



MARYLAND WITHHOLDING TAX FACTS

January 2012 – December 2012

This edition of Withholding Tax Facts offers information about filing your employer withholding tax form, reconciliation statement and other employer withholding related forms.

INCOME TAX RATE

The local income tax is computed without regard to the impact of the state tax rate. The state rates and rate brackets are indicated below:

TAX RATE SCHEDULE I

(for taxpayers filing as Single, Married Filing Separately, or as Dependent Taxpayers. This rate is also used for taxpayers filing as Fiduciaries.)

Taxable Net Income is:		Maryland Tax is:
Over	But Not Over	
\$ 0	\$ 1,000	2% of the amount
1,000	2,000	\$20 plus 3% of the excess over \$1,000
2,000	3,000	\$50 plus 4% of the excess over \$2,000
3,000	150,000	\$90 plus 4.75% of the excess over \$3,000
150,000	300,000	\$7,072.50 plus 5% of the excess over \$150,000
300,000	500,000	\$14,572.50 plus 5.25% of the excess over \$300,000
500,000	-----	\$25,072.50 plus 5.5% of the excess over \$500,000

TAX RATE SCHEDULE II

(for taxpayers filing Joint Returns, Head of Household, or for Qualifying Widows/Widowers.)

Taxable Net Income is:		Maryland Tax is:
Over	But Not Over	
\$ 0	\$ 1,000	2% of the amount
1,000	2,000	\$20 plus 3% of the excess over \$1,000
2,000	3,000	\$50 plus 4% of the excess over \$2,000
3,000	200,000	\$90 plus 4.75% of the excess over \$3,000
200,000	350,000	\$9,447.50 plus 5% of the excess over \$200,000
350,000	500,000	\$16,947.50 plus 5.25% of the excess over \$350,000
500,000	-----	\$24,822.50 plus 5.5% of the excess over \$500,000

Note: The tax rates were current at the time of printing. It is possible that the General Assembly may change the rates while in session. Please check our Web site for updates.

PERSONAL EXEMPTIONS

Certain employees may be required to adjust their personal exemption amount if their federal adjusted gross income exceeds \$100,000, or if they wish to use their excess itemized deductions as exemptions. These employees should refer to the Maryland Exemption Certificate (Form MW507) for guidance to determine how many exemptions they may claim.

As an employer, you are to treat each exemption as if it were \$3,200.

COUNTY RATES

Local tax is based on taxable income and not on Maryland state tax. Listed below are the actual 2011 local income tax rates.

We provide separate tables for the convenience of employers who do not withhold using an automated or computerized system, or who prefer to look up the amounts to be withheld manually. For these tables, we have continued our practice of grouping the local income tax rates into rate brackets. For 2012, we will use twelve brackets: 1.25%, 2.25%, 2.60%, 2.65%, 2.80%, 2.85%, 2.90%, 3.00%, 3.05%, 3.10%, 3.15%, and 3.20%. Refer to the county listing below and use the table that agrees with, or is closest to without going below, the actual local tax rate. Employers will use \$3,200 as the value of an exemption when using the withholding tables. There is no need to adjust for the reduction in the exemption amount as employees are instructed to reduce the number of exemptions being claimed on their Exemption Certificate, Form MW507. **Please note that the only changes in local rates are Anne Arundel County and Queen Anne's County.**

Allegany	3.05%	Howard	3.20%
Anne Arundel	2.49%	Kent	2.85%
Baltimore County	2.83%	Montgomery	3.20%
Calvert	2.80%	Prince George's	3.20%
Caroline	2.63%	Queen Anne's	3.20%
Carroll	3.05%	St. Mary's	3.00%
Cecil	2.80%	Somerset	3.15%
Charles	2.90%	Talbot	2.25%
Dorchester	2.62%	Washington	2.80%
Frederick	2.96%	Wicomico	3.10%
Garrett	2.65%	Worcester	1.25%
Harford	3.06%	Baltimore City	3.20%

Withholding tables can be downloaded from the Comptroller's Web site at www.marylandtaxes.com. If you do not have internet access, you may call 410-260-7951 from Central Maryland or 1-800-MD TAXES from elsewhere.

FOR YOUR INFORMATION

- Taxpayers on an accelerated filing schedule may request a waiver allowing monthly returns for the remainder of the calendar year. A renewal of the waiver is also available if eligibility to file federal withholding tax returns on a monthly basis is unchanged.
- Payors of distributions that are Eligible Rollover Distributions (ERDs) under IRC Section 3405(c), subject to mandatory federal income tax withholding, are required to withhold Maryland income tax from these distributions paid to Maryland residents at the rate of 7.75%.
- Designated Distributions are only subject to Maryland income tax withholding if the payee elects to have withholding made by the payor. The amount required to be withheld is the amount that the payee requests using Form MW507P.
- A spouse whose wages are exempt from Maryland income tax under the Military Spouses Residency Relief Act may claim an exemption from Maryland withholding tax by filing Forms MW507 and

MW507M with their employer.

ELECTRONIC FILING

Save time and money by meeting your business tax filing obligations electronically. The payment methods listed below qualify as Electronic Fund Transfers and will meet the EFT requirement. These electronic filing and payment options are also available to some taxpayers who must file and pay Maryland sales and use tax.

