

**MARYLAND
FORM
500DM**

**DECOUPLING
MODIFICATION**



25500N099

2025

OR FISCAL YEAR BEGINNING _____ 2025, ENDING _____

Name of taxpayer(s) _____

Taxpayer Identification Number _____

Use this form only if the Maryland return is affected by the use (for any tax year) of any of the following federal provisions from which Maryland has decoupled (Decoupled Provisions):

- Certain provisions of the federal CARES Act of 2020 have an impact on business interest expense deductions, limitation on excess business losses for non-corporate taxpayers, net operation losses (NOLs), and qualified improvement property (QIP) bonus depreciation. For more information, see Technical Bulletin No. 38 at marylandcomptroller.gov.
- Special Depreciation Allowance under the federal Job Creation and Worker Assistance Act of 2002 (JCWAA) as increased and extended under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA); and subsequent federal legislation, including the American Recovery and Reinvestment Act of 2009 (ARRA).
- Carryover of a net operating loss (NOL) under IRC Section 172 without regard to an election under IRC Section 172(b)(1) (H) for a carryback period of up to 2 years (Farming loss only).
- Federal Section 179 depreciation deductions taken for a tax year beginning on or after January 1, 2003. For Maryland tax purposes, a taxpayer only is allowed to expense up to \$25,000, reduced dollar-for-dollar by the amount over \$200,000, of the cost of Section 179 property that is purchased and put in service for a trade or business for the tax year. For vehicles placed in service after May 31, 2004, Maryland also has decoupled from the higher depreciation deduction for certain heavy duty SUVs allowed under Internal Revenue Code Section 280F.
- Deferral of recognition of income from discharge of indebtedness under the ARRA.
- Deferral of deduction for original issue discount in debt for debt exchanges under the ARRA.
- Full expensing of domestic research and experimental (R&E) expenditures under One Big Beautiful Bill Act (OBBA) of 2025.
- Modification of limitation on business adjusted taxable income (ATI) calculation for depreciation, amortization, or depletion under OBBA.
- Special depreciation allowance for qualified production property under IRC Section 168(n) as added by OBBA.

Part A

Read instructions and complete the worksheet.	Column 1 Federal Return as Filed	Column 2 Federal Return without Decoupled Provisions	Column 3 Difference Increase/ Decrease (-)
1. Depreciation Deductions Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00
2. NOL Deductions Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00
3. Original Issue Discounts Subtract the amount in Column 1 from the amount in Column 2 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00
4. Discharge of Business Indebtedness Subtract the amount in Column 1 from the amount in Column 2 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00

Part B

5. Expensing Domestic R&E Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00
6. Business ATI Calculation Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00
7. IRC 168(n) Depreciation Subtract the amount in Column 2 from the amount in Column 1 and enter in Column 3. If less than 0, enter as a negative amount (-).	_____00	_____00	_____00

Part C

8. Other Changes (See instructions.)	_____00
9. Decoupling from PTE. (See instructions.)	_____00

Part A										
Return Filed	If amount in column 3 is positive enter on the line for:	Use the following code if there is an amount above on:				If amount in column 3 is negative enter on the line for:	Use the following code if there is an amount above on:			
		Line 1	Line 2	Line 3	Line 4		Line 1	Line 2	Line 3	Line 4
500	Addition Adjustments	e	f	de	cd	Subtraction Adjustments	j	k	de	cd
502	Other Additions	l	m	de	cd	Other Subtractions	bb	cc	de	cd
504 Sch A	Other Additions	No code required				Other Subtractions	No code required			
505	Other Additions	j	k	de	cd	Other Subtractions	bb	cc	de	cd
502X	Additions to Income	No code required				Subtractions from Income	No code required			
505X	Additions to Income	No code required				Subtractions from Income	No code required			

Part B								
Return Filed	If amount in column 3 is positive enter on the line for:	Use the following code if there is an amount above on:			If amount in column 3 is negative enter on the line for:	Use the following code if there is an amount above on:		
		Line 5	Line 6	Line 7		Line 5	Line 6	Line 7
500	Addition Adjustments	da	db	dc	Subtraction Adjustments	da	N/A	Reserved
502	Other Additions	da	db	dc	Other Subtractions	da	N/A	Reserved
504 Sch A	Other Additions	No code required			Other Subtractions	No code required		
505	Other Additions	da	db	dc	Other Subtractions	da	N/A	Reserved
502X	Additions to Income	No code required			Subtractions from Income	No code required		
505X	Additions to Income	No code required			Subtractions from Income	No code required		

General Instructions

Purpose of Form

Maryland has decoupled from certain federal provisions, as listed at the top of Form 500DM, by enacting addition and subtraction modifications which eliminate the effect of the changes on Maryland and local taxes. This form is used to determine the amount of the required modification.

