



# 2020

## **Maryland MeF Handbook for Authorized e-File Providers**

***for Corporation and Pass-Through  
Entity Income Tax Returns***

**January 2021**

Revenue Administration Division

Annapolis, MD 21411-0001

**Peter Franchot, Comptroller**

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# **SECTION 1      Instructions for Electronic Filing**

## **Introduction**

Maryland participates in the IRS Modernized Electronic Filing (MeF) 1120/1065 program. This program allows the filing of Federal/State Corporation and Pass-Through Entity Income Tax returns using an Extensive Markup Language (XML) format. The transmission method is a Web service using Simple Object Access Protocol (SOAP) with attachment messaging.

Starting January 2021, in cooperation with the IRS, Maryland will accept production Corporation and Pass-Through Entity Income Tax Returns, corresponding forms and schedules for 2020, 2019, and 2018.

## **Benefits of MeF**

MeF delivers significant value and benefits to both taxpayers and tax preparers.

Returns filed through MeF can be submitted to the IRS year round except for a short cutover period at the end of the calendar year. Return transmissions are processed upon receipt and acknowledgments are generated and returned in near real time 24 hours a day, 7 days a week. When a return is rejected error messages in the Acknowledgment File identify the error and location within the return. Refund returns are generated with fewer errors which would need correction; therefore, refunds are quickly generated.

## Who can participate

There are 4 classifications of participants in the MeF Program: Electronic Return Originators, Online Filing Providers, Software Developers and Transmitters.

**Electronic Return Originator (ERO):** An ERO originates the electronic submission of a tax return through IRS or state *e-file* after the taxpayer authorizes the electronic filing of the return.

**Online Filing Provider:** An Online Filing Provider allows taxpayers to self-prepare returns by entering return data directly into commercially available software downloaded from an Internet site and prepared off-line, or through an online Internet site, or loaded from physical media onto a desktop computer or mobile device.

**Software Developer:** An Authorized IRS or state e-file Provider that develops software for the purposes of (a) formatting the electronic portions of returns according to Publication 4164 or state specifications and/or (b) transmitting the electronic portion of returns directly to the IRS or the state. A Software Developer may also sell its software.

**Transmitter:** An Authorized IRS or state e-file Provider that transmits the electronic portion of a return directly to the IRS or the state. An entity that provides a "bump up" service is also a Transmitter. A bump up service provider increases the transmission rate or line speed of formatted or reformatted information that it is sending to the IRS or the state via a public switched telephone network. A tax services provider may serve its customers in more than one of these roles.

A tax services provider may serve its customers in more than one of these roles.

## New for Tax Year 2020

### **01/04/2020 Change: Expected value for TY2020 MD Form 500 Amended in State Submission Manifest changed from MD500X to MD500.**

- Annual interest rate changes (See [www.marylandtaxes.gov](http://www.marylandtaxes.gov))

#### **Form 500X eliminated**

#### **Form 500**

1. 11 new checkboxes added:

- Amended Return
- NOL Carryback
- NOL Carryforward
- Authorization to Dir Deposit refund
- Amended to Claim Net Operation Loss Deduction
- Amended to report a Federal Adjustment or on RAR (Revenue Agent Report)
- Amended to claim Business Tax Credits
- Amended to claim nonresident PTE Tax Credit
- Amended to report income omitted on previous filing
- Amended to change apportionment factor
- Amended for another reason stated below

2. Line added for Explanation of Changes (for reasoning to amend)

3. New lines added:

- 15g, 16a, and 17a

4. Line 15f now includes Nonresident/Resident tax paid on behalf of corporation

5. Previous Line 15g – changed to Line 15h

6. New field added

- Name as it appears on the bank account

7. New Subtraction Modification “Q” added as valid subtraction code on line 8b.

#### **Form 500E**

New checkbox added

- New Filer or Change of Address

#### **Form 500D**

New check box added

- New Filer or Change of Address

### **Form 510**

1. New checkbox (if electing to remit tax on behalf of resident members)
2. New resident entity field added on Line 1c; lines below on Line 1 renumbered
3. Lines numbers changed:  
Line 5 to Line 5a; Line 6 to Line 6a; Line 8 to Line 8a; Line 10 to 10a,  
line 11 to 11a.
4. New Lines:  
5b, 5c, 6b, 6c, 8b, 10b, 11b, and 11c.
5. Nonresident info changed to Nonresident/Resident on the following lines: Lines 7,  
12, 13, 15, 16a, 16b, and 16c.

