

**Purpose of Form**

Maryland follows federal income tax treatment for fiduciaries of trusts and estates. Generally, under federal income tax rules, any income distributed by the fiduciary of the trust or estate during the tax year is not taxable to the trust or estate. Instead, that income is taxable to the beneficiary. Any income not distributed or partially distributed by the fiduciary of the trust or estate during the tax year is taxable to the fiduciary. Fiduciary Income Tax Return, Maryland Form 504, is used to report and pay the Maryland income tax on the income taxable to the fiduciary of the trust or estate.



For tax years beginning after December 31, 2012, Maryland will begin to tax that portion of an Electing Small Business Trust (ESBT) consisting of stock in one or more S corporations that is subject to special taxing rules on the federal Form 1041. See Instructions 4 and 7, as well as Administrative Release 16 for more information.

**Due Date**

Your return is due by April 15, 2014. If you are a fiscal year taxpayer, see Instruction 24.

If the due date falls on a Saturday, Sunday or legal holiday, the return must be filed by the next business day.

**Completing the return**

You must write legibly using blue or black ink when completing your return. **DO NOT** use pencil or red ink. Submit the original form, not a photocopy. If no entry is needed for a specific line, leave blank. Do not enter words such as "none" or "zero" and do not draw a line to indicate no entry. Failure to follow these instructions may delay the processing of your return.

You may round off all cents to the nearest whole dollar. Fifty cents and above should be rounded to the next higher dollar. State calculations are rounded to the nearest penny.

**Penalties**

There are severe penalties for failing to file a tax return, failing to pay any tax when due, filing a false or fraudulent return or making a false certification. The penalties include criminal fines, imprisonment and a penalty on your taxes. In addition, interest is charged on amounts not paid when due.

To collect unpaid taxes, the Comptroller is directed to enter liens against the salary, wages or property of delinquent taxpayers.

**Substitute forms**

You may file your Maryland income tax return on a computer-prepared or computer-generated substitute form provided the form is approved in advance by the Revenue Administration Division. The fact that a software package is available for retail purchase does not guarantee that it has been approved for use.

For additional information, see Administrative Release 26, Procedures for Computer-Printed Substitute Forms, on our web site at [www.marylandtaxes.com](http://www.marylandtaxes.com).

**1 Who must file Form 504**

A fiduciary must file a Maryland fiduciary tax return (Form 504) if the fiduciary:

1. Is required to file a federal fiduciary income tax return or is exempt from tax under Sections 408 (e)(1) or 501 of the Internal Revenue Code (IRC), but is required to file federal Form 990-T to report unrelated business taxable income, and
2. Has Maryland taxable income.

**Form 504 is used by both resident and nonresident fiduciaries.**

**Who is a fiduciary?**

"Fiduciary" means any person by whom the legal title to real or personal property is held for the use and benefit of another and includes a trustee of a trust and a personal representative of an estate.

Although you may be required to file a federal income tax return, you are not required to file the Maryland fiduciary return if you are:

1. An agent holding custody or possession of property owned by your principal; or,
2. A guardian.

Instead, file the applicable income tax return of the principal or, in the case of guardian, the return of the minor or disabled person.

**Who is a resident fiduciary?**

A personal representative of an estate is considered a resident fiduciary if the decedent was domiciled in Maryland on the date of the decedent's death.

Fiduciaries other than personal representatives are considered residents of Maryland if:

1. The trust was created by the will of a decedent who was domiciled in Maryland on the date of death;
2. The trust consists of property transferred by the will of a decedent who was domiciled in Maryland on the date of death;
3. The creator or grantor of the trust is a current resident of Maryland; or,
4. The trust is principally administered in Maryland.

A resident fiduciary is taxable on all its income from whatever source derived.

**Who is a nonresident fiduciary?**

A nonresident fiduciary is a fiduciary who is not included in the above definition of a resident fiduciary. See Administrative Release 16 at [www.marylandtaxes.com](http://www.marylandtaxes.com).

A nonresident fiduciary is taxable only on income from sources within Maryland. See Instruction 7, Maryland modifications, and complete Forms 504 and 504NR.

**2 Use of federal return**

You will need information from your federal fiduciary return to complete your Maryland return. Therefore, complete your federal fiduciary return before you continue beyond this point. Maryland law requires that you start with the federal taxable income reported on your federal fiduciary return. All items reported on your Maryland return are subject to verification, audit, and revision by the Comptroller's Office.

**3 Name, Address and Other Information**

Print or type the required information in the designated areas. Enter the federal employer identification number of the estate or trust in the space provided.

**4 Type of entity**

Check the box(es) on the return corresponding to your federal return. The types of entities are described below:

**Decedent's Estate**

An estate of a deceased person is a taxable entity separate from the decedent. It generally continues to exist until the final distribution of the assets of the estate is made to the heirs and other beneficiaries. The income earned from the property of the estate during the period of administration or settlement must be accounted for and reported by the estate.

### Simple Trust

A trust may qualify as a simple trust if:

1. The trust instrument requires that all income must be distributed currently;
2. The trust instrument does not provide that any amounts are to be paid, permanently set aside, or used for charitable purposes; and
3. The trust does not distribute amounts allocated to the corpus of the trust.

Because the income is distributed each year, the fiduciary may be required to file a fiduciary return, but there is no taxable income. A fiduciary is required to file a fiduciary return if the trust is a member of a pass-through entity (PTE) and nonresident PTE tax was paid on its behalf.

### Complex Trust

If some or none of the income is distributed, the trust is called a complex trust.

Because the trust is retaining all or part of the income, the fiduciary must file a fiduciary tax return to determine the taxable income from which to develop both State and local tax due.

### Grantor Trust

Income earned by a grantor trust is taxable to the grantor, not the beneficiary, if the grantor keeps certain control over the trust. This rule applies if the property (or income from the property) put into the trust will or may revert (be returned) to the grantor or the grantor's spouse. The grantor is the one who transferred property to the trust.

