

Maryland

Tax Alert



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Extension of Time to File and Waiver of Interest and Penalty for Certain Filers

During the current 2021 legislative session, the Maryland General Assembly has taken several legislative actions which revised certain income tax laws applicable tax year 2020 and also required modifications to both sales and use tax and tobacco tax filings beginning with March 2021 tax periods¹. Additionally, federal legislation² has been passed that will further impact tax year 2020 individual income tax forms. The timing of these legislative actions requires the Comptroller to make changes to previously published tax forms and to publish updated tax forms after taxpayers and tax professionals have begun to file tax year 2020 returns. In order to allow adequate time to develop new tax forms to properly administer the new and revised tax laws, and to allow Maryland taxpayers to take advantage of newly enacted relief provisions on their tax year 2020 filings, the Comptroller finds reasonable cause to extend certain filing due dates. Furthermore, as many taxpayers cannot accurately determine the correct amount of tax to pay until revised forms become available, the Comptroller finds reasonable cause to abate interest and late payment penalty for a limited period of time for taxpayers who owe certain taxes affected by the tax law changes. Therefore, effective immediately, the Comptroller of Maryland is granting a limited, temporary extension to file certain tax returns and will abate certain interest and late payment penalties that may accrue as a result of this extension as detailed below in this Alert.

Income Taxes

The Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families (RELIEF) Act, which was signed into law on February 15, 2021 created multiple new tax provisions. It created one new income tax addition modification and two new income tax subtraction modifications. For pass-through entities and members, it also amended the entity level tax structure for pass-through entities electing to pay the entity level tax or those that made entity election payments. The American Rescue Plan Act of 2021 excludes the first \$10,200 of unemployment insurance benefits from federal income for taxpayers with federal adjusted gross income less than \$150,000 for tax

¹ SB 496 (Chapter 39 of the Laws of 2021) Recovery for the Economy, Livelihoods, Industries, Entrepreneurs, and Families (RELIEF) Act was signed into law on February 15, 2021. The veto override of House Bill 932 of the 2020 Regular Session was enacted as Chapter 38 of the laws of 2021, 21st Century Economy Fairness Act, on February 12, 2021. The veto override of House Bill 732 of the 2020 Regular Session was enacted as Chapter 37 of the laws of 2021, Taxation – Tobacco Tax, Sales and Use Tax, and Digital Advertising Gross Revenues Tax, on February 12, 2021. SB787 of the 2021 Regular Session is pending.

² H.R.1319, the American Rescue Plan Act of 2021 was passed by the United States Congress on March 10, 2021 and is expected to be signed into law by President Joseph R. Biden, Jr. on March 12, 2021.

year 2020. These new laws require changes to 2020 income tax forms filed by individuals, corporations, pass-through entities, and fiduciaries.

Because the new and revised forms will not be available in reasonable time to allow filers to prepare these returns by the statutory due dates, and pursuant to the authority granted to the Comptroller under Tax-General (TG) Article §10-823, the Comptroller finds that reasonable cause exists to extend the due dates for certain individual, corporate, pass-through entity, and fiduciary income tax filings for tax year 2020. All individual, corporate, pass-through entity, and fiduciary income tax returns that otherwise would have been due on varying dates between January 1, 2021 and July 15, 2021, inclusive, are now due on or before July 15, 2021. Additionally, owing to the timing of the enactment of this legislation and the time to modify the various income tax returns and pursuant to TG §13-606 and TG §13-714, the Comptroller finds reasonable cause to waive interest and penalty for late payment of tax if income tax for tax year 2020 that otherwise would have been due on varying dates between January 1, 2021 and July 15, 2021, inclusive, is paid by July 15, 2021. Taxpayers will be allowed to file their 2020 individual, pass-through, fiduciary, or corporate income tax returns by July 15, 2021. This includes first quarter estimated payments typically due on April 15, 2021, and second quarter estimated payments typically due on June 15, 2021.

Sales and Use Tax

Sales and Use tax returns will be revised to reflect changes included in RELIEF Act and the veto override of House Bill 932 of the 2020 Regular Session. Accordingly, and pursuant to his authority under TG §11-503, the Comptroller finds reasonable cause to extend the due date of sales and use tax returns for sales taking place in March, April, and May of 2021 to July 15, 2021. Owing to the timing of the enactment of this legislation and the time to modify the sales and use tax returns, the Comptroller finds that reasonable cause exists to waive interest and penalty for late payment of tax pursuant to TG §13-606 and TG §13-714 if the sales and use tax for sales taking place in March, April, and May of 2021 is paid by July 15, 2021.

Tobacco Tax

Tobacco Floor Tax returns due as a result of the veto override of House Bill 732 of the 2020 Regular Session and pending Senate Bill 787 (2021 Session) are due on June 13, 2021. The Comptroller does not have statutory authority to modify this due date. Owing to the timing of the enactment of this legislation and the time to create the floor tax return, the Comptroller finds that reasonable cause exists to waive interest and penalty for late payment of tax pursuant to TG §13-606 and TG §13-714 if the Tobacco Floor tax is paid by July 15, 2021.

No action is required to request a waiver of interest or late payment penalty; it will be automatically granted for taxpayers who file the returns and pay the taxes listed above on or before the due dates listed. If the Internal Revenue Service changes the filing due date for federal returns, further updates may be provided.

The Comptroller's Office will announce the availability of revised and new tax forms on its website and social media accounts. Additional information on tax forms and other RELIEF Act updates can be found at <https://www.marylandtaxes.gov/RELIEFAct>.

The Comptroller's office continues to review standards for electronic signatures on other documents in order to reduce the burden on taxpayers and tax professionals during this time.