### **Form 510E**

New checkbox added

- New Filer or Change of Address

### **Form 510D**

2 new checkboxes added

- New Filer or Change of Address
- Checkbox if electing to remit tax on behalf of resident members

### **Schedule A ( Forms 500/510)**

Change to Apportionment Factor Calculation for Multistate Corporations

- Line 1b - Receipts - Multiply factor on Line 1A, Column 3 times 4 (was 3)
- Line 5 - Maryland apportionment factor – divide line 4 by seven (was 6)

### **Form 500CR**

Credit removed

- Part G - Qualified Vehicle Tax Credit

### **Form 500UP**

- Interest rates changed (see [www.marylandtaxes.gov](http://www.marylandtaxes.gov))

### **Maryland Schedule K-1 (510)**

Credit removed

- Part G - Qualified Vehicle Tax Credits

### **Form EL101B**

- Changes to instructions to support electronic signatures

## **Electronic Filing Requirements for Forms**

All business credits taken on the 502S and 500CR must be filed electronically. Maryland requires certifications and supporting documents be attached as a PDF.

### **Form 502S**

- Heritage Structure Rehabilitation Tax Credit

### **Form 500CR**

- Enterprise Zone Tax Credit
- Small Business Relief Tax Credit
- Maryland Disability Employment Tax Credit
- Job Creation Tax Credit
- Community Investment Tax Credit
- Business that Create New Jobs Tax Credit
- Cybersecurity Incentive Tax Credits
  - Credit for Investors in Cybersecurity (H-I)
  - Credit for Buyers of Cybersecurity Technology and/or Cybersecurity Services (H-II)
- Employer-Provided Long-Term Care Insurance Tax Credit
- Maryland Employer Security Clearance Costs Tax Credit
  - Credit for Sensitive Compartmented Information Facility (SCIF) Costs and Security Clearance Administrative Expenses (J-I)
  - First Year Leasing Costs Tax Credit for Businesses not certified as a "Small Business" (J-II)
- Research and Development Tax Credits
  - Research and Development Tax Credit for Businesses not certified as a "Small Business" (K-I)
  - Research and Development Tax Credit for Businesses certified as a "Small Business" (K-II)



- Biotechnology Investment Incentive Tax Credit
- Clean Energy Incentive Tax Credit
- Maryland-Mined Coal Tax Credit
- One Maryland Economic Development Tax Credits
- Oyster Shell Recycling Tax Credit
- Energy Storage Systems Tax Credit
- More Jobs for Marylanders Tax Credit
- Wineries and Vineyards Tax Credit
- Film Production Activity Tax Credit
- Endow Maryland Tax Credit
- Aerospace, Electronics, or Defense Contract Tax Credit
- Preservation and Conservation Easements Tax Credit
- Apprentice Employee Tax Credit
- Qualified Farms Tax Credit
- Qualified Veteran Employees Tax Credit
- Endowments of Maryland Historically Black Colleges and Universities Tax Credit

## Contact Information for e-File Help Desk

Website [www.marylandtaxes.gov](http://www.marylandtaxes.gov)

E-mail [efil@marylandtaxes.gov](mailto:efil@marylandtaxes.gov)

Telephone number **410-260-7753**

The Comptroller of Maryland website contains downloadable state business income tax forms and other detailed information for MeF Authorized e-File Providers.

All EROs, Transmitters and Software Developers who need e-File assistance are encouraged to contact the Maryland e-File Help Desk by telephone or email. Telephone assistance is available Monday through Friday, 8:00 a.m. to 5:00 p.m. EST.

Our mailing address is:

**Comptroller of Maryland**

**Revenue Administration Division**

**Processing Control, eFile Help Desk**

**P O Box 1829**

**Annapolis, MD 21404-1829**

**Note: The Maryland e-File Help Desk telephone number should not be distributed to customers as it is a courtesy provided to assist tax professionals only.**

## Publications

The following information is available on the Comptroller of Maryland website at [www.marylandtaxes.gov](http://www.marylandtaxes.gov).

- Maryland MeF Handbook for Authorized e-File Providers for Corporation and Pass-Through Entity Income Tax Returns
- Maryland Corporation and Pass-Through Entity Income Tax Forms and Instruction Booklets
- Pass-Through Entity Income Tax Forms and Instructions

These publications are available on the FTA State Exchange System (SES).

