

MARYLAND FORM 502TP

COMPUTATION OF TAX PREFERENCE INCOME



24502T099

2024

Print using blue or black ink only.

Form fields for First Name, MI, Last Name, Social Security Number for individual and spouse.

Who must file: File this form if the total tax preference items (line 2) is more than \$10,000 (\$20,000 for a joint return).

Table with 5 rows for tax preference items (a-d) and total items, with columns for item description and amount.

GENERAL INSTRUCTIONS

An addition modification is required for certain items of income that are considered to be of a tax preference nature...

WHO MUST FILE

Any individual or fiduciary of an estate or trust with items of tax preference in excess of \$10,000 (\$20,000 for a joint return) must complete Form 502TP...

ITEMS OF TAX PREFERENCE

The items of tax preference are those listed below.

Line 1a Depletion:

Calculate the excess of the deduction for depletion allowable under IRC Section 611 for the tax year over the adjusted basis of the property at the end of the tax year.

The Depletion tax preference item does not apply to you if you are an independent producer or royalty owner claiming percentage depletion for oil and gas wells.

Line 1b Depreciation (Pre-1987 Rules):

For tax preference purposes, you must use the straight line method to figure depreciation on real property for which accelerated depreciation was determined using pre-1987 rules.

Line 1c Intangible Drilling Costs:

Enter the amount from line 2t of federal Form 6251.

Line 1d Exclusion of Gains on Sale of Certain Small Business Stock:

Enter the amount from line 2h of federal Form 6251.

The federal Form 6251 also includes adjustments to develop alternative minimum taxable income for federal purposes. These adjustments do not affect your Maryland tax preference items.

HOW TO FILE

Complete federal Form 6251.

If you have taken a deduction for depletion, or if you have taken depreciation

on your federal tax return using pre-1987 rules, follow the instructions for line 1a and/or 1b above. If you have any other tax preference item referenced in lines 1c through 1d go to Form 6251 to determine the amount reportable on Form 502TP.

NONRESIDENT AND PART-YEAR RESIDENT INDIVIDUALS

The items of tax preference of nonresident and part-year residents should include only those items properly allocated to Maryland. Generally, this includes tax preference items derived from tangible property (real and personal) permanently located in Maryland.

If all of the tax preference items reported to the IRS are allocated to Maryland, then the nonresident or part-year resident may claim the exclusion of \$10,000 for an individual return or \$20,000 for a joint return on line 3.

The partial exclusion is calculated by using a fraction, with the numerator being the dollar amount of the tax preference items based on income taxable in Maryland and the denominator being the total amount of the tax preference items, multiplied by \$10,000 for an individual return or \$20,000 for a joint return.

SMALL BUSINESS CORPORATIONS

Individual shareholders of small business corporations that have elected to be S corporations under IRC Section 1362 shall account for the corporation's tax preference items as belonging to the individual shareholders.

For more information, visit marylandtaxes.gov or email your question to TAXHELP@marylandtaxes.gov. You may also call 1-800-638-2937 or from Central Maryland 410-260-7980.