

## Income/Franchise:

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

*Amended COMAR 03.04.03.01, COMAR 03.04.03.08, and COMAR 03.04.03.09; 03.04.07.01 through 03.04.07.05; and 03.04.02.04, Md. Comptroller (4/22/22).* The Maryland Comptroller of the Treasury adopted 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 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 revisions 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) and S.B. 496 (2021) for subsequently enacted clarifying legislation], and provide that electing pass-through entities are not permitted to file a composite return. The rule revisions take effect on May 2, 2022. Please contact us with any questions.

**URL:** [http://www.dsd.state.md.us/MDR/4909/Assembled.htm#\\_Toc101261845](http://www.dsd.state.md.us/MDR/4909/Assembled.htm#_Toc101261845)

**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:042922&sfid=7015Y000003WdHeQAK>

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

**URL:** <https://mgaleg.maryland.gov/mgawebsite/Legislation/Details/sb0496/?ys=2021rs>

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