



COMPTROLLER  
*of* MARYLAND  
*Serving the People*

**2022**

**Maryland MeF Fiduciary  
Income Tax Return  
Electronic Filing**

**October 2022**

**Revenue Administration Division**

**Annapolis, MD 21411-0001**

**Peter Franchot, Comptroller**

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## SECTION 1 Instructions for Electronic Filing

### Introduction

The Maryland Modernized Electronic Filing (MeF) Program is part of the Internal Revenue Service (IRS) e-File Program. The Maryland MeF Handbook for Authorized e-File Providers is designed to be used as a companion to IRS Publications. Most functions of the Maryland MeF program are the same as the Federal 1041 MeF program. This handbook highlights the unique features of Maryland e-File.

MeF allows filing of Federal and Maryland Fiduciary income tax returns using Extensive Markup Language (XML) format. The transmission method is a Web service using Simple Object Access Protocol (SOAP) with attachment messaging.

There are some differences between the Maryland MeF Fiduciary Handbook for Authorized e-File Providers and the Maryland Fiduciary Income Tax Forms and Instructions. There may be instances when an electronic tax return requires additional fields to be transmitted that are not required on paper forms due to electronic edit functions. The Maryland MeF Fiduciary Handbook for Authorized e-file Providers supersedes the paper instructions when there is a variation.

Starting January 2023, in cooperation with the IRS, Maryland will accept production Fiduciary income tax returns, corresponding forms, and schedules for tax year 2022.

### 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 all year 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.

### Who Can Participate in MeF Program

There are 4 classifications of participants in the MeF Program:

**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 tax return.

**Online Filing Provider:** An Online Filing Provider allows taxpayers to self-prepare tax returns by entering tax return data directly into commercially available software downloaded from an Internet site and prepared off-line, 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 tax returns according to IRS Publication or state specifications and/or (b) transmitting the electronic portion of tax returns directly to the IRS or 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 tax return directly to the IRS or 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 state by a public switched telephone network. A tax services provider may serve its customers in more than one of these roles.

## Electronic Identification Numbers

The **Electronic Filer Identification Number (EFIN)** is the six-digit identification number assigned by the IRS.

The **Electronic Transmitter Identification Number (ETIN)** is the five-digit identification number assigned by the IRS.

A permanent five-digit **Maryland Software Identification Number (MSID)** is assigned by the Maryland e-File Help Desk for each version of all software packages. New companies should contact the e-File Help Desk for assignment of an MSID. Each software product must have their unique MSID hard coded into their XML for identification purposes. The MSID will be active in production processing when testing has been successfully completed.

## Publications

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

- Maryland MeF Fiduciary Handbook for Authorized e-File Providers
- Maryland Fiduciary Income Tax Forms and Instruction Booklet

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

- Maryland Letter of Intent (LOI)
- Maryland MeF Fiduciary Handbook for Authorized e-File Providers
- MeF Test Package for Fiduciary Income Tax Returns, Schema and Business Rules
- Maryland Fiduciary Tax Forms and Instruction Booklet

## New For Tax Year 2022

### Form name changes

- Form Maryland Schedule K-1 (510) name changed to Maryland Schedule K-1 (510/511)

### Form 504CR

- New Corporate Diversity checkbox added
- New Work Opportunity Tax Credit added
- New Theatrical Production Tax Credit added
- Maryland Employer Security Clearance Costs Tax Credit expired and removed
- Wineries and Vineyards Tax Credit expired and removed
- Aerospace, Electronics, or Defense Tax Credit expired and removed
- Qualified Veterans Employees Tax Credit removed and was incorporated into Job Creation Tax Credit
- Change to Maryland Disability Employment Tax Credit (Part C) for Employees
  - \$9,000 changed to \$15,000
  - \$900 changed to \$1,500

### Form 504UP

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

### Maryland Schedule K-1 (504)

- New Work Opportunity Tax Credit
- New Theatrical Production Tax Credit
- Maryland Employer Security Clearance Costs Tax Credit expired and removed
- Wineries and Vineyards Tax Credit expired and removed
- Aerospace, Electronics, Or Defense Tax Credit expired and removed

