

Personal tax tip #61

Maryland income tax law and fiduciaries, estates and trusts

If you are the personal representative for an estate or a trustee of a trust, you need to know how Maryland's income tax law treats fiduciaries, estates and trusts. Here are some important answers to commonly asked questions.

How are personal representatives affected by income tax?

Fiduciaries who are personal representatives of estates are subject to the Maryland income tax and may have to file Maryland [Form 504](#) and pay Maryland fiduciary income tax. Nonresident fiduciaries must also file Form 504NR, which is used to calculate their nonresident tax. "Fiduciary" means any person who holds the legal title to real or personal property for the use and benefit of another, and includes trustees of trusts and personal representatives of estates.

Are estates and trusts liable for the local income tax?

Yes. Personal representatives must pay the local income tax imposed by the subdivision where the decedent was domiciled on the date of death. Fiduciaries, other than the personal representatives, pay the local income tax to the subdivision in which the trust is principally administered, or to the county in which the trust is principally connected if the trust is not principally administered in Maryland. See Form 504 instructions, on who is a fiduciary and who is a resident fiduciary or a nonresident fiduciary. You may also find helpful information in [the Comptroller's Administrative Release 16](#).

Are fiduciaries subject to the estimated tax?

Yes. Maryland conforms to federal rules for filing and paying estimated taxes. Personal representatives are exempt from paying estimated taxes during the first two taxable years of the estate.

If I open and close the estate in the same year, am I required to file a Maryland fiduciary return?

If the estate is opened and closed in the same year, you are only required to file a Maryland return if you filed a federal fiduciary return and have Maryland taxable income. Generally, there is no Maryland taxable income if all the income is distributed during the estate closure.

What Maryland forms are needed to meet these filing requirements?

Personal representatives and trustees must file Maryland [Form 504](#) to pay Maryland fiduciary income tax. (Nonresidents must also file [Form 504NR](#).) Fiduciaries paying estimated taxes for the first time must file Maryland [Form 504D](#). Subsequent payments must be filed with pre-printed vouchers (Form 504DEP) provided by the Maryland Revenue Administration Division. Forms 504, 504D and 504NR can be downloaded from the [Comptroller's Web site](#), or by calling 410-260-7951 from Central Maryland or 1-800-MD TAXES from elsewhere, Monday - Friday, 8:30 a.m. – 4:30 p.m.

What's important to remember about an amended Form 504?

When filing an amended Form 504, be sure to check the box on the front of the form to indicate that it is an amended return. Taxpayers must also attach a copy of the amended federal Form 1041. Keep in mind that estates and trusts are subject to both state and local income tax.

When and where should I file?

Fiduciary returns must be filed on or before the 15th day of the fourth month following the close of the taxable year with:

Comptroller of Maryland
Revenue Administration Division
Annapolis, MD 21411-0001

Can I get an extension of time to file?

Yes. An automatic extension of time to file may be requested by submitting a copy of Maryland [Form 504E](#). The length of time will be the same as the automatic extension period allowed under federal law.

Where can I get help?

For free assistance with fiduciary returns and other Maryland income tax matters, you can call 410-260-7980 from elsewhere in Maryland, Monday - Friday, 8:00 a.m. - 5:00 p.m. For information about inheritance taxes, see your local [Register of Wills](#). For information about the Maryland estate tax, see [Tax Tip 42 - What You Need Know About Maryland's Estate Tax](#). You can also call 410-260-7850 for Maryland estate tax information.