Note: Attach the completed Form 500DM to your return.

Use of Pro Forma Returns

Separate (pro forma) federal and Maryland returns must be prepared for use in completing Form 500DM. In addition to calculating depreciation and NOL deductions without the benefits afforded under the federal provisions from which Maryland has decoupled, pro forma returns also will help to determine other related items that affect Maryland and local income tax liability (e.g., income items, addition and subtraction modifications, deductions and credits).

Additional Information

For more information regarding these modifications, see Technical Bulletin 38 at marylandcomptroller.gov.

Specific Instructions

Column 1 – Federal Return as Filed

Column 1 (lines 1 through 7) is used for the amounts reported on the federal return which **include** the impacts of the Decoupled Provisions.

Column 2 – Federal Return Without Decoupled Provisions

Column 2 (lines 1 through 7) is for the amounts which would have been reported on the federal return without regard to the Decoupled Provisions.

Column 3 – Change – increase/decrease (-)

Lines 1, 2, 5, 6, and 7 – Subtract the amount in Column 2 from the amount in Column 1. Enter in Column 3.

Lines 3 and 4 – Subtract the amount in Column 1 from the

amount in Column 2. Enter in Column 3.

Line 8 is for the change to taxable income in other related items (calculated before and after application of the Decoupled Provisions) that would affect taxable income.

If the change decreases taxable income, enter the amount with a minus sign (-) in front of the number.

For each line with an amount in Column 3, report the amount on the appropriate Maryland return using the code(s) from the table(s) above. If the number in Column 3 for each row is positive, report the amount as an addition modification. If the number in Column 3 for each row is negative, report the amount as a subtraction modification.

Line 1 – Depreciation Deductions

Use line 1 only for the depreciation expense deductions excluding depreciation under IRC Section 168(n) which is reported on line 7.

Line 2 – NOL Deductions

Use line 2 for NOL deductions. For Columns 1 and 2, limit the deductions for non-corporation taxpayers so that the deduction may not exceed the federal modified taxable income as determined on federal Form 172. If more than one loss year, attach a schedule providing the amounts on line 2 applicable to each loss year. For corporation taxpayers filing Form 500, the **impact** of the decoupling on the NOL Deduction is no longer calculated on Form 500DM with the other decoupling modifications. Instead, a pro forma or adjusted federal taxable income is first computed to include the effect of the other decoupling modifications, and then the pro forma or adjusted federal NOL is applied to reduce the pro forma or adjusted federal taxable income, to no less than zero. **For more information about these deductions, see Administrative Release 18 and the CARES Act of 2020 (see Tax Alert 7-24) at marylandcomptroller.gov.**

Line 3 – Deferred Deduction for Original Issue Discount (OID)

Use line 3 to reflect the subtraction to income resulting from

Maryland's decoupling from the federal deferral of deduction for OID. The deferral or deduction must be claimed in debt-for-debt exchanges. If the deduction was deferred by a pass-through entity, partners, shareholders or members should report only their share of the deferred deduction. In those years when the Internal Revenue Code permits the deduction, line 3 will reflect an addition to income.

Line 4 – Deferred Discharge of Indebtedness Income

Use line 4 to report the addition to income resulting from Maryland's decoupling from the federal deferral of income arising from business indebtedness discharged by reacquisition of a debt instrument. If the income was deferred by a pass-through entity, partners, shareholders or members should report only their share of the deferred income. In those years when the Internal Revenue Code requires the ratable inclusion of this income, line 4 will reflect a subtraction to income.

