COMPTROLLER of MARYLAND
Serving the People

Fall 2017
Peter Franchot, Comptroller
www.marylandtaxes.com

Revenues

From the Desk of the
Comptroller

One of my top priorities at the Comptroller's Office is to ensure that we are finding ways to improve our customer service. Reducing wait time when taxpayers call in for help is one area that we have concentrated on for the past few tax seasons. Now, thanks to the unanimous support of my Board of Public Works colleagues, Governor Hogan and Treasurer Kopp, I am pleased that our new remote call center in Downtown Hagerstown will move forward as scheduled and is on track to open before the start of the 2018 Tax Filing Season.

Over the last few years, we have seen a considerable increase in calls to our agency and so far this year, we've received and answered 750,000 phone calls from Maryland taxpayers. The Hagerstown Call Center, which will join our call center in Salisbury that opened this past January, will support our Taxpayer Services Call Center operations in Annapolis to ensure that Marylanders are able to contact our taxpayer services professionals and to obtain the assistance and services they need in a timely fashion. The new call center also will create 12 good-paying jobs in the Hagerstown region – and lend a boost to the local economy.

We have seen positive improvements since we opened our Salisbury Call Center earlier this year. Having additional agency staff to answer the phone lines has ensured that Marylanders are able to speak to a live, friendly and professional agency representative within minutes. This year alone, our Salisbury Call Center fielded more than 100,000 phone calls. We are confident the Hagerstown Call Center will contribute to our goal of reducing call wait times and promoting efficient and timely service.

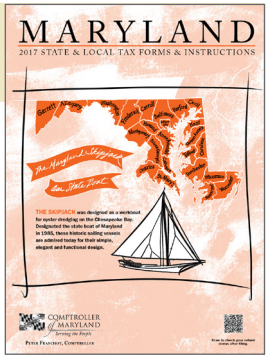
The expansion of our call center operations underscores my continued commitment to provide Marylanders with the level of service they expect and deserve from my agency and from their government. As Comptroller, I'll continue to implement practical solutions to uphold the agency's promise to provide the "Three R's" to taxpayers – respect, responsiveness and results.

Peter Franchot
Comptroller of Maryland

New for Tax Year 2017

Tax professionals and taxpayers should be aware of several changes for the upcoming tax season. These changes include:

Form 502SU – There is a new subtraction modification, Code Letter "rr", which is a pension exclusion for retired law enforcement, fire, rescue and emergency services personnel. It is for individuals at least 55 or over on the last day of the taxable year, but under 65. It is for individuals at least 55 or over on the last day of *(Continued on Page 2)*



2017 Maryland Tax Forms

What's New on Tax Forms for 2016

(Continued from Page 1)

the taxable year, but under 65. If the taxpayer is 65 or over, totally disabled or has a spouse who is totally disabled, then they may take the existing pension exclusion. An individual cannot take both pension exclusions. The amount is up to $15,000 and has a corresponding worksheet in the Instructions. Retirement income must be attributed to service as retired law enforcement, fire, rescue and emergency services personnel.

Form 502AE – Oakland has been designated as a new arts and entertainment district. Salisbury has been approved for re-designation as of June 1, 2017. As of July 1, 2017, there will be 25 designated arts and entertainment districts in Maryland.

Form 502CR – New refundable credit for **Student Loan Debt Relief Credit**. Amount of credit may not exceed $5,000 and has to be certified by the Maryland Higher Education Commission. The credit must be claimed in the year certified by the Maryland Higher Education Commission.

Form 500CR – Maryland Business Income Tax Credits

Part Y – New Apprentice Employee Tax Credit. The credit is based on the number of eligible apprentices employed by the employer during the first year of employment. They have to be registered with the Maryland Apprenticeship and Training Council and be employed for at least 7 full months of the taxable year.

Part Z – New Credit for Qualified Farms Tax Credit. A qualified farm that makes an eligible food donation is eligible for a credit equal to 50% of value of the food donation. A qualified farm that makes a donation of certified organic produce is eligible for a credit of 75% of the value of the certified organic produce.

Part AA – New Credit for Veteran Employees Tax Credit. A credit may be claimed by a small business for each qualified veteran employee hired. The credit may not exceed 30% of up to the first $6,000 of wages paid during the first year of employment.