## SECTION 2      The Filing Process

### What Can Be Transmitted Electronically

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

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

- Form 504 – \*Fiduciary Income Tax Return
- Form 504A – Fiduciary Income Tax Return Schedule A
- Form 504CR – Business Income Tax Credits for Fiduciaries
- Form 504D – Fiduciary Declaration of Estimated Income Tax
- Form 504E – Application for Extension to File Fiduciary Income Tax Return
- Form 504NBD – Nonresident Beneficiary Deduction Summary Sheet
- Form 504NR – Fiduciary Nonresident Income Tax Calculation
- Form 504UP – Underpayment of Estimated Income Tax by Fiduciaries
- Maryland Schedule K-1 (504) – Fiduciary Beneficiary’s Information
- Maryland Schedule K-1 (510/511) - Maryland PTE Members’ Information
- Form 588 - Direct Deposit of Maryland Income Tax Refund to More than One Bank Account
- Form 502CR – Income Tax Credits for Individuals
- Form 502INJ - Injured Spouse Claim Form
- Form 502S – Heritage Structure Rehabilitation Tax Credit

### Accepted Federal Forms

The following forms can be filed depending on the type of Maryland filing submitted:

- Form W-2 - Wage and Tax Statement
- Form W2-G - Statement for Certain Gambling Winnings
- Form 1099-MISC - Miscellaneous Income
- Form 1099-B - Proceeds from Barter and Barter Exchange Transactions
- Form 1099-DIV - Dividends and Distributions
- Form 1099-INT - Interest Income
- Form 1099-OID - Original Issue Discount

- Form 1099-K - Payment Card and Third Party Network Transactions
- Form 1099-NEC – Nonemployee Compensation

## Explanation of Terms

- **Beneficiary:** Any person who is to receive profits or distribution from an estate or trust. A beneficiary includes an heir, a legatee, or a devisee.
- **Estate:** All the property and assets of one who has died. An estate comes into existence at the time of an individual’s death and continues until the final distribution of its assets to the beneficiaries.
- **Fiduciary:** Any person holding legal title to property for the use and benefit of another person. A fiduciary may be a trustee, an administrator of an estate, a business adviser, attorney, real estate agent, banker, stockbroker, or title company, but does not include: (i) an agent holding custody or possession of property that a principal of the agent owns, or (ii) a guardian appointed by a court to manage the property of a disabled person or a minor.
- **Grantor:** The person who creates a trust and transfers the title of the property and assets to another. That person may also be called “trustor,” “settlor,” or “donor.”
- **Resident Estate:** If the decedent was a Maryland resident at the time of death, then the decedent’s estate is a Maryland resident estate.
- **Testamentary (created by will):** Created by a will and comes into existence at the time of the creator’s death.
- **Inter Vivos (living):** Comes into existence during the lifetime of the person who created it. Often the trust is for a minor or someone else who is unable to administer his or her own assets.
- **Trust:** An entity created to hold assets for the benefit of certain people or entities.
- **Resident Trust:** A trust is a resident trust if:
  1. The trust was created or consists of property transferred by the will of a decedent who was domiciled in Maryland on the date of death; or
  2. The creator or grantor of the trust is a current Maryland resident; or
  3. The trust is principally administered in Maryland.

The residence of the person or entity acting as fiduciary does not determine whether the trust is a resident or non-resident of Maryland.
- **Simple Trust:** One which requires that all income be distributed each year rather than being accumulated.
- **Complex Trust:** One that does not qualify as a simple trust.

## Federal Return

A copy of the federal XML or PDF income tax return may accompany all Maryland Forms 504, as well as a copy of any state returns used to claim credit for taxes paid to another state.



## Return Due Date(s)

File Forms 504 by the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of tax year or period.

## Electronic Filing Requirements for Forms

All business credits taken on the 502S and 504CR must be filed electronically. Maryland requires certifications and supporting documents be attached as a PDF.

### Form 502S

- Heritage Structure Rehabilitation Tax Credit

### Form 504CR

- Enterprise Zone Tax Credit
- Small Business Relief Tax Credit
- Maryland Disability Employment Tax Credit
- Job Creation Tax Credit
- Community Investment Tax Credit
- Businesses that Create New Jobs Tax Credit
- Catalytic Revitalization Projects and Historic Revitalization 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
- 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
- Work Opportunity Tax Credit
- Catalytic Revitalization Projects and Historic Revitalization Tax Credit
- One Maryland Economic Development Tax Credits
- Oyster Shell Recycling Tax Credit

- Energy Storage Systems Tax Credit
- More Jobs for Marylanders Tax Credit
- Film Production Activity Tax Credit
- Endow Maryland Tax Credit
- Theatrical Production Tax Credit
- Preservation and Conservation Easements Tax Credit
- Apprentice Employee Tax Credit
- Qualified Farms Tax Credit
- Endowments of Maryland Historically Black Colleges and Universities Tax Credit

## Certification Requirements

All business credits taken on the 504CR and 502S must be filed electronically. Maryland requires certifications and supporting documents be attached as a PDF. If not received, the requested credit(s) will be denied.