Line 5 – Expensing of Domestic Research and Experimental Expenditures

Use line 5 to report the modification to income resulting from Maryland's decoupling from the federal allowance of full expensing of qualifying domestic research and experimental expenditures. In Column 1, report the amount of Domestic R&E expensed on the federal return. In Column 2, recompute the Domestic R&E deduction for capitalization and amortization over a 5-year period and enter the applicable amount for the current taxable year. **NOTE:** Generally, for tax year 2025 this is an addition modification. Filings in subsequent tax years should reflect the 5-year amortization and may result in Maryland subtractions. Maryland has also decoupled from Section 70302(f) of OBBB that allows certain eligible taxpayers to file amended federal returns for tax years 2022 to 2024. Taxpayers who file an amended federal return for tax year(s) 2022 to 2024 may have a Maryland subtraction modification for tax year 2025.

Line 6 – Business Adjusted Taxable Income Calculation

Use line 6 to add back any excess interest deduction attributable to including depreciation, amortization, or depletion in the calculation of a business's adjusted taxable income on the federal return. In Column 1, enter the business interest deduction on the federal return. In Column 2, recalculate the business interest deduction by excluding depreciation, amortization, or depletion from the business's adjusted taxable income and enter the amount. **NOTE:** Decoupling for Line 6 will only be an addition modification.

Line 7 – Special depreciation for qualified production property

Use line 7 only to report the depreciation expense deductions under IRC Section 168(n) for special depreciation allowance for qualified production property. In Column 1, report the amount of special depreciation expense deductions for qualified production property on the federal return. In Column 2, recompute the depreciation based on the applicable rate from IRS Publication 946 excluding IRC Section 168(n) and enter the applicable amount for the current taxable year. **NOTE:** For tax year 2025 this is an addition modification. Filings in subsequent tax years should reflect the amortization from IRS Publication 946 and may result in Maryland subtractions.

For more information on the One Big Beautiful Bill Act and decoupling go to marylandcomptroller.gov.

Line 8 – Other Changes

Decoupling also may affect other items included in federal adjusted gross income and allowable itemized deductions, as well as Maryland addition and subtraction modifications. Because these items also affect Maryland taxable income, the decoupling modification must include an adjustment for these changes. If the net change for these items reduces taxable income,

enter as a negative amount (-). Use code dm for changes not reported within any other code for decoupling modifications. **See Technical Bulletin 38 for scenarios with examples of certain items that affect decoupling.**

Line 9 – Decoupling from Pass-Through Entity (PTE)

Enter the total value of decoupling modification(s) received from a pass-through entity on line 9. Members of a pass-through entity must report which specific decoupling modification(s) and code(s) affected income received from the pass-through entity. See **Income from a PTE** below.

Credits

For Maryland income tax credits affected by the Decoupling Provisions, enter on the return to be filed credits as calculated on the Maryland pro forma return without the Decoupling Provisions.

Note: If a credit for a tax paid to another state was claimed on the original return and the tax liability to the other state and/or Maryland changes as a result of the treatment of decoupling provisions in either state, a revised Form 502CR must be completed using the Maryland and the other state's returns as filed, including all amendments and modifications.

Pass-Through Entities

If the entity is a PTE (partnership, S-corporation, limited liability company or business trust), no adjustment is made on the PTE's Maryland income tax return (Form 510 or 511). However, Form 500DM must be submitted with Form 510 or 511 and the PTE must provide each partner, shareholder or member a statement showing their share of each decoupling modification with the appropriate code(s). See Instructions for Form 510/511 K-1.

Income from a PTE

Each partner, shareholder or member that has a decoupling modification from a PTE also must complete Form 500DM and allocate their share of each decoupling modification according to the value(s) and code(s) reported to them by the PTE. Also use the decoupling modification(s) amount to adjust the income from the PTE on the pro forma federal return to determine if other related changes exist. Other related changes would be entered on line 8 of Form 500DM. Do not include any decoupling modification from a PTE on the Maryland pro forma return.

Attachment of Forms

- **Original Return** Attach the completed Form 500DM to the Maryland income tax return to be filed. **Pro forma returns used to complete this form are not to be filed with the Comptroller of Maryland or the IRS, but should be retained with your tax records.**
- **Amended Return** Attach the completed Form 500DM, schedules and pro forma returns to the amended return to be filed.

For questions concerning Form 500DM contact:

Taxpayer Services Division
410-260-7980 or
toll-free at 1-800-MDTAXES or (800-638-2937)
marylandcomptroller.gov.