Generally, a trust is a grantor trust if the grantor has a reversionary interest valued (on the date of transfer) at more than 5% of the value of the transferred property.

### Bankruptcy Estate

The bankruptcy trustee or debtor-in-possession must file Form 504 for the estate of an individual involved in bankruptcy proceedings under Chapter 7 or 11 of Title 11 of the United States Code, if the estate was required to file federal Form 1041. See Instruction 26.

### Qualified Funeral Trust

Maryland recognizes and follows federal law in the treatment of qualified funeral trusts. Maryland accepts the filing of composite returns for such trusts.

In most, if not all, cases, the income of each individual trust account does not exceed \$1,000. Therefore, the applicable state tax rate is 2%, and the applicable local tax rate is the rate for the situs of the fiduciary filing the composite return. For example, if the funeral home is located in Baltimore County, then the local rate for Baltimore County would apply to each trust included in the composite return. See Instruction 27.

### Electing Small Business Trust (ESBT)



Electing Small Business Trust (ESBT) is a trust that computes tax on the S-portion of income on a separate federal schedule pursuant to IRC 641(c), instead of including this income in the trust's federal adjusted gross income. This S-portion of income is an addition modification. See Instruction 7.

### Other

Check box 8 if you are the fiduciary filing for one of the following entities:

#### • Pooled Income Fund

A pooled income fund is a split-interest trust with a remainder interest for a public charity and a life income interest retained by the donor or for another person. The property is held in a pool with other pooled income fund property and does not include any tax-exempt securities. The income for a retained life interest is figured using the yearly rate of return earned by the trust.

#### • Qualified Disabilities Trust Fund

A trust created solely for an individual under 65 years of age who is disabled.

#### • Alaskan Native Settlement Trust

A settlement trust created within the meaning of the Alaska Native Claims Settlement Act.

#### • Tax-Exempt Trust with Unrelated Business Taxable Income required to file federal Form 990-T

If the fiduciaries for the following entity types are required to file federal Form 990-T, they are required to file and pay income tax to Maryland on their unrelated business taxable income attributable to Maryland sources:

- Tax-exempt charitable trusts
- Individual Retirement Accounts (IRAs)
- Simplified Employee Pensions (SEPs)
- Simple Retirement Accounts (SIMPLE)
- Roth IRAs
- Coverdell Education Savings Accounts (ESAs)
- Archer Medical Savings Accounts
- Qualified tuition programs (Section 529 Plans)

## 5 Decedent's estate information

If the fiduciary return is for a decedent's estate, enter the following in the appropriate sections for Date of death, Domicile state of decedent, and Decedent's Social Security Number. Check the box if this is the final return. If the return is not for a calendar year, enter the fiscal year's beginning and ending dates at the top of the form.

## 6 Resident status

Read the instructions describing who is a resident fiduciary and then check the appropriate box.

If the return is for a resident fiduciary, provide the entity's subdivision code, county, and city, town or taxing area.

If you are a personal representative of an estate enter the county (or Baltimore City) in which the decedent was domiciled on the decedent's date of death. Also complete the decedent's estate information.

If you are a fiduciary, other than a personal representative, enter the county (or Baltimore City) in which the trust is principally administered.

If the trust is not principally administered in Maryland, enter the county (or Baltimore City) in which the decedent was domiciled if the trust was created by the will of the decedent or the trust consists of property transferred by the will of the decedent.

If the trust is not principally administered in Maryland but the creator or grantor of the trust is a current resident of Maryland, enter the county (or Baltimore City) in which the creator or grantor resides. See the list of incorporated cities, towns and taxing areas below to determine the subdivision code.

## 7 Maryland modifications

**Fiduciary's Maryland modifications.** Certain items must be added to and subtracted from federal taxable income to determine the Maryland adjusted gross income of a fiduciary. You are not required to complete lines 1 through 10g if the fiduciary is not an ESBT and if the fiduciary has distributed all distributable net income for the tax year. Complete lines 1 through 8, and lines 9a through 9d or 10a through 10g if a partial distribution of income is made by the fiduciary during the tax year.

**Note:** A fiduciary who is an ESBT, generally may not use the

Formula Method (lines 9a through 9d) to allocate Maryland modifications to beneficiaries. A fiduciary may not distribute to any beneficiary any part of the S-portion of income of an ESBT.

With the exception of the S-portion of income of an ESBT, fiduciaries generally are permitted those additions and subtractions allowed individuals.

**Lines 1 through 8:** For resident fiduciaries, the addition and subtraction modifications to income provided in Form 502 instruction booklet for resident individuals apply. For nonresident fiduciaries, the addition and subtraction modifications to income provided in Form 505 instruction booklet for nonresident individuals apply. For a nonresident fiduciary,

- Any income derived from real property or tangible personal property located in Maryland;
- Income derived from a business wholly or partially carried on in Maryland and in which the trust or estate is a partner, member, or shareholder of the pass-through entity (a business entity taxable at the federal level as partnership or S corporation);
- Income from an occupation, profession or trade wholly or partially carried on in Maryland; and
- Income from Maryland State Lottery prizes or winnings from any other wagering is taxable in Maryland. In addition, a nonresident fiduciary can only claim losses generated in Maryland.

**Addition Modifications** include but are not limited to the following:

**Interest on state and local obligations other than Maryland.** Resident fiduciaries must enter on line 1 the total amount of interest received (less related expenses) on obligations of any state or political subdivision thereof (except the State of Maryland and its political subdivisions).