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

#### Form 502CR

- **Form 502CR Part A – Tax Credits for Income Taxes Paid to other states and localities.** Attach a completed PDF copy of other income tax state and/or locality tax return(s) for which the tax credit is claimed on the Maryland tax return; for Maryland resident partners, shareholders or members of Pass-through entities who are part of a composite tax return filing and had taxes paid on their behalf, attach Maryland Schedule K-1 (510) or K-1 statement issued by the PTE indicating member’s share of taxable income and tax liability. **When copies of other state or locality income tax returns are attached, schedules, worksheets, certifications, or other documentation should not be included unless requested.**
- **Form 502CR Part F – Preservation and Conservation Easements Tax Credit.** Attach PDF of certification from the Maryland Environmental Trust (MET), Maryland Agricultural Land Preservation Foundation or Department of Natural Resources (DNR).

#### Form 502S

- **Form 502S Line 1 – Credit for Heritage Structure Rehabilitation Tax Credit.** Attach PDF copy of required approved certification from Maryland Historical Trust (MHT).

#### Form 504CR

- **Form 504CR Part A – Enterprise Zone Tax Credit.** Attach PDF copy of required certification from Maryland Department of Commerce or Maryland Department of Labor.
- **Form 504CR Part B – Small Business Relief Tax Credit.** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part C – Maryland Disability Employment Tax Credit for Employees.** Attach PDF copy of certification from Maryland State Department of Education or Maryland Department of Labor.
- **Form 504CR Part D – Job Creation Tax Credit.** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part E – Community Investment Tax Credit.** Attach PDF copy of required certification from Maryland Department of Housing and Community Development (DHCD).
- **Form 504CR Part G – Catalytic Revitalization Projects and Historic Revitalization Tax Credit.** Attach PDF copy of required certification from Maryland Department of Housing and Community Development (DHCD).
- **Form 504CR Part H – Cybersecurity Incentive Tax Credit** (two parts H-I (Investors) and H-II (Buyers)). Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part K – Research and Development Tax Credit(s).** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part L – Biotechnology Investment Incentive Tax Credit.** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part N – Clean Energy Incentive Tax Credit.** Attach PDF copy of required certification form Maryland Energy Administration (MEA).
- **Form 504CR Part P-1 – One Maryland Economic Development Tax Credit(s).** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part P-2 - One Maryland Economic Development Tax Credit(s).** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part Q – Oyster Shell Recycling Tax Credit.** Attach PDF copy of required certification from Maryland Department of Natural Resources (DNR).
- **Form 504CR Part R – Energy Storage Systems Tax Credit.** Attach PDF copy of required certification from Maryland Energy Administration (MEA).
- **Form 504CR Part S – More Jobs for Marylanders Tax Credit.** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part U – Film Production Activity Tax Credit.** Attach PDF copy of required certification form Maryland Department of Commerce.

- **Form 504CR Part V – Endow Maryland Tax Credit.** Attach PDF copy of required certification from Department of Housing and Community Development (DHCD).
- **Form 504CR Part W – Theatrical Production Tax Credit.** Attach PDF copy of required certification from Maryland Department of Commerce.
- **Form 504CR Part X – Preservation and Conservation Easements Tax Credit.** Attach PDF copy of required certification from the Maryland Agricultural Land Preservation Foundation or the Department of Natural Resources (DNR).
- **Form 504CR 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 approved by the Maryland Department of Labor.
- **Form 504CR Part Z – Qualified Farms Tax Credit.** Attach PDF copy of all certificates issued by the Tax Credit Certificate Administrator as approved by Maryland Department of Agriculture.
- **Form 504CR Part BB – Endowment of Maryland Historically Black Colleges and Universities Tax Credit.** Attach PDF copy of required certification from Comptroller of Maryland.

