

Maryland Income Tax

ADMINISTRATIVE RELEASE

Administrative Release No. 8

Subject: Treatment of Partner's Share of Income, Gain or Loss from a Partnership When the Individual Partner Establishes or Abandons Maryland Residence.*

I. General

A. Many situations arise when an individual who is a partner in a partnership either establishes or abandons Maryland residence before or after the close of the partnership's taxable year.

B. A partner's share of income, gain or loss from a partnership is generally considered as received or incurred on the last day of the partnership's taxable year whether distributed to the partner or not.

C. Whether and to what extent a partner's share of income, gain or loss is taxable by Maryland depends upon:

1. The closing date of the partnership's taxable year;
2. Whether or not the partnership carried on business in Maryland; and
3. The date the individual partner established or abandoned Maryland residence.

II. Partnership Carrying on Business in Maryland

A. If a partner abandons Maryland residence:

1. On or before the last day of the partnership's taxable year, the partner's distributive share is taxable by Maryland and should be reported on a Maryland nonresident return.
2. After the close of the partnership's taxable year, the partner's distributive share is taxable by Maryland and should be reported on a Maryland resident return.

B. If a partner establishes Maryland residence:

1. On or before the last day of the partnership's taxable year, the partner's distributive share is taxable by Maryland and should be reported on a Maryland resident return.
2. After the close of the partnership's taxable year, the partner's distributive share is taxable by Maryland and should be reported on a Maryland nonresident return.

III. Partnership Not Carrying on Business in Maryland

A. If a partner abandons Maryland residence:

1. Before the last day of the partnership's taxable year, the partner's distributive share is not taxable by Maryland.
2. On or after the close of the partnership's taxable year, the partner's distributive share is taxable by Maryland and should be reported on a Maryland resident return.

B. If a partner establishes Maryland residence:

1. On or before the last day of the partnership's taxable year, the partner's distributive share is taxable by Maryland and should be reported on a Maryland resident return.
2. After the close of the partnership's taxable year, the partner's distributive share is not taxable by Maryland.

Revised: September 2008

* This release also applies to individuals that are shareholders of S corporations, members of limited liability companies (not taxed as a corporation), and beneficiaries of a business trust (not taxed as a corporation). For information on the tax imposed on pass-through entities that have a nonresident member and nonresident taxable income, please see Administrative Release No. 6.



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