- Maryland Letter of Intent (LOI)
- MeF Test Package for Corporation and Pass-Through Entity Income Tax Returns, Schema and Business Rules
- MeF Corporation and Pass-Through Entity Forms and Handbooks

## **SECTION 2      The Filing Process**

### **What Can Be Transmitted Electronically**

The Maryland electronically filed tax return consists of XML data and supporting PDF documents.

All forms that Maryland accepts electronically is following. Software Developers are not required to support all Maryland forms. A form marked with an asterisk (\*) listed below is required. All other forms are considered optional at the discretion of the software developer.

- Form 500 – \*Corporation Income Tax Return
- Form 500 with Amended Indicator – Amended Corporation Income Tax Return
- Form 500D – Declaration of Estimated Corporation Income Tax
- Form 500E – Application for an Extension to File Corporation Income Tax Return
- Form 500CR – Business Income Tax Credits
- Form 500DM – Maryland Decoupling Modification
- Form 500UP – Underpayment of Estimated Income Tax by Corporations and PTEs
- Form 510 – \*Pass-Through Entity Income Tax Return
- Form 510 with Amended Indicator – Amended Pass-Through Entity Income Tax Return
- Form 510D – Declaration of Estimated Tax PTE Tax Return
- Form 510E – Application for Extension to File PTE Income Tax Return
- Maryland Schedule K-1 (510) - Maryland PTE Members' Information
- Form 502S – Heritage Structure Rehabilitation Tax Credit

## **Federal Return Required**

A copy of the federal XML or PDF income tax return through Schedule M2 is required to accompany all Maryland Forms 500 and 510.

Corporations included in a consolidated filing for federal income tax purposes must file separate tax returns for Maryland purposes and attach an XML or PDF copy of the actual consolidated federal tax return through Schedule M2 to each Maryland filing.

Each Maryland filing must also include an XML or PDF copy of the columnar schedules of income and expense balance sheet items (required for the federal filing) to reconcile the separate items of each member corporation to the consolidated totals.

## **Return Due Date(s)**

File Forms 500 and 510 by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of tax year or period for corporations, partnerships and S-corporations, limited liability companies, and business trusts.

## Certification Requirements

All business credits taken on the 500CR and 502S must be filed electronically. Maryland requires certifications and supporting documents be attached as a PDF. If not received, the requested credit will be denied.

### Required certification(s) and/or supporting documents

- Form 502S Section 1 – Heritage Structure Rehabilitation Tax Credit. Attach PDF copy of the approved Certification Application from Maryland Historical Trust.
- Form 500CR Part A – Enterprise Zone Tax Credit. Attach PDF copy of the required certification from Maryland Department of Commerce or Maryland Department of Labor, whichever applies.
- Form 500CR Part B – Small Business Relief Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part D – Job Creation Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part E – Community Investment Tax Credit. Attach PDF copy of required certification from Maryland Department of Housing and Community Development (DHCD).
- Form 500CR Part H (H-I & H-II) – Cybersecurity Incentive Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part J – Maryland Employer Security Clearance Cost Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part K – Research and Development Credit(s). Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part L – Biotechnology Investment Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part N – Clean Energy Tax Credit. Attach PDF copy of required certification from Maryland Energy Administration (MEA).
- Form 500CR Part O – Maryland-Mined Coal Tax Credit. Attach PDF copy of required certification from Maryland Department of Assessments and Taxation (SDAT).