**Income taxes deducted on federal return.** All fiduciaries

### LIST OF INCORPORATED CITIES, TOWNS AND TAXING AREAS IN MARYLAND

Code No.		Code No.		Code No.		Code No.		Code No.	
<b>ALLEGANY COUNTY</b> .0100	Mt. Airy . . . . .0703	Walkersville . . . . .1111	North Chevy Chase . . .1618	Millington . . . . .1808					
Barton . . . . .0101	New Windsor . . . . .0704	Woodsboro . . . . .1112	Oakmont . . . . .1619	Queen Anne . . . . .1807					
Belair . . . . .0112	Sykesville . . . . .0705	<b>GARRETT COUNTY</b> .1200	Poolesville . . . . .1608	Queenstown . . . . .1803					
Bowling Green-	Taneytown . . . . .0706	Accident . . . . .1201	Rockville . . . . .1609	Sudlersville . . . . .1804					
Robert's Place . . . . .0115	Union Bridge . . . . .0707	Deer Park . . . . .1203	Somerset . . . . .1610	Templeville . . . . .1806					
Cresaptown . . . . .0108	Westminster . . . . .0709	Friendsville . . . . .1204	Takoma Park . . . . .1611	<b>ST. MARY'S COUNTY</b> .1900					
Cumberland . . . . .0102	<b>CECIL COUNTY</b> . .0800	Grantsville . . . . .1205	Washington Grove . . .1612	Leonardtown . . . . .1902					
Ellerslie . . . . .0113	Cecilton . . . . .0801	Kitzmilller . . . . .1206	<b>PRINCE GEORGE'S</b>	<b>SOMERSET COUNTY</b> .2000					
Frostburg . . . . .0103	Charlestown . . . . .0802	Loch Lynn Heights . . .1207	<b>COUNTY</b> . . . . .1700	Crisfield . . . . .2001					
Lavale . . . . .0110	Chesapeake City . . . .0803	Mountain Lake Park . . .1208	Berwyn Heights . . . . .1701	Princess Anne . . . . .2002					
Lonaconing . . . . .0104	Elkton . . . . .0804	Oakland . . . . .1209	Bladensburg . . . . .1702	<b>TALBOT COUNTY</b> . .2100					
Luke . . . . .0105	North East . . . . .0805	<b>HARFORD COUNTY</b> .1300	Bowie . . . . .1704	Easton . . . . .2101					
McCoole . . . . .0114	Perryville . . . . .0806	Aberdeen . . . . .1301	Brentwood . . . . .1705	Oxford . . . . .2102					
Midland . . . . .0106	Port Deposit . . . . .0807	Bel Air . . . . .1302	Capitol Heights . . . .1706	Queen Anne . . . . .2105					
Mt. Savage . . . . .0111	Rising Sun . . . . .0808	Havre de Grace . . . .1303	Cheverly . . . . .1707	St. Michael's . . . . .2103					
Potomac Park Addition .0109	<b>CHARLES COUNTY</b> .0900	<b>HOWARD COUNTY</b> .1400	College Park . . . . .1725	Trappe . . . . .2104					
Westertown . . . . .0107	Indian Head . . . . .0901	No incorporated cities or towns	Colmar Manor . . . . .1708	<b>WASHINGTON COUNTY</b>					
<b>ANNE ARUNDEL COUNTY</b>	La Plata . . . . .0902	<b>KENT COUNTY</b> . . .1500	Cottage City . . . . .1709	2200					
0200	Port Tobacco . . . . .0903	Betterton . . . . .1501	District Heights . . . .1710	Boonsboro . . . . .2201					
Annapolis . . . . .0201	<b>DORCHESTER COUNTY</b>	Chestertown . . . . .1502	Eagle Harbor . . . . .1711	Clearspring . . . . .2202					
Highland Beach . . . . .0203	1000	Galena . . . . .1503	Edmonston . . . . .1712	Funkstown . . . . .2203					
<b>BALTIMORE COUNTY</b> 0300	Brookview . . . . .1008	Millington . . . . .1504	Fairmount Heights . . .1713	Hagerstown . . . . .2204					
No incorporated cities or towns	Cambridge . . . . .1001	Rock Hall . . . . .1505	Forest Heights . . . . .1728	Hancock . . . . .2205					
<b>BALTIMORE CITY</b> . .0400	Church Creek . . . . .1002	<b>MONTGOMERY COUNTY</b>	Glenarden . . . . .1730	Keedysville . . . . .2206					
<b>CALVERT COUNTY</b> . .0500	East New Market . . . .1003	1600	Greenbelt . . . . .1714	Sharpsburg . . . . .2207					
Chesapeake Beach . . .0501	Eldorado . . . . .1007	Barnesville . . . . .1601	Hyattsville . . . . .1715	Smithsburg . . . . .2208					
North Beach . . . . .0502	Galestown . . . . .1009	Brookeville . . . . .1602	Landover Hills . . . . .1726	Williamsport . . . . .2209					
<b>CAROLINE COUNTY</b> .0600	Hurlock . . . . .1004	Chevy Chase Sec. 3 . . .1614	Laurel . . . . .1716	<b>WICOMICO COUNTY</b> .2300					
Denton . . . . .0602	Secretary . . . . .1005	Town of Chevy Chase	Morningside . . . . .1727	Delmar . . . . .2301					
Federalsburg . . . . .0603	Vienna . . . . .1006	(formerly Sec. 4) . . .1615	Mt. Rainier . . . . .1717	Fruitland . . . . .2308					
Goldsboro . . . . .0604	<b>FREDERICK COUNTY</b> 1100	Chevy Chase Sec. 5 . . .1616	New Carrollton . . . . .1729	Hebron . . . . .2302					
Greensboro . . . . .0605	Brunswick . . . . .1101	Chevy Chase Village . . .1617	North Brentwood . . . .1718	Mardela Springs . . . .2303					
Hillsboro . . . . .0606	Burkittsville . . . . .1102	Chevy Chase Village . . .1613	Riverdale Park . . . . .1720	Pittsville . . . . .2307					
Marydel . . . . .0607	Emmitsburg . . . . .1103	Drummond . . . . .1623	Seat Pleasant . . . . .1721	Salisbury . . . . .2304					
Preston . . . . .0608	Frederick . . . . .1104	Friendship Heights . . .1621	University Park . . . . .1723	Sharptown . . . . .2305					
Ridgley . . . . .0609	Middletown . . . . .1106	Gaithersburg . . . . .1603	Upper Marlboro . . . .1724	Willards . . . . .2306					
Templeville . . . . .0610	Mt. Airy . . . . .1114	Garrett Park . . . . .1604	<b>QUEEN ANNE'S COUNTY</b>	<b>WORCESTER COUNTY</b> 2400					
<b>CARROLL COUNTY</b> . .0700	Myersville . . . . .1107	Glen Echo . . . . .1605	1800	Berlin . . . . .2401					
Hampstead . . . . .0701	New Market . . . . .1108	Kensington . . . . .1606	Barclay . . . . .1805	Ocean City . . . . .2402					
Manchester . . . . .0702	Rosemont . . . . .1113	Laytonsville . . . . .1607	Centreville . . . . .1801	Pocomoke City . . . . .2403					
	Thurmont . . . . .1110	Martin's Addition . . . .1622	Church Hill . . . . .1802	Snow Hill . . . . .2404					