Form 500CRW - Senate Bill 36 enacted during the 2017 legislative session gives the Comptroller the authority to grant a waiver from the requirement to file for certain tax credits electronically. The request must be written and the Comptroller may grant the waiver if either reasonable cause exists for not filing the credit by electronic means or there is no feasible means of filing the claim electronically without creating undue hardship. New Form 500CRW must be filed with Form 500CR in order for the waiver to be granted and the return processed.

Form MET-1 Maryland Estate Tax Return – The minimum filing requirement for a decedent's gross estate is $3,000,000 if the date of death is in 2017; the Maryland gross estate exemption increases to $4,000,000 if the date of death is in 2018.

2017 State of Maryland Tax Updates

The Maryland Society of Accounting and Tax Professionals (MSATP) has scheduled the 2017 State of Maryland Tax Updates session for tax preparers and practitioners as follows:

Nov. 9: **1-5 p.m. Clarion Inn Frederick** ***(Live & Internet)***
Nov. 27: **1-4 p.m. Martin's Crosswinds, Greenbelt** ***(Live Only)***
Dec. 1: **1-3 p.m. Clarion Resort Fontainbleau, Ocean Cit*y*** ***(Live Only)***
Dec. 14: **1-3 p.m. Turf Valley Resort, Ellicott City** ***(Live & Internet)***

The Tax Updates include a series of workshops to explain new developments in State of Maryland tax law and other reporting requirements. For more information and to register for these and other events, please visit MSATP's website at **www.msatp.org** or call 1-800-922-9672.The Comptroller of Maryland remains committed to providing information necessary to properly prepare tax returns with regular updates on the latest law and regulation changes.

The Revenue Administration Division will provide speakers to the MSATP, the Maryland Association of Certified Public Accountants, and other professional groups it has partnered with in the past. In addition, the annual tax update materials will continue to be published and will be available upon request. CPAs, attorneys, and others licensed by state boards/organizations should check with their respective boards/organizations to determine if credits apply toward their continuing education requirements.

Hagerstown Call Center Adds Agents, Phone Lines

Following unanimous approval of its lease agreement by the Board of Public Works, Comptroller Franchot announced the location of the new customer call center in downtown Hagerstown. The new office will open in early January, in time for the start of the 2018 tax filing season.

Comptroller Peter Franchot cut the ribbon at the new location of the Hagerstown Branch Office this past summer. The new office at the Crystal Building at 1850 Dual Highway offers convenient parking and better signage to serve the region. At the opening on July 27, Comptroller Franchot also announced the opening of a call center to be located in downtown Hagerstown. This is the second call center the agency has opened remotely to answer taxpayers questions during the busy tax season and throughout the year.

The new center will be located at Franklin Plaza, 33 W. Franklin Street, in downtown Hagerstown. It will enhance the ability of the Maryland Comptroller's Office to provide better customer service while adding 12 full-time jobs to the area's economy.

"I am very proud of my Office's longstanding reputation for respectful, responsive and results-oriented customer service," said Comptroller Franchot. "By providing these additional phone lines and additional agents, our new call center will further enhance our ability to serve taxpayers throughout the state. We also are thrilled to bring new jobs and economic activity to downtown Hagerstown and to be a part of the city's ongoing renaissance. I would like to thank my Board of Public Works colleagues – Governor Hogan and Treasurer Kopp – for their unanimous and enthusiastic support of this exciting new initiative."

The new center's staff will assist Marylanders with tax questions and tax payment options. The agency's Taxpayer Services unit in Annapolis typically swells from 35 to 75 employees during the height of the tax season to handle the volume of taxpayer inquiries. Last January, the agency opened its first remote call center in Salisbury to lend greater assistance to taxpayers from all regions of the state. The new Hagerstown call center will continue the Comptroller's efforts to respond quickly and effectively to taxpayers' queries.

The approval of this latest call center comes just months after the Office of the Comptroller opened a new regional branch office in Hagerstown. That office, located in the Crystal Building at 1850 Dual Highway, is open to the public on weekdays from 8:30 a.m. to 4:30 p.m. Training for the new hires will begin at the Hagerstown office later this fall. Anyone interested in one of the positions may go to **www.jobaps.com/MD/** for information and to apply.

