



COMPTROLLER
of MARYLAND
Serving the People

MARYLAND WITHHOLDING TAX FACTS

January 2007 – December 2007

Comptroller of Maryland

This edition of Withholding Tax Facts offers information about filing your employer withholding tax form, reconciliation statement and other forms you'll find in your 2007 return booklet.

INCOME TAX RATE

Maryland's top marginal tax rate continues at 4.75 percent and the personal exemption is \$2,400 for tax year 2007. The local income tax is computed without regard to the impact of the state tax rate.

COUNTY RATES

Local tax is based on taxable income and not on Maryland state tax. If you use the percentage method to calculate the amount of state and local tax to be withheld, simply add the **actual** local tax rate to the state rate of 4.75 percent to get the combined state and local tax rate. The combined state and local tax rate should then be applied to the taxable income.

Listed below are the **actual** 2007 local income tax rates.

Allegany	2.93%	Howard	3.20%
Anne Arundel	2.56%	Kent	2.85%
Baltimore County	2.83%	Montgomery	3.20%
Calvert	2.80%	Prince George's	3.10%
Caroline	2.63%	Queen Anne's	2.85%
Carroll	3.05%	St. Mary's	3.00%
Cecil	2.80%	Somerset	3.15%
Charles	2.90%	Talbot	2.25%
Dorchester	2.62%	Washington	2.80%
Frederick	2.96%	Wicomico	3.10%
Garrett	2.65%	Worcester	1.25%
Harford	3.06%	Baltimore City	3.05%

We provide separate tables for the convenience of employers who do not withhold using an automated or computerized system, or who prefer to look up the amounts to be withheld manually. For these tables, we have continued our practice of grouping the local income tax rates into rate brackets. For 2007, we will use nine brackets: 1.25%, 2.25%, 2.60%, 2.65%, 2.85%, 2.95%, 3.00%, 3.10% and 3.20%. Refer to the county listing above and use the table that agrees with or is closest to without going below the actual local tax rate.

Taxpayers who make quarterly estimated tax payments should make the necessary adjustments for the 2007 tax year. They can use the estimated tax calculator on the Comptroller's Web site at www.marylandtaxes.com to help make the calculation.

Withholding tables can be downloaded from the Comptroller's Web site at www.marylandtaxes.com. If you do not have Internet access, you may call 410-260-7951 from Central Maryland or 1-800-MD TAXES from elsewhere.

FOR YOUR INFORMATION

- Employers or payors who are submitting 100 or more annual withholding statements are required to use magnetic media, other machine-readable or electronic formats. The employer or payor may request a waiver for this requirement and, if the Comptroller determines that the requirements will result in undue hardship to the employer or payor, the requirement may be waived.
- Accelerated taxpayers may request a waiver allowing monthly returns for the remainder of the calendar year. A renewal of the waiver is also available if eligibility to file federal withholding tax returns on a monthly basis is unchanged.

ELECTRONIC FILING

Save time and money by meeting your business tax filing obligations electronically. The payment methods listed below qualify as Electronic Fund Transfers and will meet the EFT requirement. These electronic filing and payment options are also available to taxpayers who must file and pay Maryland sales tax.

File over the Internet and pay by direct debit: Use bFile, the Comptroller's free Internet filing service for businesses, to file and pay online at www.marylandtaxes.com. bFile is a **free service** that allows you to file and make your payment by electronic funds withdrawal (direct debit). Zero reports may also be filed through the bFile service.

File and pay by ACH Credit: File and pay through your bank using the ACH Credit method. Contact your bank to see if it offers this service. Your bank may charge a nominal fee for an ACH Credit transaction.

File and pay by phone: Use your telephone and the free ACH Debit Electronic Funds Transfer (EFT) service to pay your employer withholding, sales and use tax, motor fuel tax and

(Continued on back)

corporation income tax payments. You must preregister for EFT payments. Visit the Comptroller's Web site at www.marylandtaxes.com or call 410-260-7601 for more information on the EFT program and registration requirements.