must enter on line 2 the total of income taxes imposed by the State of Maryland, any political subdivision thereof, any other state or subdivision of any other state, or the District of Columbia to the extent included on line 11 of the federal form.



**S-portion of income of an Electing Small Business Trust (ESBT).** Resident fiduciaries must include on line 3, the amount of income of the ESBT that consists of stock in one or more S corporations subject to the special taxing rules under IRC Section 641( c). This is the portion of income upon which a tax was calculated and carried to federal Form 1041, Schedule G, and identified as attributable to Sec.641(c). **Attach a schedule or statement to Maryland Form 504 showing computation of this income.**

Nonresident fiduciaries must include on line 3, the amount of the S-portion of income from an ESBT attributable to Maryland sources. **Attach a schedule or statement to Maryland Form 504 showing the computation of this income as well the allocation of S-portion of income between Maryland and non-Maryland source income.**

**Other additions.** Include on line 3a any other Maryland additions that must be reported. Attach a statement explaining the additions that are included on this line.

**Capital losses from sale of certain trust property.** For a resident fiduciary, include on line 3a any capital loss derived from the sale or other disposition of intangible personal property that is held in trust, if the proceeds are added to the principal of the trust, and if all the remaindermen in being are nonresidents during the entire tax year or corporations not doing business in Maryland.

**Non-Maryland loss.** For a nonresident fiduciary, include on line 3a net non-Maryland loss.

**Subtraction Modifications** include but are not limited to the following:

**Income from U.S. government obligations.** Enter on line 5 interest from U.S. savings bonds and other U.S. obligations. Capital gains from the sale or exchange of U.S. obligations should be included as well. Dividends from mutual funds that invest in U.S. government obligations should also be included on this line; however, only that portion of dividends attributable to interest from U.S. government obligations may be subtracted. You cannot subtract income from Government National Mortgage Association securities. See Administrative Release 10 and 13.

**Other subtractions.** Include on line 6 any other Maryland subtractions that may be claimed. Attach a statement explaining the subtractions that are included on this line.

**NOTE:** Non-Maryland source income included in the federal taxable income of a fiduciary is not a subtraction modification on Form 504. For a nonresident fiduciary, non-Maryland source income is excluded from the Maryland taxable income calculation on Form 504NR. See Instruction 8.

#### **Fiduciary's share of net Maryland modifications**

Only the fiduciary's allocable portion of the Maryland modifications should be used. Complete lines 1 through 8, and lines 9a through 9d or lines 10a through 10g to determine this amount.

**Note:** You may choose either Method 1 or 2 – you may not use both methods. ESBTs may not choose the Formula Method for allocating the fiduciary's share of Maryland modifications.

**Method 1, (Formula Method) line 9.** Line 9a. Enter the federal distributable net income (DNI) from federal Form 1041.

Line 9b. Enter the fiduciary's share of DNI (that portion of the DNI that was not deducted or distributed to the beneficiaries).

Line 9c. Divide the fiduciary's share of the DNI (line 9b) by the DNI (line 9a) to determine the fiduciary's percentage of the DNI and enter the result on line 9c.

Line 9d. Multiply the fiduciary's percentage of DNI (line 9c) by the net Maryland modification on line 8 to compute the fiduciary's share of net Maryland modifications. Enter the result on line 9d and on Form 504, line 17.

**Method 2, (Alternative Method) line 10.** Lines 10a through 10e allocate the net Maryland modifications on line 8 to the beneficiaries in accordance with the allocation of income to the beneficiaries. If the estate or trust has more than four (4) beneficiaries, attach an additional sheet providing the additional beneficiaries' allocations; the total from the allocations on the attached sheet is entered on line 10e.

Line 10f. Enter the net Maryland modifications on line 8 allocated to the fiduciary.

Line 10g. Enter the total from lines 10a through 10f, Column (C) on line 10g, this total must equal the net Maryland modifications reported on line 8.

## **8 Instructions for Maryland Form 504NR**

Maryland Fiduciary Nonresident Income Tax Calculation. Form 504NR **must** be filed by all nonresident fiduciaries who have:

1. any modifications to their federal income, or,
2. income from non-Maryland sources.

Form 504NR is a required attachment to Form 504 for all nonresident fiduciaries meeting the above criteria.

### **Part I – Reconciliation of Maryland and Federal Income (Loss)**

Complete **lines 1 through 14** of the Federal Income (Loss) column (Column A) using the figures from your federal fiduciary income tax return. Enter in the Non-Maryland source columns (Columns B and C) all income or loss from non-Maryland sources. Enter in the Maryland source columns (Columns D and E) all income or loss from Maryland sources.

