

Terms and Definitions

CORPORATION

A type of business organization which is chartered by the State, has certain legal rights, and is considered as a separate entity. An income tax is imposed on domestic and foreign corporations doing business in Maryland. The current tax rate on corporations is 8.25%.

APPORTIONMENT

Apportionment is the process used by a multi-state business to divide business income between States using a formula containing apportionment factors.

APPORTIONMENT FORMULAS

The formula is composed of factors: payroll, property, and sales/revenue. These factors will represent the portion of business income derived from sources within the State. All of the factors are developed as fractions; the numerator is that portion attributable to Maryland and the denominator is the total of the same item from everywhere (From the Federal return).

Generally a three (3) factor formula of property, payroll and double weighted sales/revenue. The sum of the factors is divided by four (4) to arrive at the final apportionment factor. (When one or more factors is zero, still divide by four).

Special apportionment formulas are used by corporations engaged primarily in, including but not limited to, leasing or rental, certain types of transportation (trucks, railroads and ships), airlines, and manufacturing corporations.

CONSOLIDATED RETURN

A method of combining affiliated corporations into one filing. Maryland does not recognize this method; the individual Corporation with income in Maryland would need to file as if it stood alone; this requires the preparation of a “pro-forma” Federal return.

FOREIGN CORPORATION

Any corporation incorporated outside of Maryland.

LEGAL DOMICILE

The State in which the corporation was incorporated

MULTISTATE CORPORATIONS

Those corporations which are operating and have nexus in more than one State.

NEXUS

Some connection with the State which provides the State with jurisdiction, over a business; it enables the State to impose a tax on the business entity. The business activity conducted in Maryland will exceed the provisions of 15 U.S.C. Section 381 (P.L. 86-272). (Also see Administrative Release #2)

Some Examples are:

Maintaining a business location in Maryland, including any kind of office.

Ownership or use of property in Maryland, real or personal, whether the property is rented office space or equipment used in the manufacture and distribution of goods.

Employees soliciting and accepting orders in Maryland.

Installation or assembly of the corporation's product.

Maintaining a stock of inventory in a public warehouse or placement of the Corporation's inventory in the hands of a distributor or other non-employee representative.

Sales persons making collections on regular or delinquent accounts.

Technical assistance and training within Maryland offered by corporate personnel to purchasers or users of corporate products after the sale.

Corporate personnel repairing or replacing faulty or damaged goods.

Mobile stores in Maryland (such as trucks with driver-salesmen) from which direct sales are made.