

Income/Franchise:

Maryland: Proposed Rules Address Single Sales Factor Apportionment and Pass-through Entity Tax

Proposed Amended COMAR 03.04.03.08; 03.04.07.01 through 03.04.07.05; and 03.04.02.04, Md. Comptroller (2/11/22). The Maryland Comptroller of the Treasury has proposed administrative rule changes reflecting legislation enacted in 2018 that began phasing in single-sales factor apportionment for Maryland corporate income tax purposes for most industries so that, ultimately, single-sales factor apportionment generally applies for tax years beginning after December 31, 2021. The proposed changes also reflect that a qualifying “worldwide headquartered company” may elect to apportion its income for Maryland corporate income tax purposes using a double-weighted sales factor. Moreover, the proposed changes reflect legislation enacted in 2020 and 2021 addressing Maryland’s optional election for eligible pass-through entities to pay tax on all members’ shares of income with a corresponding income tax credit for members, applicable to tax year 2020 and onwards [see S.B. 523 (2020) and previously issued Multistate Tax Alert for more details on the enacting legislation, as well as S.B. 787 (2021) for subsequently enacted clarifying legislation], and provide that electing entities are not permitted to file a composite return. Comments on the proposal are due by March 14, 2022. Please contact us with any questions.

URL: <http://www.dsd.state.md.us/MDR/4904/Assembled.htm>

URL: <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/SB0523/?ys=2020rs>

URL: <https://www2.deloitte.com/us/en/pages/tax/articles/maryland-enacts-optional-election-allowing-pass-through-entities-to-pay-income-tax-with-respect-to-resident-members.html?id=us:2em:3na:stm:awa:tax:021822&sfid=7015Y000003WdDDQA0>

URL: <http://mgaleg.maryland.gov/mgawebsite/Legislation/Details/sb0787?ys=2021RS>

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