**NOTE:** The sum of Columns (B) through (D) must equal Column (A) on line 14.

**Line 15.** Add the amounts of income (loss) in Column B, line 14 to the income (loss) in Column (C) to arrive at the total non-Maryland source income (loss). Then, calculate an income factor by dividing the total non-Maryland source income (loss) by the federal income (loss); carried to six decimal places. This factor cannot exceed 1 (100%) and cannot be less than zero (0%); if greater than 1, enter 1.000000; if less than zero (0), enter 0.

### **Part II – Calculation of Nonresident Maryland Income Tax**

#### **Line 16:**

**Line 16a.** Enter the fiduciary's share of the net Maryland modifications from Form 504, line 17.

**Line 16b.** Multiply the fiduciary's share of the net Maryland modifications (line 16a) by the income factor on line 15 to arrive at the net modification amount attributable to non-Maryland sources. In the alternative, allocate the fiduciary's share of the net Maryland modifications based on the net applicable Maryland modifications attributable to non-Maryland sources. If you are a nonresident fiduciary of an ESBT, and reported only the S-portion of income allocable to Maryland on line 3, **you may not apply the Non-Maryland income factor from line 15 against this income again.**

**Line 16c.** The fiduciary's share of the net Maryland modifications attributable to Maryland sources is the difference between 16a and 16b. Enter this difference on line 16c.

#### **Line 17:**

**Line 17a.** Enter the fiduciary's share of distributable Maryland source income or loss from line 14 Column D on line 17a.

**Line 17b.** Enter the fiduciary's share of non-distributable taxable net income from Maryland source from line 14 Column E on line 17b.

**Line 17c.** Add lines 16c, 17a, and 17b to arrive at the fiduciary's Maryland net taxable income before exemption deduction and enter on line 17c.

**Line 17d.** Enter the Maryland exemption amount from Form 504,

line 21.

**Line 17e.** Subtract line 17d from line 17c. This is the fiduciary's Maryland net taxable income. Enter this amount on line 17e.

**Line 18.** Enter the taxable net income from Form 504, line 22.

**Line 19.** Calculate the tax on this amount using the tax rate schedule in Instruction 14.

**Line 20.** Calculate the Maryland Nonresident Factor by dividing the amount on line 17e by line 18. Carry to six decimal places.

**Line 21.** Multiply line 20 by the tax shown on line 19 to arrive at the Maryland tax. Also enter this tax amount on line 23 of Form 504.

**Line 22.** Multiply the taxable net income on line 17e by 1.25% (0.0125) to calculate the Special Nonresident tax; also enter this tax amount on line 24 of Form 504.

After you enter the tax amounts from Form 504NR on lines 23 and 24 of Form 504, complete the remainder of Form 504 following the instructions in the booklet.

## 9 Nonresident beneficiary deduction

Nonresident individuals who have intangible income from sources within Maryland are not subject to tax on such income in Maryland. There are some fiduciaries that accumulate intangible income in the trust to be distributed later to nonresident beneficiaries. Because this income is not taxable to a nonresident, there is a provision that permits the fiduciary to subtract intangible income accumulated for later distribution to a nonresident beneficiary.

A fiduciary with a nonresident beneficiary may enter such income on line 11, to the extent included in the federal taxable income of the fiduciary, if the income is derived from intangible personal property and if that income is held in trust for the benefit of and being accumulated for a nonresident individual or a corporation that is not doing business in Maryland.

A fiduciary with a nonresident beneficiary may also enter on line 11, to the extent included in the federal taxable income of the resident fiduciary, capital gain income derived from the sale or other disposition of intangible personal property if that income is held in trust; if the proceeds from that sale or other disposition of the intangible personal property are added to the principal of the trust; and if all of the remaindermen of the trust in being are nonresidents during the entire tax year or corporations not doing business in Maryland.

The amount that is included on line 11 must actually be for the benefit of and attributable exclusively to the nonresident beneficiary or corporation not doing business in Maryland for which the nonresident beneficiary subtraction is being claimed. Also, the remaindermen for which the nonresident beneficiary subtraction is being claimed cannot be unborn or unascertained persons or persons with contingent interests. In addition, the nonresident beneficiary cannot possess an inter vivos power of appointment over such income, nor can the fiduciary possess a discretionary power to distribute such income of the trust to himself or herself, unless such discretionary power is limited to ascertainable standards as defined by Section 2041(b)(1)(A) of the Internal Revenue Code.

Do not enter on line 11 income that has been distributed. Line 11 is to be used only when income from intangible personal property is accumulated for a nonresident beneficiary. If line 11 is not zero attach to Form 504 a copy of the federal form 1041 and all schedules relating to the type(s) and source(s) of income included on line 11. Also, attach a separate document listing all beneficiaries, their domiciliary addresses and applicable tax identification numbers, whether they are income beneficiaries, remaindermen or both, and the amount of intangible income accumulated for each beneficiary. Identify all persons with a power of appointment over the trust property. See Administrative Release 16.

Enter on line 12, expenses allocable to this income. Subtract line 12 from line 11 to arrive at the amount of the nonresident bene-

ficiary subtraction.

## 10 Income

Enter the figure for federal taxable income from your federal fiduciary income tax return on line 14 of Form 504. For a fiduciary exempt from taxation under IRC Sections 408(e)(1) or 501, enter on line 14 of Form 504, the fiduciary's unrelated business taxable income (as defined under IRC Section 512.)

All items reported on the Maryland return are subject to verification, audit, and revision by the Comptroller's Office.

## 11 Exemption

A Maryland exemption of \$600 is allowed for a personal representative filing for a decedent's estate (entity type 1). A fiduciary other than a personal representative (entity types 2 through 8) may deduct \$200 as an exemption.

## 12 Standard and itemized deductions

The fiduciary is NOT allowed a standard deduction or itemized deductions.

## 13 Figure your Maryland net taxable income

For all fiduciaries, complete lines 14 through 22. Line 22 is your Maryland net taxable income. For a nonresident fiduciary, the Maryland net taxable income from Maryland sources is calculated on Form 504NR, line 17e.