Taxpayers Help Save Lives by Supporting the Maryland Cancer Fund

Maryland CANCER FUND

This tax filing season, Marylanders can help save lives with a simple checkmark when completing their state income tax form, according to the Department of Health and Mental Hygiene. The Maryland income tax form provides state residents an opportunity to donate to the **Maryland Cancer Fund**, which covers the cost of cancer diagnosis and treatment for low-income Maryland residents and provides funding for cancer prevention programs. Taxpayers can simply add a checkmark to the ***Contribution to Maryland Cancer Fund*** (found on line 37 on form 502) on the Maryland tax form and indicate the amount of the donation. This amount will be deducted from the individual's tax refund or added to the individual's tax payment. All donations are tax deductible. For more information about the **Maryland Cancer Fund,** please visit **www.mdcancerfund.org** or call 410-767-6213.

Join Maryland's Free 'CPAs for a Healthy Bay' Program

Did you know that Marylanders have an opportunity to help the Chesapeake Bay when they pay their state income taxes? Line 35 on the Maryland state income tax form, the Chesapeake Bay and Endangered Species Fund, is a voluntary donation program where taxpayers can make a donation to protect the Chesapeake Bay and its wildlife. The donated dollars are split between the Chesapeake Bay Trust and the Maryland Department of Natural Resources, to help restore the Chesapeake Bay and conserve Maryland's wildlife. Donations are tax deductible and can be made in any amount. All contributions are designated to this Fund and cannot be diverted for any other use.

While the voluntary donation program on the Maryland State income tax form is an excellent opportunity for Marylanders to make a charitable contribution, to date less than 2 percent of tax returns include a donation. To increase awareness about the Chesapeake Bay and Endangered Species Fund known as the "tax check-off", CPAs for a Healthy Bay was created as a free program designed to encourage CPAs and other tax professionals to take a few simple steps to increase participation in this worthwhile program. In return for participating in this program, the Chesapeake Bay Trust will promote you as a business committed to helping with Maryland's great natural resources.

The CPAs for a Healthy Bay program is offered by the Chesapeake Bay Trust, a 501(c)3 nonprofit organization that funds Bay restoration, neighborhood clean-ups and education programs throughout the State. For 15 years, the Trust has earned a four-star charity rating, a result of the Trust's sound fiscal management practices and a commitment to accountability and transparency. Ninety two cents of every dollar goes directly to support on-the-ground projects and educational programs. We hope you will join those CPAs who have already signed up and help create a cleaner, greener, healthier Chesapeake Bay watershed.

How you can participate in CPAs for a Healthy Bay:

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. There is no cost to participate; this program is simply about raising awareness.

2) Once the Trust receives your registration, the Chesapeake Bay Trust 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 are available as well.

3) Please communicate with clients or employees about the tax check-off (through newsletters, on your firm website, etc.) and the reason these dollars are important to the community. Content is available upon request.

4) When you speak with your clients, please mention the Chesapeake and Endangered Species Fund check-off and ask 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 if they are asked to do so!

What you will get in return:

1. *Online Promotion:* Your business will be highlighted on the Chesapeake Bay Trust's website, which reaches thousands of people each month.

2. *CPAs for a Healthy Bay Logo:* You will receive a seal to market your commitment to current and prospective clients on your website and in printed materials.

3. *Recognition in Electronic Newsletters:* Your firm firm will be listed with a direct web link in multiple newsletters, which reach more than 30,000 subscribers twice monthly.

4. *Promotions via Social Media:* The Trust will highlight you and your business to almost 20,000 followers through Facebook and Twitter.

5. *Recognition at Special Events:* Your firm name will be highlighted at multiple Trust events and through printed materials distributed by the Trust.

6. *Free Materials:* The Trust will provide free inserts and point-of-sale marketing collateral for your office highlighting the Bay Fund tax check-off and the benefits it provides to local communities.

For more information and to get started as a ***CPA for a Healthy Bay,*** visit **www.cbtrust.org** or email Kelly Swartout at kswartout@cbtrust.org. Thank you for helping make Maryland and her most precious natural asset, the Chesapeake Bay, cleaner and healthier!

