**Maryland Payroll Taxes**

**MD State Income Tax Withholding**

Maryland Employer Withholding Guide: <https://www.marylandtaxes.gov/forms/current_forms/Withholding_Guide.pdf>

**Who Must Withhold MD State Income Taxes**

An employer that pays wages or other compensation to employees for services performed within MD State is required to register with the Revenue Administration Division by filing a Combined Registration Application Form CRA. The employer will be assigned a Central Registration Number (CRN) that will be used for employer income tax withholding as well as most other Maryland business taxes. Register online at [https://interactive.marylandtaxes.gov/webapps/comptrollercra/entrance.asp#](https://interactive.marylandtaxes.gov/webapps/comptrollercra/entrance.asp).

Employers will fall into one of five types of filing categories:

• Accelerated – those employers who were required to withhold $15,000 or more for the preceding calendar year and who have $700 or more of accumulated withholding are required to remit the withholding payment within three business days following that payroll (pay date). You may request a waiver allowing monthly returns. A renewal of the waiver is also available if eligibility to file federal withholding tax returns on a monthly basis is unchanged. Pay date is defined as the date the paychecks are made available to employees.

• Quarterly – those employers with less than $700 of withholding per quarter who are required to remit the tax withheld on a quarterly basis.

• Monthly – those employers with more than $700 of withholding in any one quarter who are required to remit the tax withheld on a monthly basis.

• Seasonal – those employers who operate only during certain months. You must obtain prior approval to file on a seasonal basis. If approval is granted, you will only be required to file reports during the period your business is in operation.

• Annual – those employers with less than $250 withholding per calendar year are required to remit the tax withheld on an annual basis. The due date for filing an annual Form MW506 is the last day of January following the year to which such withholding applies. In addition, annual filers must file the Annual Reconciliation Form MW508 with the Form W-2 for each employee.

Due dates of returns are as follows:



If you do not owe tax, you are still required to file a return. In this case, file a zero report.

Additionally, twenty-three counties in Maryland and Baltimore City levy a local income tax *based on where employees live*, not where they work. Amounts to be withheld are built into the wage bracket tables for withholding state income tax. There is a different state/county table for each different county rate (with each county rate built into that table). For the convenience of local governments, this tax is collected with the state income tax.

Employers are also required to submit an annual employer withholding reconciliation return (Form MW508) to the Comptroller of Maryland by the due date January 31st of each year, showing the prior year's wage and withholding information. Form MW508 is available at [www.marylandtaxes.gov](http://www.marylandtaxes.gov). You must send in the bar coded MW508 corresponding with the proper tax year along with the state copy of Form W-2 for each person for whom income tax was withheld.

File Withholding Returns, remit payments, and view history electronically using MD bFile: <https://interactive.marylandtaxes.gov/Business/bFile/OSC/SelectApp.aspx>.

**MD W-4 Requirements**

At the time of or before hiring a new employee, the employer must obtain a certificate of exemption, Maryland Form MW507, from the employee. Form MW507 may be obtained online at <https://www.marylandtaxes.gov/individual/income/income-forms-index.php#withholding>.

**MD State Unemployment Insurance**

In general, workers are covered by the unemployment law of the state in which the work is performed. In Maryland, the UI program is administered by the Maryland Department of Labor, Division of Unemployment Insurance (the Division). The Division uses the Combined Registration Application to determine if an employer is liable to pay Maryland UI taxes. If the employer is liable, a UI employer account number is established. For Maryland UI purposes,

there are two main types of employers - contributory and reimbursable.

* A contributory employer pays quarterly UI taxes, which are based on the employer’s benefit charges and the taxable wages the employer reported to the Division.
* A reimbursable employer (government entities and certain non-profit organizations) may choose to reimburse the state for benefits charged against their account, instead of paying UI taxes.

Taxable wages include total compensation paid up to the taxable wage base limit of **$8,500** before any deductions are made. Employers must file quarterly UI contribution reports, even if there are no employees and no wages are paid in a quarter. In this case, an employer should report “zero” as the wage amount. The requirement to file contribution reports ends when the Division issues a letter to the employer verifying that the employer’s UI account is closed. You can close your account by contacting the Employer Call Center (410-949-0033), emailing dluiemployerassistance-labor@maryland.gov or in BEACON.

Due dates for filing quarterly contribution reports are summarized below:



If the due date is a Saturday or Sunday, reports are due on the next business day.

The Maryland Division of Unemployment Insurance BEACON UI system integrates all benefits, appeals, and tax functions. Employers can use BEACON to perform several UI tasks, conveniently online, 24/7, at: <https://employer.beacon.labor.md.gov/>.

MD has adopted the Interstate Reciprocal Coverage Arrangement for unemployment insurance. Under this arrangement, if an employee works in more than one state, an employer may elect to cover all the services of such a worker in any state in which: (1) any part of the worker's service is performed, (2) the worker has his or her residence, or (3) the employer maintains a place of business. The agreement should be initiated through the state where the employer wants to report the payroll. A Washington employer may request to elect reciprocal coverage with another state by following the filing process outlined by Washington Administrative Code 192-300-150: <https://app.leg.wa.gov/wac/default.aspx?cite=192-300-150>.

**MD State Workers’ Compensation**

Worker's compensation insurance coverage for employees is required of every employer in

Maryland. This coverage may be obtained from a private carrier, the Injured Worker's Insurance Fund (IWIF) or by becoming self-insured. Contact the IWIF, 8722 Loch Raven Boulevard, Towson, Maryland 21204-6285. (410) 494-2000 or 1-800-492-0197.

Washington State Department of Enterprise Services (DES) administers a Workers' Compensation Insurance program for state workers. If your employee works outside of Washington in a single other state for more than 30 days (240 hours) per year, **your agency must work with DES** to insure your out-of-state employee. For more information, contact Kimberly Haggard kimberly.haggard@des.wa.gov at DES Risk Management.

**MD State Paid Family / Medical Leave**

Under legislation passed into law despite a gubernatorial veto in April 2022, Maryland’s newly established Family and Medical Leave Insurance (FMLI) program will require employees of employers with 15 or more employees, and self-employed individuals to contribute to the Family and Medical Leave Insurance Fund beginning on July 1, 2025. Employers and employees will split the contributions 50-50.

If your employee is living in and performing all of their work in MD, then your agency should report to MD and have the employee pay in to MD’s FMLI program, once it has been implemented, to ensure the employee is eligible for benefits if they need them.

If agencies have policy questions, they are asked to email Washington Employment Security Department at esddlpfmlpolicy@esd.wa.gov.

**Helpful resources for Maryland**

For MD withholding questions, email taxhelp@marylandtaxes.gov or call 800-638-2937.

MD Employer Withholding website: <https://www.marylandtaxes.gov/business/income/withholding/index.php>

MD Division of Unemployment Insurance website: <https://www.dllr.state.md.us/employment/unemployment.shtml>

MD Dept of Labor Employers’ Quick Reference Guide issued by Division of Unemployment Insurance: <https://www.labor.maryland.gov/employment/empguide/empguide.pdf>.