## 14 Maryland tax

Compute the tax in accordance with the 2013 FIDUCIARY TAX RATE SCHEDULE and enter the tax on line 23. Nonresident fiduciaries should read and refer to Instructions 7 and 8 for information on Form 504NR before continuing; for Form 504 line 23, enter the Maryland tax from Form 504NR, line 21.

### 2013 Fiduciary Tax Rate Schedule

For taxpayers filing as Single, Married Filing Separately, or as Dependent Taxpayers. This rate is also used for taxpayers filing as Fiduciaries.

If the Taxable Net Income is:			Maryland Tax is:
At least:	but not over:		
\$ 0	\$ 1,000		2.00% of taxable net income
1,000	2,000	20.00	plus 3.00% of excess over \$1,000
2,000	3,000	\$50.00	plus 4.00% of excess over \$2,000
3,000	100,000	\$90.00	plus 4.75% of excess over \$3,000
100,000	125,000	\$4,697.50	plus 5.00% of excess over \$100,000
125,000	150,000	\$5,947.50	plus 5.25% of excess over \$125,000
150,000	250,000	\$7,260.00	plus 5.50% of excess over \$150,000
250,000	--	\$12,760.00	plus 5.75% of excess over \$250,000

## 15 Local income tax and special nonresident tax

The counties of Maryland and Baltimore City are empowered to levy a local income tax that is collected by the Comptroller with the state tax. You must use the local tax rate in effect for the county that you entered on the front page of the form. See the local tax rate chart and worksheet.

Nonresident fiduciaries enter .0125 on Form 504, line 24 and, enter the amount from Form 504NR, line 22.

**2013 LOCAL TAX RATE CHART**

Subdivision	Rate
Baltimore City	.0320
Allegany County	.0305
Anne Arundel County	.0256
Baltimore County	.0283
Calvert County	.0280
Caroline County	.0263
Carroll County	.0305
Cecil County	.0280
Charles County	.0290
Dorchester County	.0262
Frederick County	.0296
Garrett County	.0265
Harford County	.0306
Howard County	.0320
Kent County	.0285
Montgomery County	.0320
Prince George's County	.0320
Queen Anne's County	.0320
St. Mary's County	.0300
Somerset County	.0315
Talbot County	.0240
Washington County	.0280
Wicomico County	.0320
Worcester County	.0125

**LOCAL TAX WORKSHEET (15)**

Multiply the taxable net income by the tax rate from the LOCAL TAX RATE CHART for the county in which the fiduciary was a resident on the last day of the taxable period. Enter the result on line 24 of Form 504. This is the fiduciary local income tax.

- Taxable net income from line 22 of Form 504 \$ \_\_\_\_\_
- Local tax rate from Local Tax Rate Chart **. 0**
- Local income tax (Multiply line 1 by line 2.) Enter this amount on line 24 of Form 504 rounded to the nearest cent or whole dollar. \$ \_\_\_\_\_

**16 Total Maryland tax, local tax and contributions.**

Add lines 23 and 24, and enter the result on line 25. Add to your tax any contributions from lines 26, 27, and 28. Enter the total on line 29.

**Chesapeake Bay and Endangered Species Fund**

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

**Maryland Cancer Fund**

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

**Developmental Disabilities Waiting List Equity Fund**

You may contribute any amount you wish to this fund. The amount contributed will reduce your refund or increase your balance due.

**IMPORTANT:** If there are not sufficient credits or other payments to satisfy your tax and the contribution you have designated, the contribution amounts will be reduced. If you have entered amounts for contribution to multiple funds, any reduction will be applied proportionately.

**17 Taxes paid and credits**

Write your taxes paid and credits on lines 30-34 of Form 504. Add lines 30 through 34 and enter the total on line 35.

**..Taxes paid**

If Maryland tax was withheld from wages (or other compensation) paid to a decedent's estate, enter the amount on line 30 and attach the wage and tax statement, or Form 1099.

If you participated in a nonresident real estate transaction, you must report any income tax withheld on your behalf as an estimated payment.

Enter on line 31 the total of Maryland estimated tax payments, any taxes withheld from a nonresident real estate transaction and any payment made with a request for an extension of time to file the return. See instructions on Form 504E.

**Credits**

If the fiduciary is a resident and must pay income tax to another state, complete Form 502CR, Part A and Part H and enter the result on line 32.


**NOTE:** You must attach Form 502CR and a copy of the tax return filed in the other state. If this is not attached, no credit will be allowed. If any credit is being claimed for Preservation and Conservation Easements, complete Form 502CR, Parts F and H and enter the result on line 32. If both credits are applicable, enter the sum on line 32.

If the estate or trust was a member of a pass-through entity (PTE) doing business in Maryland and the PTE paid nonresident tax on its behalf, enter the amount on line 33. You must attach a Maryland Form 510 Schedule K-1 from the PTE showing the amount of tax paid on behalf of the estate or trust.

This credit may be passed through the nonresident fiduciary and claimed by the beneficiary on its applicable Maryland income tax return in an amount proportionate to the distribution of income by the nonresident fiduciary to that beneficiary. DO NOT include the amount on line 33 if the nonresident fiduciary elects to pass this credit through to the beneficiaries.

Include the Maryland Form 504 Schedule K-1, as well as Maryland Form 510 Schedule K-1 showing the amount of tax paid by the PTE on behalf of the trust being passed through to the beneficiary. The statement must also include the names and FEINs of PTEs paying tax.

If the estate or trust participated in a nonresident real estate transaction as a member of a PTE that paid taxes on its behalf using Form MW506NRS, report this payment on line 33.

