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:

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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.