- Form 500CR Part P – One Maryland Economic Development Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part Q – Oyster Shell Recycling Tax Credit. Attach PDF copy of required certification from Maryland Energy Administration (MEA).
- Form 500CR Part R – Energy Storage Systems Tax Credit. Attach PDF copy of certification from the Maryland Energy Administration (MEA).
- Form 500CR Part S – More Jobs for Marylanders Tax Credit. Attach a PDF copy of the required certification from the Maryland Department of Commerce.
- Form 500CR Part T – Wineries and Vineyards Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part U – Film Production Activity Tax Credit. Attach PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part V – Endow Maryland Tax Credit. Attach PDF copy of required certification from Maryland Department of Housing and Community Development (DHCD).
- Form 500CR Part W – Aerospace, Electronics, or Defense Contract Tax Credit. Attach a PDF copy of required certification from Maryland Department of Commerce.
- Form 500CR Part X – Preservation and Conservation Easements Tax Credit. Attach PDF copy of required certification from Board of Public Works (BPW).
- Form 500CR Part Y – Apprentice Employee Tax Credit. Attach PDF copy of the proof of enrollment for each eligible apprentice in a registered apprenticeship program and proof of the duration of the eligible apprentice’s employment by the taxpayer must be included.
- Form 500CR Part Z – Qualified Farms Tax Credit. Attach PDF copy of all certificates issued by a Tax Credit Certificate Administrator.
- Form 500CR Part AA – Qualified Veteran Employees Tax Credit. Attach PDF Copy of the tax credit certification from the Maryland Department of Commerce.
- Form 500CR Part BB – Endowments of Maryland Historically Black Colleges and Universities Tax Credit. Attach PDF Copy of the tax credit certification from the Comptroller of Maryland.

## Suggested PDF naming conventions

<b><u>Form</u></b>	<b><u>Line</u></b>	<b><u>PDF Reference Name</u></b>
<b>Form 500</b>	15f	NonResResTaxSchK1.pdf
<b>Form 500CR</b>	Part A	EnterpriseZone.pdf
	Part B	SmallBusinessRelief.pdf
	Part D	CreditJobCreation.pdf
	Part E	CreditCommIncent.pdf
	Part H-I	CyberSecurityInvestors.pdf
	Part H-II	CyberSecurityBuyers.pdf
	Part J	MDEmpSecClearance.pdf
	Part K	CreditResearchDevelop.pdf
	Part L	BioTechInvestmentIncentive.pdf
	Part N	CreditCleanEnergy.pdf
	Part O	CreditMDMinedCoal.pdf
	Part P	CreditMDEconDev.pdf
	Part P	CreditFinalCert.pdf
	Part Q	OysterShellRecycling.pdf
	Part R	EnergyStorageSystems.pdf
	Part S	MoreJobsForMD.pdf
	Part T	WineriesAndVineyards.pdf
	Part U	FilmProdActivity.pdf
	Part V	EndowMD.pdf
	Part W	AeroElectDefCont.pdf
	Part X	PreservConserveEase.pdf
	Part Y	ApprenticeEmployee.pdf
	Part Z	QualifiedFarms.pdf
	Part AA	QualifiedVeteranEmp.pdf
	Part BB	EndowMDHBCU.pdf
<b>Form 510</b>	14	DistCashFlowLimitWkSheet.pdf
	3a	NonMDIncWrksheet.pdf
	16c	NonResTaxSchedK1.pdf
<b>Schedule A</b>	1ag1	OtherIncomeSched.pdf
	2e1	TangibleAssetsSched.pdf
<b>Form 502S</b>		ApprvdHeritStructure.pdf
<b>Form EL101B</b>		MDEL101B.pdf

Use the Reference Document ID attribute to link the attachment to the appropriate location on the tax return. If PDF attachments are provided, they must be listed in the binary attachment portion of the tax return.



## Binary Attachment (PDF) Example

The following is a binary attachment example for the Biotechnology Investment Credit from line 6, Part L of Form 500CR.

1. <BiotechnologyInvestment>  
    <TotalCreditreferenceDocumentId=**"doc1"**>**56**</TotalCredit>  
    </BiotechnologyInvestment>
2. <BinaryAttachment documentId=**"doc1"**>  
    <Reference>**BIOTECH INVESTMENT C**</Reference>  
    <Description>**BIOTECH INVESTMENT CERTIFICA**</Description>  
    <AttachmentLocation>**BIOTECHINVESTMENT.PDF**</AttachmentLocation>  
    <BinaryAttachment>
3. <ReturnHeaderState binaryAttachmentCount=**"1"**>

A file named **BIOTECHINVESTMENT.PDF** should be attached to the state transmission.

## Expected values for the State Submission Manifest

<b><u>Form</u></b>	<b><u>Submission Type</u></b>	<b><u>Tax Year</u></b>
500	MD500	2020
500D	MD500D	2020
500E	MD500E	2020
510	MD510	2020
510D	MD510D	2020
510E	MD510E	2020
500Am	<b>MD500</b>	2020
510Am	MD510X	2020

## What Cannot Be Transmitted Electronically

The following types of returns are excluded from MeF filing:

- Original tax return filings that are duplicate of previously accepted returns
- Consolidated tax returns
- Composite tax returns
- Tax returns containing more than 100 Maryland Schedule K-1's (510)
- Form 510 with total number of all Pass-Through Entity members on Line 1f cannot greater than 12,000

Federal and state submission cannot exceed 1 GB compressed.