 Enter on line 34 the total of business income tax credits from Form 504CR, Part Z, Line 1. Complete and submit Form 504CR with Form 504. For additional information regarding any of the Business Income Tax credits, see the instructions provided on Maryland Form 504CR, Business Income Tax Credits for Fiduciaries. Also, enter on line 34 any Sustainable Communities tax credit from Form 502S.

**18 Overpayment or balance due.**

Calculate the Balance Due (line 36 of Form 504) or Overpayment (line 37 of Form 504).

Part or all of any overpayment may be applied to 2014 estimated tax by completing line 38. Subtract line 38 from the overpayment (line 37). This is the amount of the refund.

**Underpayment of Estimated Tax**

All taxpayers should refer to Form 504UP to determine if they owe interest because they paid too little estimated tax during the year.

If you owe interest, complete Form 504UP and write the amount of interest (line 15 of Form 504UP) in the appropriate box on line 40 of Form 504. Attach Form 504UP.

Generally, you do not owe interest if:

- You owe less than \$500 tax on income which is not subject to Maryland withholding; or
- Each current year payment, made quarterly as required, is equal to or more than, one-fourth of 110% of last year's taxes that were developed; or
- You made quarterly payments during the year which equal

90% of this year's tax; or,

d. The year ends less than two years after the decedent's date of death.

If after completing Form 504UP there is no interest due or you meet exception "d," see Instruction 19 for additional information regarding code numbers.

#### Interest for Late Filing

Interest is due at an annual rate of 13% or 1.08% per month for any month or part of a month that tax is paid after the original due date of the return. Enter any interest due in the appropriate box on line 40.

#### Total Interest

Enter the total interest for underpayment of estimated tax and interest for late filing on line 40.

#### Direct Deposit of Refund

Complete lines 42a, b and c if you want us to deposit your refund directly into your account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) in the United States. To comply with banking rules, we ask you to indicate on your return if the state refund is going to an account outside the United States. If you indicate that this is the case, do not enter your routing and account numbers, as the direct deposit option is not available to you. We will send you a paper check.

#### Splitting Your Direct Deposit

If you would like to deposit portions of your refund to multiple accounts, do not complete any direct deposit information on your return. Instead, you must enter code number **588** in one of the code number boxes located to the right of the telephone number area on your return, and complete and attach Form 588.

**NOTE:** You may not use Form 588 if you are filing Form 502INJ, Maryland Injured Spouse Claim Form, or if you plan to deposit your refund in a bank outside the United States.

#### Line 42a



Check with your financial institution to make sure your direct deposit will be accepted and to get the correct routing and account numbers. The State of Maryland is not responsible for a lost refund if you enter the wrong account information.

Check the appropriate box to identify the type of account that will be used (checking or savings). You must check one box only or a refund check will be mailed.

#### Line 42b

The routing number must be nine digits. If the first two digits are not 01 through 12 or 21 through 32, the direct deposit will be rejected and a check sent instead. If you are not sure of the correct routing number, contact your financial institution.

If you are not sure of the correct routing number or if your check states that it is payable through a financial institution different from the one at which you have your checking account, contact your financial institution for the correct routing number.

#### Line 42c

The account number can be up to 17 characters (both numbers and letters). Omit spaces, hyphens and special symbols. Enter the number from left to right.

If we are notified by the financial institution that the direct deposit is not successful, a refund check will be mailed to you.

Please have a bank statement for the account available if you contact us concerning the direct deposit of your refund.

#### Disclosure

Entering your bank account routing number, account number and account type in the area provided on your Maryland income tax return to effect a direct deposit of your income tax refund authorizes the Comptroller's Office to disclose this information and your refund amount to the Maryland State Treasurer's Office which performs banking services for the Comptroller's Office.

## 19 Telephone number, code numbers, signatures and attachments.

Enter your telephone number and sign and date your return. Be

sure to attach all required forms, schedules and statements.

#### Code Numbers

**IMPORTANT:** If you complete Form 504UP and, because of the timing of the distributions of income, have no interest due, attach the form to your fiduciary return and write code number **301** in one of the boxes marked CODE NUMBER at the bottom of Form 504.

If you use the annualization method to calculate interest for underpayment of estimated tax, attach Form 504UP to your fiduciary return and write code number **301** in one of the boxes marked CODE NUMBER at the bottom of Form 504. For the Revenue Administration Division to recognize your use of this calculation method, you must enter the code number and attach the form, even if there is no interest due.

If the return is for a decedent's estate within two years of the date of death, enter **301** in one of the CODE NUMBER boxes. Do not attach Form 504UP.

#### Tax Preparers

If another person prepared your return, that person must also sign the return and enter their Preparer's Tax Identification Number (PTIN). The preparer declares that the return is based on all information required to be reported of which the preparer has knowledge, under penalties of perjury. Penalties may be imposed for tax preparers who fail to sign the tax return and provide their PTIN. At the bottom of the return at the signature area, we have provided a check box for you to authorize your preparer to discuss your return with us.

#### Signature and verification

This return must be verified and signed by the individual fiduciary or an authorized officer of a corporate fiduciary. If two or more individuals act jointly as fiduciaries, the return may be verified and signed by either.

#### Attachments

Be sure to attach wage and tax statements (Forms W-2, W-2G and 1099) to the front of your return if Maryland tax is withheld. Complete and attach Maryland Form 504 Schedule K-1 for each beneficiary. See Administrative Release 16. Also attach all forms, schedules and statements required by these instructions. Place your check or money order on top of the wage and tax statements and fasten with one staple on the front of your tax return.

## 20 Mailing your return

Mail your return to:

**Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, Maryland 21411-0001**

## 21 Payment Instructions

Payment by Check or Money Order

Make your check or money order payable to "Comptroller of Maryland." Use blue or black ink. Do not use red ink. Put your FEIN, type of tax and year of tax being paid, on your check. **DO NOT SEND CASH.**

## 22 Due Date

Returns must be mailed by April 15, 2014, for calendar year taxpayers. Fiduciaries filing on a fiscal year basis should see Instruction 24.