### Expected values for the State Submission Manifest

<u>Form</u>	<u>Submission Type</u>	<u>Tax Year</u>
504	MD504	2022
504 Amended	MD504X	2022
504D	MD504D	2022
504E	MD504E	2022

### Suggested PDF naming conventions

<u>Form</u>	<u>Line</u>	<u>PDF Reference Name</u>
<b>Form 504</b>	29	NonResResTaxSchK1.pdf
<b>Form 504CR</b>	Part A	EnterpriseZone.pdf
	Part B	SmallBusinessRelief.pdf
	Part D	CreditJobCreation.pdf
	Part E	CreditCommIncent.pdf
	Part G	CatalyticRevProjTaxCr.pdf
	Part H-I	CyberSecurityInvestors.pdf

Part H-II	CyberSecurityBuyers.pdf
Part K	CreditResearchDevelop.pdf
Part L	BioTechInvestmentIncentive.pdf
Part N	CreditCleanEnergy.pdf
Part P-1	CreditMDEconDevP1.pdf
Part P-1	CreditFinalCertP1.pdf
Part P-2	CreditMDEconDevP2.pdf
Part P-2	CreditFinalCertP2.pdf
Part Q	OysterShellRecycling.pdf
Part R	EnergyStorageSystems.pdf
Part S	MoreJobsForMD.pdf
Part U	FilmProdActivity.pdf
Part V	EndowMD.pdf
Part W	TheatricalProd.pdf
Part X	PreservConserveEase.pdf
Part Y	ApprenticeEmployee.pdf
Part Z	QualifiedFarms.pdf
Part BB	EndowMDHBCU.pdf

**Form 502CR**                      Part A                      StateofXX.pdf (XX=2 letter state abbreviation)

**Form 502S**    ApprvdHeritStructure.pdf

**Form EL101B**    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.

## What Cannot Be Transmitted Electronically

The following types of returns are excluded from MeF filing:

- Tax returns with power of attorney currently in effect, requesting a refund to be sent to a third party
- Original tax return filings that are duplicate of previously accepted returns
- Tax returns containing a W-2 Form that requires a federal statement record because of “Overflow” for Box 14, 15, 17, or 19
- Composite Returns
- Tax returns containing more than 100 Maryland Schedule K-1’s (504)
- Tax returns containing more than 100 Maryland Schedule K-1’s (510/511)

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 504 filings. When filing Amended tax returns (504 with Amended indicator) the revised IRS documentation can be transmitted as a PDF document and may be required.

## Maryland Acknowledgments

**Accepted** – This acknowledgment indicates that electronic tax return was received and 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 and acknowledgment from Maryland with error message(s). The acknowledgment contains codes and error messages indicating that cause of the rejection. The error condition must be corrected and the tax return retransmitted as a “State Only” transmission.

An e-Filed tax return is not considered filed until it has been acknowledged by Maryland as Accepted.

Acknowledgment files received must be retained for one year after return transmission.

## 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.

**Note: Please do not distribute the Maryland e-File Help Desk telephone number to customers as it is a courtesy provided to assist tax professionals only.**

Our mailing address is:

**Comptroller of Maryland**

**Revenue Administration Division**

**Processing Control, eFile Help Desk**

**PO Box 1829**

**Annapolis, MD 21404-1829**

## SECTION 3 Financial Transaction Information

### General Information

Tax return filing is the responsibility of the fiduciary taxpayer. Filing a tax return electronically requires an agreement between the taxpayer 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.
- 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 may be included for Forms 504 with Amended Indicator by XML or PDF attachment.

**\*NO ELECTRONIC FINANCIAL TRANSACTIONS ARE PERMITTED WITH AMENDED RETURNS.**

## Resubmission of Rejected Tax Returns

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

If an electronic acknowledgment 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.

## Monitoring

Maryland will monitor the quality of filer transmission. If quality deteriorates, the electronic filer will receive a warning and in extreme cases, a letter suspending them from the e-File program. Maryland will inactivate the EFIN and further processing of e-Filed tax returns will be suspended.

All electronic filers are expected to place taxpayers first in providing tax return preparation and transmission services. Taxpayers must always have convenient access to their tax returns regardless of changes in business names, location addresses, telephone numbers, organization, or personnel. This includes but is not limited to access to the current status of the tax return and access to organization representatives to resolve any questions or concerns.

Maryland will advise electronic filers of problems originating in its branch offices. If there are repeated or continuing problems, the “parent” electronic filer will be required to drop that office from the e-File program. Failure to take corrective action will lead to the initiation of suspension against the “parent” electronic filer. When suspension is initiated, it will apply to all tax returns filed by an electronic filer including all branches.

