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**MARYLAND
FORM
502AE**

**SUBTRACTION FOR INCOME
DERIVED WITHIN ARTS AND
ENTERTAINMENT DISTRICT(S)
INSTRUCTIONS**

2018

GENERAL INSTRUCTIONS

Who May File

A qualifying residing artist may claim a subtraction for income derived from the sale, publication, production or performance of an artistic work within an arts and entertainment district, if the artist created that artistic work within any arts and entertainment district.

The subtraction is only available to individuals. The subtraction is available to a single-member limited liability company whose member is an individual.

Required Attachments

You must attach to your Maryland return a completed Form 502AE.

Qualifying Guidelines

To qualify for the subtraction, you must be a qualifying residing artist. A qualifying residing artist means an individual who:

1. Owns or rents residential real property in Maryland;
2. Conducts a business in any arts and entertainment district; and,
3. Derives income from the sale, publication, production or performance within any arts and entertainment district of an artistic work that the individual created, wrote, composed or executed, either solely or with one or more other individuals, in any arts and entertainment district.

Artistic work - means an original and creative work, whether created, written, composed, or executed, that falls into one of the following categories:

1. A book or other writing;
2. A play or performance of a play;
3. A musical composition or the performance of a musical composition;
4. A painting or other picture;
5. A sculpture;
6. Traditional or fine crafts;
7. The creation of a film or the acting within a film;
8. The creation of a dance or the performance of a dance;
9. The creation of original jewelry, clothing, or design; or
10. Any product generated as a result of any of the categories listed above.

Artistic work does not include any piece or performance created or executed for industry-oriented or industry-related production such as a commercial or advertising copy.

Artistic work does not include tailoring services, clothing alterations or jewelry repair.

Arts and Entertainment District - means an area designated by the Secretary of the Maryland Department of Commerce as an arts and entertainment district.

SPECIFIC INSTRUCTIONS

In determining the amount of income allowed as a subtraction, the following rules shall apply:

Sale and Publication of Artistic Work

- A. Income that an artist earns from the sale or publication of artistic work:
- Created within any arts and entertainment district and sold within any arts and entertainment district qualifies for the subtraction;

- Created outside any arts and entertainment district **does not** qualify for the subtraction; or
- Sold outside any arts and entertainment district **does not** qualify for the subtraction.

B. Income received by an artist from internet, mail order and catalog sales of artistic work shipped from within a district qualifies for the subtraction, if the artist created the artistic work within any district.

C. Income in the nature of royalties, licenses or other future revenues from the sale of reproduction or publishing rights **does not** qualify for the subtraction.

Production and Performance of Artistic Work

A. Income that an artist earns from a musical performance, from the performance of a play or dance, from the showing of a film produced within a district by the artist or from acting in a film:

- Within any district qualifies for the subtraction; or,
- Outside any district **does not** qualify for the subtraction.

B. Income that an artist earns from the creation or choreography of a play or dance, the composition of music or the production of a film:

- Within any district qualifies for the subtraction; or,
- Outside any district **does not** qualify for the subtraction.

C. Income derived by an artist from the internet broadcast of an artistic work from within a district qualifies for the subtraction, if the artist created the artistic work within a district.

D. Income in the nature of royalties, licenses or other future revenues from the creation or choreography of a play or dance, the composition of music or the production of a film **does not** qualify for the subtraction.

Part A - Qualifying Residing Artist

Line 1 - Enter the individual's name who is the qualifying residing artist.

Line 2 - Enter the official name(s) of the arts and entertainment district(s) in which the qualifying artist conducts a business.

Line 3 - Enter the Maryland address of the residential real property owned or rented by the qualifying residing artist. **Do not enter a mailing address, such as a post office box or rural box number.**

Line 4 - Enter the trade or business name, if any, and the business address in the arts and entertainment district(s). **Do not enter a mailing address, such as a post office box or rural box number.**

Line 5 - Provide a brief description of the artistic work and the business activities conducted in the arts and entertainment district(s).

Part B - Income Derived within Arts and Entertainment District(s)

Line 6 - Provide a brief description of the business transactions generating the income that qualifies for the subtraction.

Line 7 - Enter the amount of the income, to the extent included in federal adjusted gross income, derived within arts and entertainment district(s) that qualifies for the subtraction. Include this amount on line dd of Form 502SU or line dd of Form 505SU.

For more information, visit our Web site at **www.marylandtaxes.gov** or email your question to TAXHELP@comp.state.md.us. You may also call 1-800-638-2937 or from Central Maryland 410-260-7980.