An XML copy of the actual Federal income tax return as filed for the corresponding tax period may be transmitted with Maryland Form 500 and 510 filings. When filing Amended tax returns (500 and 510 with Amended indicator), the revised IRS documentation can be transmitted as a PDF document and may be required.



## **SECTION 3      Financial Transaction Information**

### **General Information**

Tax return filing is the responsibility of the business taxpayer. Filing a tax return electronically requires an agreement between the company and ERO. The Comptroller of Maryland is not a party to this agreement.

### **International ACH Transactions – Foreign Account Indicator**

We are required to implement a format in all programs involving electronic funds transfer through the National Automated Clearing House Association (NACHA) network. This NACHA rule is being implemented at the request of the US Treasury Office of Foreign Asset Control (OFAC). The rule requires additional payment addendum data to be provided whenever the source or destination of funds is international, even if the immediate funds transfer only involves domestic financial institutions.

To comply with banking rules, taxpayers are asked to indicate on the tax return if the state refund is not going to an account outside the United States (International ACH Transactions). Any electronic tax returns received by Maryland that do not have the Not Foreign Bank Indicator present (indicating it is not an IAT) will be rejected.

### **Refund Returns**

Taxpayers can elect to have their overpayment of taxes issued in the form of a refund check, a direct deposit into any eligible financial institution, or have all or part of their refund applied to their estimated tax account for the next tax year.

Every attempt will be made to process a direct deposit. Maryland is not responsible for lost refunds when the incorrect bank information is entered. A paper check will be issued if the direct deposit cannot be properly completed.

## Balance Due Returns

Taxpayers who file their tax return electronically can elect to pay their balance due by the following methods.

- Direct debit (electronic funds withdrawal) for a full or partial payment when filing the tax return. The taxpayer can choose the date they want the amount owed withdrawn from their bank account up to tax return due date. Tax returns filed after the due date using electronic funds withdrawal must use a withdrawal date equal to the current date. The direct debit option is not available for electronically filed amended tax returns with a balance due.
- Electronic Funds Transfer (EFT)
- Bill Pay (direct debit) for a full or partial payment from their checking or savings account on the Comptroller of Maryland website at [www.marylandtaxes.gov](http://www.marylandtaxes.gov). Taxpayers may choose the date they want the amount owed withdrawn from their bank account up to the tax return due date. Tax returns filed after due date must use a withdrawal date equal to the date filed.

## **SECTION 4      Responsibilities of EROs and Transmitters**

### **Confidentiality**

Under Section 13-1019 of the Maryland Tax General Article, "Any Income Tax Return Preparer who discloses information in violation of 13-207 of this title is guilty of a misdemeanor and, on conviction, is subject to a fine of not less than \$500 or more than \$10,000."

### **Compliance**

All authorized e-File Providers must comply with all requirements in the Maryland MeF Handbook for Authorized e-File Providers for Corporations and Pass-Through Entity Income Tax Returns and maintain a high degree of accuracy and integrity to participate.

### **Timeliness of Filing**

Filing deadlines for electronically filed returns follow established due dates for paper filing of business tax returns. If a due date falls on a Saturday, Sunday or legal holiday, the tax return must be filed the next business day.

All authorized EROs and Transmitters must ensure that tax returns are processed promptly. An electronically filed tax return is not considered filed until it has been acknowledged as Accepted. If the tax return is transmitted on or before the due date and rejected, the tax return will be considered timely filed if resubmitted within 5 business days.

The electronic postmark is considered the date of filing when the tax return is received after the prescribed due date. Signing the tax return, completing the declaration and resubmitting a rejected timely filed tax return must be adhered to.

## **Amended Returns**

After an original electronic tax return is acknowledged as Accepted, it cannot be recalled, intercepted or changed. Any changes must be made by filing an amended tax return electronically or by paper.

A copy of the revised federal tax return must be included for Forms 500 with Amended Indicator and 510 with Amended indicator by XML or PDF attachment.