File and pay by credit card: Pay with your MasterCard®, VISA®, Discover® or American Express® card by calling Official Payments Corp. at 1-800-2PAYTAX or by visiting www.officialpayments.com. Official Payments Corp., a private credit card payment services provider, charges a convenience fee per transaction. The state does not receive this fee.

File zero reports by phone: If you **did not** withhold any Maryland income tax for a reporting period, **do not mail us your MW 506**. Instead, call 410-260-7225 to file the zero report by phone. Please have the form in front of you when you call so you will have all of the information you need to file by phone.

ANNUAL WITHHOLDING FILERS

Annual withholding tax filers receive a coupon book with four quarterly reports. Use the report with the quarter ending that corresponds with your tax end. For example, if your tax year ends between October 1 and December 31, use the fourth quarter coupon to report and pay tax withheld. The annual reconciliation Form MW 508 and state copy of federal Form W-2's issued for the previous calendar year is due on the last day of February, regardless of the quarter in which your year ends.

ANNUAL REPORT DUE FEB. 28, 2008

The annual employer withholding reconciliation report (MW 508) included in the coupon book is due February 28, 2008. You must send in the MW 508, along with the state copy of Form W-2 for each person for whom income tax was withheld.

Use your account number on all correspondence and checks relating to your income tax withholding account.

FILING YOUR RETURN

- The number one error is sending in the wrong coupon. Send in the coupon marked for the correct month.
- The number two error is incorrect figures. Please double-check your entries.
- You must complete forms MW 506, MW 506A, MW 506M, MW 506AM, MW 508 and MW 508A in black ink.
- File the "final report" form in your coupon book if you are closing your business to avoid unnecessary delinquent notices and collection action.
- You must provide each employee with a wage and tax statement, federal Form W-2, on or before January 31 each year.
- If you don't have the window envelope but do have your Form MW 506, mail it with your payment to:
Revenue Administration Division, P.O. Box 17132,
Baltimore, MD 21297-0175.

MAGNETIC MEDIA

Important Changes For Tax Year 2006

- **Reduction in the number wage statements required to be filed in machine-readable or electronic format.** Senate Bill 94 changes the number of W-2's required to be submitted to the Comptroller of Maryland in machine-readable or electronic format from 250 to 150 for calendar year 2006. For calendar year 2007, it will be further reduced to 100.
- **The layout for the "RE" record has been modified for tax year 2006.** Beginning in 2006, the "RE" record must be modified to reflect the fields from the Maryland Form MW508. The new "RE" record will eliminate the requirement to send the Transmitter Report of Magnetic Media Filing along with magnetic media.
- **Employee Withholding Allowance required for tax year 2006.** The "RS" record layout for the two-digit field 'Employee Withholding Allowance', positions 368-369 will be required for tax year 2006 and subsequent years.
- **New option for employer to file 250 or fewer W-2s.** Beginning for tax year 2006, Maryland will offer the option for employers with fewer than 250 W-2's to key W-2 data directly to our website.
- **To obtain a copy of The Magnetic Media Specification Booklet and details about our new web application, please visit our website at www.marylandtaxes.com.**

FOR QUESTIONS ABOUT...

Withholding, obtaining withholding guides or forms, lost or destroyed return booklets, corporation income tax, personal income tax, nonresident shareholders' or partners' tax – contact taxhelp@comp.state.md.us, or call 410-260-7980 from Central Maryland or 1-800 MD TAXES from elsewhere.

If you have a delinquent withholding tax collection problem, call 410-649-0621.

For the hearing impaired: TTY users call via Maryland Relay at 711 in Maryland or 1-800-735-2258 from anywhere. If you need a reasonable accommodation for a disability, or need the information in this *Tax Facts* in an alternate format, contact the Comptroller's Office.