## 23 Extension of time to file

Follow the instructions on Form 504E to request an automatic extension of the time to file your 2013 return. Filing this form extends the time to file your return, but does not extend the time to pay your taxes. Payment of the expected tax due is required with Form 504E by April 15, 2014.

## 24 Fiscal year

You must file your Maryland return using the same tax year and the same basis (cash or accrual) as you used on your federal return.

To file a fiscal year return, complete the fiscal year information at the top of Form 504 and print "FY" in bold letters in the upper left corner of the form. Whenever the term "tax year" appears in these instructions, fiscal year taxpayers should understand the term to mean "fiscal year." Use the 2013 forms for fiscal years that begin during calendar year 2013. Fiscal year returns are due on the 15th day of the 4th month following the close of the fiscal year. If you are filing on a fiscal year basis, file Form 504E by the regular due date of your return.

## 25 Amended returns

If you need to change a return that you have already filed, or if the Internal Revenue Service changes your return, you must file an amended return.

**NOTE:** Changes made as part of an amended return are subject to audit for up to three years from the date the amended return is filed.

**Use Form 504 and Form 504NR, if applicable, to file an amended return. Be sure to check the AMENDED RETURN box and draw a line through any barcode on the front of the return. An explanation must be provided on page two of the amended Form 504. A copy of the amended federal return must be attached.**

### Changes to Your Federal Return

If the Internal Revenue Service makes any changes to your federal return, you must notify the State of Maryland. Send notification to the Maryland Revenue Administration Division within 90 days of the final determination of the changes by the IRS.

If you file an amended federal fiduciary return that changes your Maryland fiduciary return, you must file an amended Maryland return.

### If Your Original Return Showed a Refund

If you expect a refund from your original return, do not file an amended return until you have received your refund check. Cash the check. Do not return it. If your amended return shows a smaller refund, send a check for the difference with the amended return. If your amended return shows a larger refund, the Revenue Administration Division will issue an additional refund check.

### Additional Information

Do not file an amended return until sufficient time has passed to allow the original return to be processed. For current year returns, allow at least six weeks.

Generally, you must file your claim for refund within three years from the date your original return was filed or within two years from the date the tax was paid, whichever is later. A return filed early is considered filed on the date it was due.

A claim for refund based on a federal net operating loss carry-back must be filed within three years from the due date of the return for the tax year of the net operating loss.

If the claim for refund resulted from a federal adjustment or final decision of a federal court that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund must be filed within one year from the date of the adjustment or final decision.

If the claim for refund resulted from a notification received from another state for income taxes due that is more than three years from the date of filing the return or more than two years from the time the tax was paid, a claim for refund resulting from a credit for taxes paid to that state must be filed within one year of the date of the notification that the other state's tax was due.

If the claim for refund or credit for overpayment resulted from a final determination made by an administrative board or an appeal of a decision of an administrative board, that is more than three years from the date of filing the return or more than

two years from the time the tax was paid, the claim for refund must be filed within one year of the date of the final decision of the administrative board or final decision of the highest court to which an appeal of the administrative board is taken.

No refund for less than \$1.00 will be issued. No payment of less than \$1.00 is required.

## 26 Special instructions for bankruptcy estates

A bankruptcy estate is created for an individual under Chapter 7 (a liquidation) or Chapter 11 (a reorganization) under Title 11 of the United States Code. The bankruptcy estate is treated as a separate taxable entity. A separate taxable entity is not created when an individual is in a state receivership.

The fiduciary of a Chapter 7 or a Chapter 11 bankruptcy estate is required to file the estate's return and must file a Maryland return if the fiduciary or trustee is required to file a federal return and has Maryland taxable income. The fiduciary must use the Maryland Fiduciary Return, Form 504.

For an individual, the fiduciary return is the mechanism for paying the tax. The calculation is done on the individual income tax return, Form 502, and the tax is carried to the fiduciary return. The fiduciary of an individual bankrupt debtor should attach the completed Form 502 to Form 504. Draw a line through any barcodes on Form 502 and write "Bankruptcy Estate" in the name and address area.

A trustee of a corporate debtor or other bankrupt entity, who has possession of the bankrupt estate by court order or who holds title to all or substantially all of the property of a bankrupt entity, must file the income tax return for the entity. The fiduciary would be required to file a Maryland income tax return, if the fiduciary is obligated to file a federal return on behalf of the bankrupt entity and also has Maryland taxable income.

The fiduciary should attach a notice of the filing of the bankruptcy estate, which is issued by the applicable bankruptcy court, to the return.

## 27 Qualified funeral trusts

A fiduciary may file a composite fiduciary income tax return reporting the income of the funeral trusts administered by that fiduciary, instead of one fiduciary return for each trust. Check Entity Type Box 6. Attach a schedule showing the name, income, state tax and local tax of each individual trust. Add the state tax amounts and enter on line 23. Add the local tax amounts and enter on line 24. Complete Form 504 according to Instructions 16 through 19.

## 28 Privacy act information

The Tax-General Article of the Annotated Code of Maryland authorizes the Revenue Administration Division to request information on tax returns to administer the income tax laws of Maryland, including determination and collection of correct taxes. Code Section 10-804 provides that you must include your federal identification number on the return you file. This is so we know who you are and can process your return and documents.

If you fail to provide all or part of the requested information, then exemptions, exclusions, credits, deductions or adjustments may be disallowed and you may owe more tax. In addition, the law provides penalties for failing to supply information required by law or regulations.

You may look at any records held by the Revenue Administration Division which contain personal information about you. You may inspect such records, and you have certain rights to amend or correct them.

As authorized by law, information furnished to the Revenue Administration Division may be given to the United States Internal Revenue Service, a proper official of any state that exchanges tax information with Maryland and to an officer of this State having a right to the information in that officer's official capacity. The information may be obtained in accordance with a proper legislative or judicial order.