File over the Internet and pay by direct debit: Use bFile, the Comptroller's free internet filing service for businesses, to file and pay online at www.marylandtaxes.com. bFile is a free service that allows you to file and make your payment by electronic funds withdrawal (direct debit). Zero reports may also be filed through the bFile service.

File and pay by ACH Credit: File and pay through your bank using the ACH Credit method. Contact your bank to see if it offers this service. Your bank may charge a nominal fee for an ACH Credit transaction.

File and pay by phone: Use your telephone and the free ACH Debit Electronic Funds Transfer (EFT) service to pay your employer withholding, sales and use tax, motor fuel tax and corporation income tax payments. You must preregister for EFT payments. Visit www.marylandtaxes.com or call 410-260-7980 for more information on the EFT program and registration requirements.

File and pay by credit card: Pay with your MasterCard®, VISA®, Discover® or American Express® card by calling Official Payments Corp. at 1-800-2PAYTAX or by visiting www.officialpayments.com. Official Payments Corp., a private credit card payment services provider, charges a convenience fee per transaction. The State does not receive this fee.

File zero reports: If you did not withhold any Maryland income tax for a reporting period, **do not mail us your Form MW506**. Instead, file online using bFile or call 410-260-7225 to file the zero report by phone. Please have the form in front of you when you call.

ANNUAL WITHHOLDING FILERS

Annual withholding tax filers, who have elected to receive paper coupons, will receive a coupon book with four quarterly reports. Use the report with the quarter ending that corresponds with your tax end. For example, if your tax year ends between October 1 and December 31, use the fourth quarter coupon to report and pay tax withheld.

FILING YOUR RETURN

- If you have notified us that you wish to continue to receive paper coupons you should have received paper coupons in the mail; otherwise, you will need to use one of our electronic options mentioned above to file and pay your required withholding tax returns with the State of Maryland.
- The number one error is sending in the wrong coupon. Send in the coupon marked for the correct period.
- The number two error is incorrect figures. Please double-check your entries.
- If you are filing accelerated (Form MW506M) you must enter the pay date (the day you pay your employees) on the MW506M.
- Use your account number on all correspondence and checks relating to your income tax withholding account.
- If a due date falls on a Saturday, Sunday or legal holiday, the return is due on the next business day.
- File Form MW506FR (Final Return) if you are closing your business to avoid unnecessary delinquent notices and collection action. This form is available in your coupon book or at www.marylandtaxes.com.
- You must provide each employee with a wage and tax statement, federal Form W-2, on or before January 31 each year.

- If you don't have the window envelope but do have your Form MW506, mail it with your payment to: Revenue Administration Division, P.O. Box 17132, Baltimore, MD 21297-0175.

YEAR-END RECONCILIATION DUE FEB. 29, 2012

The annual employer withholding reconciliation report (MW508) included in the coupon book is due the last day of February (February 29, 2012). You must send in the bar coded MW508 corresponding with the proper tax year along with the state copy of Form W-2 for each person for whom income tax was withheld.

Employers have three options to file their year-end reconciliation (Form MW508). **New for tax year 2011, employers who have 25 or more Forms W-2 to report must select option 2 or 3.** However, we encourage all employers regardless of the number of statements to file using magnetic media or electronically.

- 1) Employers with fewer than 25 Forms W-2 to report may file their year-end reconciliation on paper.
- 2) **Employers can file their year-end reconciliation electronically using bFile at www.marylandtaxes.com.** The bFile application is free of charge. Employers can key up to 250 Forms W-2 and their Form MW508 directly to our Web site or use the new W-2 file upload application for an unlimited number of Forms W-2 and receive confirmation of the filing.
- 3) **All employers may file on magnetic media.**

There have been no changes to the record layout for tax year 2011; however, all fields in all records are now required. The 2011 Maryland record layout is the only acceptable format for both current and back year tax magnetic media submissions.

The RV record is an electronic version of the paper form, MW 508, Annual Employer Reconciliation Return. The RV record contains all of the data from the Form MW508 and is a required record if you file using magnetic media.

To obtain a complete copy of The Magnetic Media Specification Booklet please visit www.marylandtaxes.com.

For questions on magnetic media, please call the Revenue Administration Division at 410-260-7150.

EARNED INCOME CREDIT INFORMATION ACT

House Bill 632 (Chapter 352, Acts of 2011), the Earned Income Credit Information Act requires the Comptroller to publish the maximum eligibility for the State earned income tax credit (EIC) on or before January 1 of each calendar year. This Act also requires the Comptroller to notify all employers in Maryland by mail of the information on the State EIC. The employer then must notify each employee who may be eligible for the federal or State earned income tax credits electronically or in written form by December 31. This Act is effective January 1, 2012 and the first publication and notifications will be in 2012.

FOR QUESTIONS ABOUT...

Withholding, obtaining forms, lost or destroyed return booklets, corporation income tax, personal income tax, nonresident shareholders' or partners' tax, e-mail taxhelp@comp.state.md.us, or call 410-260-7980 from Central Maryland or 1-800 MD TAXES from elsewhere.

If you have a delinquent withholding tax collection problem, call 410-649-0633.

For the hearing impaired: TTY users call via Maryland Relay at 711. If you need a reasonable accommodation for a disability, or need the information in this Tax Facts in an alternate format, contact the Comptroller's Office.

(09/11)