

Tax Alert



COMPTROLLER
of MARYLAND
Serving the People

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High Income Taxpayers With Income From U.S. Obligations Changes Made After Tax Booklets Printed

The Comptroller of Maryland has changed the calculation method for determining and claiming the personal exemption amount on Forms 502, 505 and 515 for 2008 and 2009. The change allows for the subtraction of income from U.S. obligations from Federal Adjusted Gross Income in the computation of the reduced exemption amount for certain taxpayers. The change was made after the Maryland state and local tax forms and instructions were printed for 2009. Forms and instructions on the Comptroller's Web site are correct and can be found at www.marylandtaxes.com.

The calculation method described below affects only Single and Married Filing Separately taxpayers with income over \$100,000 (and Joint, Head of Household and Qualifying Widow(er) taxpayers with income over \$150,000) that includes income from U.S. obligations.

Taxpayers in the above category may be eligible for a new subtraction from income to alleviate the effect income from U.S. obligations may have on the reduction to the exemption amount. The new subtraction modification is based on a comparison of the calculation of the exemption amount using the federal adjusted gross income to the calculation of the exemption amount using the federal adjusted gross income less income from U.S. obligations. If the exemption amount computed on the revised federal adjusted gross income exceeds the amount calculated using the total amount of the federal adjusted gross income, the difference between the two is the amount of the subtraction modification. Below is a worksheet that can be used for calculating the subtraction:

- Step 1: Enter the exemption amount you will be reporting using federal adjusted gross income. _____
- Step 2: Enter your federal adjusted gross income. _____
- Step 3: Enter the income from U.S. obligations. _____
- Step 4: Subtract amount from Step 3 from amount from Step 2. _____
- Step 5: Recalculate your exemption amount using the income from Step 4. Remember to add your \$1,000 exemptions for age and blindness if applicable. _____
- Step 6: Subtract the exemption amount calculated in Step 1 from the exemption amount calculated in Step 5. If the amount is less than zero (0), enter zero (0). If the amount is zero, you have already received the maximum exemption that you are entitled to claim. If the amount is greater than zero (0), this is your subtraction from income. _____

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For the deaf and hard of hearing : TTY users can call via Maryland Relay at 711 in Maryland or 1-800-735-2258 from elsewhere. If you need reasonable accommodation for a disability, please contact us before you visit. If you need the information in this publication in an alternate format, contact the Comptroller's Office.

2009

Resident taxpayers will compute their exemption amount based on their federal adjusted gross income reported on Line 1 of the Form 502 as directed in Instruction 10. If the taxpayer has a subtraction on Line 10, they should refer to Instruction 13, letter **hh**.

Nonresident taxpayers will compute their exemption amount (Line 28) based on their federal adjusted gross income reported in Column 1 of Line 17 of the Form 505 as directed in Instruction 10. If the taxpayer has income from U.S. obligations included on Line 23, they should refer to Instruction 13, letter **hh**. Form 515 filers will compute their exemption amount (Line 29) based on their federal adjusted gross income reported in Column 1 of Line 17 of the Form 515 as directed in Instruction 9. If the taxpayer has income from U.S. obligations included on Line 23, they should refer to Instruction 12, letter **hh**.

2008

If your 2008 exemption amount was affected by including the income from U.S. obligations in computing the exemption amount, you may file an amended return to claim the subtraction modification for the additional exemption amount described above. Please refer to the appropriate instruction above to compute the additional exemption amount. Please use Form 502X or 502XS to report the changes and **attach a copy of the worksheet used for the computation.**

If you have any questions, please contact Taxpayer Services at 410-260-7980 or 1-800-MD TAXES, Monday - Friday, 8:00 a.m. - 5:00 p.m.