## 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 Fiduciary Handbook for Authorized e-File Provider, 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: Fiduciary e-File Appeal**

**Comptroller of Maryland**

**PO 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 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.

## Returns Form Sequence

<b>Form 504</b>
504
504A
504NR
504NBD
504CR
502CR
502S
504UP
502INJ
588
1099G/MD
504K-1
Sch K-1 (510/511)
W-2
W-2G
1099-R
1099-MISC
1099-INT
1099-DIV
1099-B
1099-OID
1099-K
1099-NEC

**Note: When filing a Fiduciary bankruptcy estate return, the individual return with all schedules, worksheets, and statements should be scanned as one PDF and attached to the 504 filing.**

## 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 testing process for 2022 Form 504 is tentatively scheduled to begin November 2022. The MeF Test Package may be found on the FTA State Exchange System.

Software Developers may submit test returns through March 31, 2023. The Maryland e-File Help Desk will assist with the reject code analysis associated with 2022 504 testing or approval of software developers for production until March 31, 2023. 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
- Copy of Form EL102B – Income Tax Payment Voucher for Business Electronic Filers
- The following screenshot of the consent language:

*By using a computer system and software to prepare and file this Fiduciary tax return(s), I consent to the transmission of the return(s) and to the disclosure of all information about the use of the system and software to the 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 Fiduciary Handbook for Authorized e-File Providers, schemas and business rules are required for all Software Developers and EROs.

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

## SECTION 6      Software Vendors Testing and Approval Information

### System Operation

When Maryland tax returns are made available by the IRS, they are retrieved and then processed through the state e-File validation program. All tax returns will be acknowledged to the transmitter as Accepted or Rejected. A Rejected tax return will be acknowledged along with error messages. All Accepted tax returns are released to the accounting system.

### Software Acceptance and Testing

All tax software preparation and transmission software developers are required to test with Maryland to ensure their software adheres to Maryland schemas, successful transmission and receipt of acknowledgments.

Maryland testing is tentatively scheduled to begin November 2022 for tax year 2022. The MeF Fiduciary Test Package may be found on FTA SES. Software Developers may submit test returns through March 31, 2023. After March 31, 2023, the e-File Help Desk will not assist with testing for tax year 2022 and will not issue final approvals.

## Software Vendors Final Approval

Software Developers must transmit all test returns in one submission without errors, for final approval.

The following non-electronic documents must be submitted before final approval by email [efil@marylandtaxes.gov](mailto:efil@marylandtaxes.gov).

- Form EL101B - e-File Declaration for Business Electronic Filing
- Form EL102B – Income Tax Payment Voucher for Business Electronic Filers
- A copy of the acknowledgment received for your final tests
- The following screenshot of this consent language:

*By using a computer system and software to prepare and file this fiduciary tax return(s), I consent to the transmission of the return(s) and to the disclosure of all information about the use of the system and software to the Comptroller of Maryland.*

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

# ATTACHMENTS

## Attachment 1

Maryland Counties, Incorporated towns, Cities and special taxing areas, Two Letter Abbreviations and 2022 Local County Tax Rates.

<b><u>County and/or Incorporated Cities</u></b>	<b><u>Abbreviation</u></b>	<b><u>Rate</u></b>
ALLEGANY COUNTY	AL	.0305
ANNE ARUNDEL COUNTY	AA	.0281
BALTIMORE COUNTY	BL	.0320
BALTIMORE CITY	BC	.0320
CALVERT COUNTY	CV	.0300
CAROLINE COUNTY	CL	.0320
CARROLL COUNTY	CR	.0303
CECIL COUNTY	CC	.0300
CHARLES COUNTY	CH	.0303
DORCHESTER COUNTY	DR	.0320
FREDERICK COUNTY	FR	.0296
GARRETT COUNTY	GR	.0265
HARFORD COUNTY	HR	.0306
HOWARD COUNTY	HW	.0320
KENT COUNTY	KN	.0320
MONTGOMERY COUNTY	MG	.0320
PRINCE GEORGE'S COUNTY	PG	.0320
QUEEN ANNE'S COUNTY	QA	.0320
ST. MARY'S COUNTY	SM	.0310
SOMERSET COUNTY	SS	.0320
TALBOT COUNTY	TB	.0240
WASHINGTON COUNTY	WH	.0300
WICOMICO COUNTY	WC	.0320
WORCESTER COUNTY	WR	.0225

## Attachment 2

### Exception Codes for Fiduciary Form 504

200 – Injured spouse

247 – Retransmission of previously rejected state e-File tax return

300 – Farmers and Fishermen

301 - Uneven income distribution exempt from UP interest

302 - Income taxable by another state exempt from UP interest

506 - Used when amounts were withheld for nonresident sale of property

588 – Splitting Direct Deposit into multiple bank accounts

333 – Tax returns for Multiple Years Filed at the same time