Income/Franchise:
Maryland: Administrative Guidance Explains Apportionment and Decoupling from Federal Income Tax

Administrative Release No. 43, Md. Comptroller (6/22); *Administrative Release No. 38*, Md. Comptroller (rev. 6/22). Recently issued administrative guidance (Administrative Release No. 43) summarizes Maryland legislation enacted in 2018 that phased in single sales factor apportionment over tax years 2018 to 2021 by increasing the weight of the sales factor each year, with single-sales factor apportionment fully phased in for tax years beginning after December 31, 2021. Administrative Release No. 43 also addresses special industry apportionment, including how, effective May 2, 2022, the Maryland Comptroller alters its regulations related to apportionment of income for members of the banking industry, requiring members of the banking industry to use single factor apportionment and employing the term "receipts" substituted for "sales." Furthermore, the summary provided by Administrative Release No. 43 reflects legislation enacted in 2020 that created an optional election for some passthrough entities to be taxed at the entity level, as well as altered the number of employees that a "worldwide headquartered company" must employ to be eligible for exemption from Maryland's mandated single-sales factor apportionment.
URL:
https://www.marylandtaxes.gov/forms/Tax_Publications/Administrative_Releases/Income_and_Estate_Tax_Releases/ar_it43.pdf
URL:
https://www.marylandtaxes.gov/forms/Tax_Publications/Administrative_Releases/Income_and_Estate_Tax_Releases/ar_it38.pdf

Other guidance (Administrative Release No. 38) has been updated and explains how Maryland income tax laws generally conform to federal income tax laws, except where the Maryland General Assembly has enacted legislation otherwise, or where Maryland is automatically decoupled due to revenue impact – describing specific instances and related compliance procedures where Maryland adjustments may be warranted to account for state decoupling from federal income tax law. Addressed provisions include federal bonus depreciation allowances and Internal Revenue Code (IRC) section 179 expensing; net operating loss (NOL) carryovers; deferral of income arising from certain discharged business indebtedness and original issue discount deduction allowances; related-party transactions; and "automatic decoupling" from certain types of federal tax law changes. Administrative Release No. 38 also summarizes the state impact of select major federal tax legislation enacted since 2002. Please contact us with any questions.

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