## **Resubmission of Rejected Tax Returns**

Maryland monitors the timeliness of the error correction process when an error acknowledgement is sent. Failure to provide timely correction of rejected tax returns may cause Maryland e-File privileges to be revoked.

If an electronic acknowledgement has not been received within 48 hours of submission, the ERO should contact the Maryland e-File Help Desk. It is the responsibility of the ERO to ensure that every electronic tax return filed is acknowledged as Accepted.

If Maryland rejects the corporate tax return for processing, the ERO must take reasonable steps to inform the taxpayers of the rejection within 24 hours.

If an electronic tax return can be corrected, it must be transmitted by the later of the due date of the tax return or 5 business days after rejection. If the electronic tax return cannot be corrected and retransmitted, a paper tax return must be filed. For a paper tax return to be considered timely it must be filed by the later of the due date of the tax return or 10 business days after the tax return was rejected. The paper tax return should include an explanation of why the tax return is being filed after the due date and include a copy of the electronic reject notification.



## Suspension

Maryland reserves the right to suspend or revoke the e-File privileges of any electronic filer who does not adhere to the requirements and specifications contained in the Maryland MeF Handbook for Authorized e-File Providers for Corporation and Pass-Through Entity Income Tax Returns. Failure to comply with all requirements and specifications could result in being suspended.

Maryland also reserves the right to deny participation in the MeF e-File program for the reasons listed below:

- If your company is required to register to conduct business in the state, but is not registered
- If your company has any outstanding liabilities with the Comptroller of Maryland or any other Maryland state agencies
- If your company fails to adhere to the Maryland e-File requirements, business rules and schemas
- If your company has a high rejection rate
- If your company uses unethical practices in tax return preparation

## Administrative Review

Any applicant or filer who has been denied or suspended from participation in the Maryland MeF e-File Program may request an administrative review within 30 days from the date of denial or suspension.

All requests should be mailed to:

**Director, Revenue Administration Division**

**Attn: Corporate e-File Appeal**

**Comptroller of Maryland**

**P O Box 1829**

**Annapolis, MD 21404-1829**

## SECTION 5      Software Design Information

### Developers Responsibilities

- Develop tax preparation software in accordance with statutory requirements and Maryland tax return preparation instructions
- Provide accurate Maryland income tax returns in correct electronic format for transmission
- Provide ability to produce a printed copy of the completed electronic tax return filing with EL101B with a **“Do Not Mail”** watermark on printed form
- Provide ability to produce a printed copy of the Form BPV to customers who have a balance due and are not paying by direct debit
- Provide data validation, verification and error detection within the software to prevent transmission of incomplete, inaccurate or invalid tax return information
- Prevent electronically filing of any form not approved by Maryland
- Provide accurate and timely acknowledgments to the tax return filer

Maryland strongly encourages the support of binary attachments (PDFs) to attach required documentation and certifications with tax returns.

### General Information

Maryland accepts the following types of filing:

- **Linked (Fed/State)**
- **Unlinked (State Only or Stand Alone)**

Maryland supports “linked” and “unlinked” state tax returns. The Maryland tax return can be linked to the IRS submission by including the Submission ID of the federal tax return (IRSSubmissionId) in the State manifest (StateSubmissionManifest).

**Linked** – A Maryland tax return can be linked to the IRS submission by including the Submission ID of the federal tax return (IRSSubmissionId) in the State manifest (StateSubmissionManifest). If the State submission is linked to an IRS Submission (also referred to as a Fed/State tax return), the IRS will check to see if there is an accepted IRS Submission under that Submission ID. If there is not an accepted federal tax return, the IRS will deny the State submission and an acknowledgment will be sent. If there is an accepted federal tax return under that Submission ID, then the IRS MeF will validate certain elements on the State submission and provide the submission to Maryland.

**Unlinked** – If the Maryland tax return is not linked to a previously accepted federal tax return (also referred to a State Stand Alone Return), the MeF system validates certain elements of the submission to Maryland.

Software Developers must furnish electronic funds (direct debit) information for the payment option to taxpayers who file with a balance due. Electronic funds withdrawal can be made from the taxpayer's checking or savings account. The taxpayers can choose the date that they want the amount owed withdrawn from their account up to the due date of the tax return. Tax returns electronically filed after the due date using direct debit must use a withdrawal date equal to the date of the tax return preparation. A partial payment can also be made using direct debit.