Parents and Grandparents' Guide to Maximizing MD 529 Tax Benefits

Maryland529
formerly College Savings Plans of Maryland

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 you are a tax preparer or financial advisor, Maryland taxpayers have several ways to make this benefit work harder for your client. Here's an 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.**

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. For more information see **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. **It 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.*

Taxpayers Help Marylanders with Developmental Disabilities

The lives of thousands of Marylanders with developmental disabilities are put on hold each year because their families don't have the financial means to provide the additional help they need. Contributions to the Developmental Disabilities Services and Support Fund help provide vital support to children and adults with disabilities such as autism, cerebral palsy and Down syndrome. Services include support to families, job training and employment for adults, living in place assistance and crisis intervention. Taxpayers may contribute any amount to this fund using line 36 on Form 502, line 23 on Form 504 or line 39 of Form 505. Those contributions may be deducted from tax refunds or added to a tax payment. For more information, call the Maryland Department of Disabilities at 410-767-5600 or visit **dda.dhmh.maryland.gov.**

Franchot Releases FY17 Closeout Numbers

Emphasizing the need for fiscal caution during these uncertain economic times, Comptroller Peter Franchot today released the final closeout numbers for Fiscal Year 2017. General fund revenues totaled nearly $16.7 billion in the fiscal year, 0.5% or $90.3 million above estimates. However, the uncertain fiscal times and moderate wage growth translated into conservative consumer spending and sluggish growth in sales and use taxes. After final transfers and revenues were counted, the State of Maryland closed the fiscal year with an unassigned General Fund balance of $256.3 million.

By law, all but $10 million of this money is required to be appropriated in the Fiscal Year 2019 budget with $50 million going to the State Pension System and $196.3 million going into the Rainy Day Fund. "While I am obviously pleased that the State has managed to outperform our modest forecasts, it is important that we put these numbers into their proper context," said Comptroller Franchot. "We are living in very uncertain economic times and the dysfunction in Washington has the potential to impact Maryland more than most states. I urge the Governor and the General Assembly to steer a prudent course and save this money rather than putting it back into our state's spending pattern."

Three Million State Returns Processed

Comptroller Peter Franchot announced that his agency processed more than 3 million returns for the 2016 tax year, including 2,591,341 electronically-filed returns and 455,312 paper returns. The total amount of refunds issued is more than $2.2 billion.

"In these challenging economic times, I'm happy to put $2.2 billion back into the pockets of hardworking Marylanders and their families," Comptroller Franchot said. "It's good to know that taxpayers have now embraced electronic filing, and that certainly makes a difference in the speed of receiving a refund."

The agency has 12 branch offices to help taxpayers to file electronically, and thus get their tax refunds issued faster than if they file via the U.S. mail. State employees at the offices, and via the toll-free Taxpayer Services phone number, give free state tax preparation assistance.

Taxpayers can contact Taxpayer Service at **410-260-7980** from Central Maryland, or **1-800-MD-TAXES (1-800-638-2937)** from elsewhere. Tax assistance is available 8:30 a.m. to 4:30 p.m., Monday through Friday. Learn more about our free tax preparation services. You also can e-mail your tax questions to **taxhelp@comp.state.md.us.**

LOCAL COMPTROLLER BRANCH OFFICES

ANNAPOLIS
Revenue Administration Center
110 Carroll Street,
Annapolis, MD 21411
410-260-7980

BALTIMORE
State Office Bldg.
301 W Preston Street,
Room 206,
Baltimore, MD 21201
410-767-1994

CUMBERLAND
Allegany Museum
3 Pershing Street,
Suite 101,
Cumberland, MD 21502
301-722-5741

ELKTON
Upper Chesapeake Corporate Center
103 Chesapeake Blvd, Suite D,
Elkton, MD 21921
410-996-0465

FREDERICK
Courthouse/ Multiservice Center
100 W. Patrick St., Room 2110,
Frederick, MD 21701
301-600-1982

GREENBELT
Triangle Center
6401 Golden Triangle Drive
Suite 100,
Greenbelt, MD 20770
301-486-7540

HAGERSTOWN
Crystal Bldg.
1850 Dual Hwy.
Hagerstown, MD 21740
301-791-7108

SALISBURY
Sea Gull Square
1306 South Salisbury Blvd.,
Suite 182,
Salisbury, MD 21801
410-546-8100

TOWSON
Hampton Plaza
300 E. Joppa Road,
Plaza Level 1A,
Towson, MD 21286
410-296-3982

UPPER MARLBORO
Prince George's County Courthouse
14735 Main Street, Room 083B,
Upper Marlboro, MD 20772
301-952-2810

WALDORF
1036 Saint Nicholas Drive,
Suite 202,
Waldorf, MD 20603
301-645-7818

WHEATON
Westfield Wheaton South Building
11002 Veirs Mill Rd, Suite 408,
Wheaton, MD 20902
301-942-5400

Cumberland Doctor Recognized for Safer Biopsy Device

Dr. Matthew Allaway, a Cumberland urologist, was a recipient of the 2017 Bright Lights Award for Allegany County. He created a device to make prostate biopsies safer and more accurate for patients. Comptroller Peter Franchot initiated the award this year to recognize businesses and non-profits for their innovations that strengthen Maryland's economy. Dr. Allaway was recognized in July at his Perineologic office in Cumberland with his wife, Kelli (Lee) Allaway, chief financial officer, and John Hart, chief operating officer.

