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Subject: Deadline Extended for Maryland Corporate Income Tax Information Reporting
Date: October 23, 2008

To Our Clients and Friends:

The deadline has been extended for the new information reporting requirements for corporate groups in Maryland. By way of background, Maryland recently passed legislation requiring the reporting of certain information by members of a unitary corporate group. The information reports are required for all taxable years beginning after December 31, 2005 and before January 1, 2011. The deadline initially was October 15, 2008 for information reports for taxable years beginning after December 31, 2005 and before January 1, 2007. Subsequent information reports were due on or before seven months after the original due date of the corporation's Maryland tax return for the corresponding taxable year. As a practical matter, this rendered October 15, 2008 as the deadline for taxpayers with respect to all 2006 tax years and for 2007 calendar year filers.

Based on the passage of emergency regulations, the deadline for taxpayers to file the information reports has been extended until December 1, 2008 with respect to all 2006 tax years. Moreover, the emergency regulations provide (in essence) that information reports for taxable years beginning after December 31, 2006 and before January 1, 2011 must be submitted on or before December 1, 2008 or seven months after the original due date of the corporation's Maryland tax return for the corresponding taxable year, whichever is later. As a practical matter, this extends the deadline until December 1, 2008 for taxpayers that are 2007 calendar year filers.

The information reports must be submitted electronically. The reports must include the following information: (1) a pro forma water's edge combined corporate income tax report, including taxable income of the corporate group, eliminations to account for intercompany transactions within the corporate group, and apportionment computed under both Joyce and Finnigan methods of apportionment; (2) a report that reflects the dollar value of all property that is shipped from an office, store, warehouse, factory, or other place of storage in Maryland where the purchaser is the United States government; (3) a report that reflects the dollar value of all property that is shipped from an office, store, warehouse, factory, or other place of storage in Maryland where the seller is not taxable in the state in which the purchaser takes possession; and (4) a report that reflects the amount and source of nonoperational income of each member of the corporate group whose commercial domicile is in Maryland.

Maryland is requiring the information to analyze the fiscal effect of implementing a combined reporting corporate income tax regime and several other corporate income tax changes, as well as other statistical information about Maryland's current corporate income tax. Failure to comply with the information reporting requirements may result in stiff penalties, namely (1) \$5,000 per day for each of the first 30 days following the due date during which a report has not

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been filed; and (2) \$10,000 per day for each day after the first 30 days that a report has not been filed. All penalties assessed will be collectible from all members of the corporate group. The emergency regulations provide the Maryland Comptroller with authority to abate or decrease penalties for failure to comply with the information reporting requirements.

It should be noted that there are separate information reporting requirements for manufacturing corporations with more than 25 employees that apportion income to Maryland using the single sales factor.

If you have any questions about the Maryland corporate income tax information reporting requirements, or any other state and local tax matters, please do not hesitate to contact me.

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