Acceptance in the MeF e-File program does not imply an endorsement by the Comptroller of Maryland. Any public communication that refers to a user's e-File capabilities, whether through publication or broadcast, must clearly indicate acceptance of the user for electronic filing. It does not constitute an endorsement or approval of the quality of tax preparation services provided. No advertisement may state or infer that electronic filing changes the filing, payment or legal obligation of the taxpayer.

Software Developers and EROs are expected to place the taxpayer first in providing tax return preparation and transmission services. Regardless of changes in business address, company name, telephone numbers, organization, or personnel, the taxpayer must always have convenient access to their tax return.

This includes but is not limited to, access to current status of the tax return and access to organization representatives to resolve any questions or concerns.

## Schemas and Business Rules

Maryland schemas and business rules are available on the FTA State Exchange System.

Maryland has structured tax return data into a series of schemas. A schema is an XML document that specifies the data elements, structure and rules for each form, schedule, document and/or attachment. The element information includes field type, field format, length, and if it is reoccurring. In addition to formats defined by schemas, tax returns must also adhere to the business rules.

Transmit data elements only if they contain data values. Do not send empty data elements (i.e., zero financial fields, unused elements, etc.) unless the data element is required by the state schemas or business rules. Detailed requirements for decimal placement in ratios and percentages are in the state schemas and business rules.

Maryland verifies software developer transmissions for quality. Tax returns are monitored for schema and business rule rejections.

## Acknowledgments

**Accepted** – This type of acknowledgment indicates the electronic tax return was received and has successfully completed the pre-entry validation process. No further action is required.

**Rejected** - This acknowledgment indicates the electronic tax return was received but failed to complete the pre-entry validation process (it failed schema requirement or any of the business rules). The transmitter receives an acknowledgment; it contains error codes and messages indicating the cause of the rejection. The error condition must be corrected and the tax return retransmitted as a "State Only" transmission.

An electronically filed tax return is not considered filed until it has been acknowledged by Maryland as Accepted. Software Developers are responsible for providing acknowledgments to EROs within 2 business days after tax return receipt.

## **Software Acceptance, Testing, and Final Approval**

Software Developers must annually complete the Maryland Letter of Intent by December 15th and submit it to the Maryland e-File Help Desk by email at [efil@marylandtaxes.gov](mailto:efil@marylandtaxes.gov) prior to testing. The LOI can be downloaded from FTA SES.

Software Developers test to ensure that their software adheres to Maryland procedures, requirements and specifications. They should complete all testing, provide accurate Maryland tax returns in correct electronic format, provide data validation, verification and error correction to prevent transmission of incomplete, inaccurate, or invalid tax return information. A Software provider must be available to correct any software errors and work with the e-File Unit to follow up on any processing issues.

Maryland's test date is tentatively scheduled to begin early November 2020 in conjunction with the IRS. The MeF Test Package may be found on the FTA State Exchange System.

Software Developers may submit test returns through 2021 until the IRS MeF test system shuts down. The Maryland e-File Help Desk will assist with the reject code analysis associated with testing or approval of software developers for production until March 31, 2021. No approvals will be granted after this date.

Software Developers should contact the e-File Help Desk prior to testing and again after they have successfully transmitted error free test returns and retrieved acknowledgments.

For final approval, Software Developers must transmit **ALL** test returns, at the same time without errors and provide the following by email at [efil@marylandtaxes.gov](mailto:efil@marylandtaxes.gov):

- Copy of the final test acknowledgments
- Copy of Form EL101B - e-File Declaration for Business Electronic Filing
- The following screenshot of the consent language:

### **Business software**

By using a computer system and software to prepare and transmit this business tax return electronically, I consent to the disclosure of all information pertaining to the user of the system and software to create this business tax return and to the electronic transmission of this business tax return to **Comptroller of Maryland**.

A software developer successfully completing the state testing process will receive an approval letter by email and by mail.

Software errors that surface after approval should be corrected quickly. Updates related to software errors should be promptly distributed to users.

## **Suspension**

All Software Developers must maintain a high degree of integrity, compliance and accuracy to participate in the Maryland MeF e-File program.

Compliance with the requirements and specifications contained in the Maryland MeF Handbook for Authorized e-File Providers for Corporations and Pass-Through Entity Income Tax Returns, schemas and business rules are required for all Software Developers and EROs.

Failure to comply could result in suspension from the Maryland MeF Business e-File Program.