FY 2017 Alcohol, Cigarette and Fuel Violations

Comptroller Peter Franchot joined Field Enforcement Division Director Jeff Kelly in the Louis L. Goldstein Treasury Building in late August to announce the final figures for alcohol, cigarette and motor fuel violations for fiscal year 2017.

Comptroller Peter Franchot recently announced the final figures for alcohol, cigarette and motor fuel violations for fiscal year 2017, reinforcing his agency's continued commitment to aggressively enforce Maryland's tax laws.

Making the announcement surrounded by contraband products and alongside his Field Enforcement Director ZJeff Kelly, Franchot praised the work of his agents and other law enforcement agencies in working together to protect law-abiding businesses from underground operations and tax cheats.

"The blatant disregard of Maryland tax laws, which protect law-abiding businesses and consumers, will not be ignored," said Comptroller Franchot. "I am very proud of the diligent efforts of my field enforcement agents and inspectors to stop criminals and their contraband."

For fiscal year 2017, which ended June 30, Comptroller agents issued 87 cigarette violations resulting in the confiscation of 103,190 packs of cigarettes and 87,561 packages of other Tobacco Products with a combined retail value of $738,415. This represents a tax loss of more than $254,000. FY 2017 saw an increase in the amount of confiscated alcohol.

This past year saw 250 gallons of distilled liquor, 9.39 gallons of wine and more than 1,186 containers of beer confiscated along with the issuance of 25 violations. The total retail value of the seized alcohol was $42,843. The gallons of distilled liquor and containers of beer confiscated represent an increase of more than 100 percent from FY 2016.

In addition to alcohol and tobacco violations, FED inspectors issued 120 motor fuel and International Fuel Tax Agreement (IFTA) violations, a decrease from the previous fiscal year which speaks to the integrity of the motor fuel retailers throughout the state and the Agency's reputation for being a strict regulator. In addition, more than $217,000 of delinquent sales and use tax was collected by FED agents, all of which goes to the state's general fund.

Contraband alcohol and tobacco products are retained by the Comptroller's Office as evidence against a defendant until the pending case is adjudicated. The Comptroller's Office is required by state law to destroy or sell the product, with the exception of beer which must be destroyed due to its short shelf life. Only licensed Maryland retailers or wholesalers can bid on seized alcohol or tobacco lots sold. All money collected from these sales is deposited in the general fund.

Maryland State Fairgoers Find Unclaimed Property

Reaffirming his commitment to reuniting Marylanders and their money, Comptroller Peter Franchot announced that nearly 300 people discovered more than $300,000 in unclaimed funds after visiting his agency's booth at the Maryland State Fair this summer.

One visitor discovered an unexpected windfall of $71,516. Throughout the summer, Comptroller Franchot's staff worked the unclaimed property booths at county fairs and the State Fair as part of an initiative to help reunite Marylanders with money they are owed.

This year, more people found unclaimed property at a higher total dollar amount than at last year's fair, possibly due to higher attendance. More than 1,400 people made inquiries at the unclaimed property booth at the fair in 2017. "It's our duty and pleasure to return unclaimed funds to their rightful owners," Comptroller Franchot said. "Each day, we vigorously work to find the owners of the unclaimed property and to make sure they get what they are owed."

Financial institutions, utilities, insurance companies and other corporations are required to report to the Comptroller any bank accounts, security deposits, wages, insurance benefits and contents of safe deposit boxes that have been unclaimed after three years. In addition to his booths at fairs and festivals, the Comptroller's Office searches for owners of unclaimed funds by searching tax records and Motor Vehicle Administration files to try and locate property owners.

Franchot urges anyone who finds their name on the list to contact his office at **410-767-1700 (Central Maryland)** or toll-free at **1-800-782-7383** to find out how to reclaim their lost property. Marylanders can also see if their name is on the list through **www.marylandtaxes.com.**

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