In addition to the Great Frederick Fair and the Maryland State Fair, the Comptroller's Office staff most recently visited events in

Allegany, Baltimore, Montgomery, Anne Arundel and Prince George's counties reuniting fairgoers with a little more than \$123,000 in unclaimed property and funds.

Financial institutions, utilities, insurance companies and other corporations are required to report to the Comptroller any bank accounts, security deposits, wages, stocks, insurance benefits and contents of safe deposit boxes that haven't had any activity or have been unclaimed after three years.

The Comptroller also searches for unclaimed property owners through a once-a-year supplement in local newspapers and matching names with state income tax information, the Internal Revenue Service (IRS) data and Maryland Motor Vehicle Administration records.

Think you may have unclaimed property? Comptroller Franchot invites everyone to log onto his website, www.marylandtaxes.com, to search the agency's extensive records of unclaimed funds. Additionally, people can call the office at 410-767-1700, in Central Maryland or toll-free at 1-800-782-7383, from elsewhere.

Comptroller Warns Maryland Organizations in Jeopardy of Losing Federal Tax-Exempt Status

Citing the tireless and selfless service of Maryland's nonprofit organizations, Comptroller Peter Franchot announced that his office recently started sending out letters to alert representatives of local nonprofit organizations that they are in jeopardy of losing or have already lost their federal tax-exempt status for failing to file the requisite Form 990 to the Internal Revenue Service (IRS) for three consecutive years.

Alongside U.S. Congressman C.A. Dutch Ruppensberger and representatives of Maryland's nonprofit community, Comptroller Franchot unveiled his campaign to notify organizations that are either at risk of losing federal tax-exemption status or whose status has already been revoked due to failing to comply with a change to the federal filing requirement. A federal law change mandates most small tax-exempt organizations with annual gross receipts equivalent to or less than \$50,000 to submit the Form 990 or face revocation of tax exempt status.

"As Maryland's Comptroller, I want to do everything in my power to ensure that each and every Maryland nonprofit organization, and its mission, is not placed in jeopardy by this matter," said Comptroller Franchot.

"Therefore, my office stands ready to help affected nonprofits resolve their situation and return to good standing, as quickly and as easily as possible."

Prior to 2006, small nonprofits were not required to complete and submit Form 990. However, most small tax-exempt organizations whose annual gross receipts are normally \$50,000 or less are now mandated to electronically submit Form 990-N, also known as the e-Postcard, unless they choose to file a complete Form 990 or Form 990-EZ instead.

Nonprofit organizations risk automatic revocation of their federal tax-exempt status if they fail to file the requisite form for three consecutive years. Recently, the IRS provided the Comptroller's Office with a list of Maryland

organizations in jeopardy of losing their tax exemption.

"The services provided everyday by local nonprofit organizations are vital to the health and safety of countless Marylanders, especially during this difficult economy. It's our duty to protect these organizations as they help our friends and neighbors. I'm proud to support the efforts of the Comptroller's Office to bring this important issue to the attention of the nonprofit community," said Congressman Ruppensberger.

Affected organizations can take the following steps to return to good standing with the IRS:

- Call the IRS toll free hotline for tax exempt entities, 1-877-829-5500 for the most updated status report;
- Visit the IRS website that includes explanations of the process and Frequently Asked Questions, by logging on to [www.irs.gov/Charities-&- Non Profits](http://www.irs.gov/Charities-&-Non-Profits)
- Contact the Comptroller of Maryland Ombudsman's Office for answers to general questions at 410-260-4020 or ombudsman@comp.state.md.us ;
- Visit the Comptroller of Maryland website at www.marylandtaxes.com and click on the hotlink for At-Risk Non Profits;
- Contact the office of your U.S.Senator or Representative for help navigating the IRS system.

"It is of the utmost importance that we help Maryland's nonprofits clear up their tax situation — not just for the organizations, but also for the donors who will no longer be able to claim their donations as tax deductions," continued Comptroller Franchot.

"My office stands ready to help affected nonprofits resolve their situation and return to good standing, as quickly and as easily as possible."

decoupled from the federal 2013 itemized deduction threshold limiting itemized deductions. See Instruction 14 for more information. (Use calculator at www.marylandtaxes.com.)

New subtraction modifications: There are two new subtraction modifications available. See Instruction 13 for more information.

New business tax credits: There are four new business tax credits available. See Instructions to Form 500CR available at www.marylandtaxes.com.

New income tax credit of Form 502CR: Health Enterprise Zone Practitioner Tax Credit. If you are a qualified “Health Enterprise Zone (HEZ) Practitioner,” you may be able to claim a credit against your state tax liability for income that you earned for practicing health care in an HEZ.

Electronic Format: This year, income tax software packages designated as “Comprehensive” will support the electronic transmission of all forms, including amended returns, Maryland Form 500CR and PDFs of supporting documents and schedules. Recent legislation mandates electronic filing to claim certain business credits. Therefore, tax returns that will include a Form 500CR will require the Comprehensive software packages. Form 500CR Instructions will be available at www.marylandtaxes.com.

Attachment Sequence Numbers: Most of our major paper resident tax returns have Attachment Sequence Numbers to aid in the ordering of tax returns to speed the processing of tax returns.



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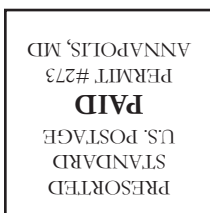
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