

Corporation Tax Questions

Q1 How would I become incorporated in Maryland?

A Contact the Department of Assessment and Taxation Charter/Incorporation Information. Phone 410-767-1350 and/or 1-888-246-5941.

Q2 Is a corporation that is incorporated in Maryland, but has no activity in Maryland required to file a corporation income tax return?

A Yes, the return is still required even if the corporation has no activity in Maryland.

Q3 What are nonprofit organizations required to file with Maryland?

A A nonprofit organization for federal purposes is considered nonprofit for Maryland. The following agencies need to be contacted:

Department of Assessments and Taxation

Secretary of State – Charitable Organization Registration

R.A.D. – Legal Unit. Send a copy of IRS letter of determination.

For income tax purposes, if a federal form 990 is filed, no Maryland return is required. If a federal 990T is filed, a Maryland form 500 is required.

Q4 What is the due date for filing a Maryland corporation return?

A Form 500 is due by the 15th day of the 3rd month following the close of the taxable year/period.

Q5 What is the Maryland corporate tax rate?

A The tax rate is 8.25% of Maryland taxable income.

Q6 What is the Maryland corporate income tax return?

A The Maryland corporate return is form 500.

Q7 How is the amended return for corporations filed?

A A taxpayer would need form 500X with a copy of federal 1120X or form 1139 for a NOL carry back.

Q8 Is there a minimum tax in Maryland?

A No, Maryland has no minimum tax. A minimum tax is a tax that some states require a corporation whether or not the corporation had taxable income.

Q9 What apportionment factor should my corporation be using?

A Most corporations are generally required to use a three-factor formula of double weighted receipts, property and payroll. The sum of twice the receipts factor, property factor, and payroll factor is divided by four to arrive at the final apportionment factor.

Corporations engaged primarily in certain types of transportation operations are required to use one-factor formulas. These corporations include trucking, railroad, and shipping and airline operations.

Corporations engaged primarily in leasing or rental operations are required to use an equally weighted two factor formula of receipts and property.

Banks and similar institutions are subject to special apportionment rules. To review these rules, see Maryland Regulation 03.04.03.08.

Manufacturing corporations are subject to a special single factor formula of receipts. The rules for calculating the single factor can be found in Maryland Regulation 03.04.03.10.

If the apportionment formula does not fairly represent the extent of the Corporation's activity within Maryland, the Maryland Revenue Administration Division may alter the formula or components accordingly.

Q10 What type of business activity would not constitute a nexus? (Nexus is the connection with a state which requires the state jurisdiction to impose a tax.)

A If a corporation's activity within the state consists of only the solicitation of orders to purchase tangible personal property by or on behalf of a corporation by its employees or representatives, no nexus exists. To qualify for this exemption under the public law (86-272), such orders must be sent outside the state for approval or rejection. If approved, the order must be filled or shipped from outside the state. For details see A.R.#2.

Q11 If an out-of-state corporation has property in Maryland, will the corporation be required to file a return?

A Yes, any Maryland property owned by an out-of-state corporation would create a filing requirement (nexus) and potential taxation. If the corporation has Employees servicing their products that would also create taxation or a nexus.