

How to complete the Maryland Form 1: Annual Report and Personal Property Tax Return

What is the form my nonprofit organization must complete?

Nonprofit organizations (called “nonstock corporations” in Maryland) must complete the Maryland Form 1, which is divided into two forms, the Annual Report and the Business Personal Property Tax Return, and a supplemental Form SD-1. These forms address “personal property” owned by business entities and nonprofit organizations in Maryland. Personal property includes all property other than real estate, and includes things like computers, phones, furniture, inventory, equipment, tools, machines, books, artwork, supplies, and fixtures.

Every nonprofit must file the two-page Form 1 Annual Report. There is no filing fee for nonprofit organizations to file. If your organization does not own, lease, or use any personal property, or the total original cost of all its personal property was less than \$2,500 and it does not lease any personal property, this is the only form it must complete. However, if your organization owns or leases any personal property, and the total original cost of that property was more than \$2,500, the organization may need to complete the Business Personal Property Tax Return. If your organization leases any personal property from someone else, it will also need to complete the Business Personal Property Tax Return.

- Form 1 Annual Report:
https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/Form1_AR_2020.pdf
- Form 1 Business Personal Property Tax Return:
https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/AY_Form1_PPR-2020.pdf
- Combined Form 1 Annual Report and Business Personal Property Tax Return:
https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/2020-Form1-AnnualReportPersonalPropertyTaxReturn.pdf
- Form SD-1 supplemental details:
https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/2019_FormSD1.pdf
- Instructions:
https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/Form1_Instructions_2020.pdf
- For more information: <http://dat.maryland.gov/businesses/Pages/Business-Personal-Property.aspx>

When do we complete the Annual Report (and if required, the SD-1 and Personal Property Tax Return)?

Every year by April 15th. If you missed a year, you must complete the form for every missed year. Prior year forms are available at <http://dat.maryland.gov/Pages/sdatforms.aspx#BNE>. You may request a 60 day extension of the filing deadline by visiting the Personal Property Extension site at <http://pprextensions.dat.maryland.gov/>. Extension requests must be made on or before April 15th.

Why complete the tax form(s)?

To maintain the organization's incorporation with the state of Maryland. If you do not complete the form, the organization's incorporated status will be forfeited, and you will need to go through the process of reviving the corporation, and paying another fee to the state.

How to complete the Annual Report

The form can be found online at

https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/Form1_AR_2020.pdf

- Check "Domestic Non-Stock Corporation" in the upper left.
- Section I: Fill in the information requested.
 - To find the MD Department ID Number for your organization and the date of incorporation, search for your organization by name at <https://egov.maryland.gov/BusinessExpress/EntitySearch>.
 - The Federal Employer Identification # is the EIN your organization uses with the IRS.
 - If your organization does not have a Federal Principal Business Code or Trading As Name, leave these sections blank.
- Section II: Fill in the information requested about your organizations Officers and Directors.
 - If the organization is a Maryland nonprofit with an operating budget over \$5 million annually, it must list the total number of Directors and the total number of female Directors. (See Tax-Property Article §11-101)
- Section III: Answer the questions about personal property.
 - For Question A, choose "yes" if the organization owns or leases any personal property (like office supplies, computers, phones, furniture, equipment, books, etc.; personal property is any property other than real estate).
 - For Question B, choose "yes" if the organization has a Trader's License (sometimes called a business license) issued by a court or local government.
 - For Question C, provide information on the gross sales (if any).
 - For Question D, answer based on whether the organization sold, transferred, or otherwise disposed of all its personal property before January 1st.
- Section IV: Have a Corporate Officer complete this section. If someone other than a Director (like an accountant or attorney) helped complete the form, have them complete Question B.

Do we need to complete the Business Personal Property Tax Return or the Form SD-1, in addition to the Annual Report?

If all of the personal property owned or leased by your organization had a total original cost less than \$2,500, that personal property is not subject to valuation or to property tax. (Tax Property Article § 7-245) You can write on the Annual Report that "The organization is exempt from personal property taxes under Tax Property Article § 7-245." You do not need to complete the Business Personal Property Tax Return, and the Form SD-1 is optional.

If your organization leases any personal property from someone else (such as a copier or other equipment), it should complete the Business Personal Property Tax Return.

If your organization owns any personal property, and the total original cost of that personal property was more than \$2,500, the organization may need to complete the Business Personal Property Tax Return.

How to complete the Business Personal Property Tax Return

Your organization should complete this form if it leases any personal property from someone else (such as leasing a copier), and the business it leases it from does not report the property on its Form 1. The form can be found online at

https://dat.maryland.gov/SDAT%20Forms/PPR_Forms/2019_Form1PPR.pdf.

- Enter the name of the organization and the MD Department ID Number.
- Section V-VII: Complete the information requested. See above for exempt organizations.

Is my organization exempt from personal property tax?

In the past, the state considered nonprofit organizations exempt from personal property taxes, and did not require them to complete the entire personal property tax form, the way for-profit businesses must. Now, it is unclear how these requirements apply to nonprofit charitable organizations. We have been told by the state that being incorporated as a nonstock corporation in Maryland, or recognized as a 501(c)(3) tax exempt organization by the IRS, **does not** make an organization automatically eligible for personal property tax exemption. Some organizations, like religious groups, nonprofit hospitals, and cemetery and mausoleum companies, are automatically exempt from personal property tax. Other groups may apply for and receive exemptions from this tax (see below for information on applying for exemption). Under Tax Property Article § 7-245, if the total value of all of an organization's personal property statewide had a total original cost less than \$2,500, the property is not subject to valuation or to property tax. If your organization qualifies for an exemption from personal property tax, it should write on the Annual Report "The organization is exempt from personal property taxes under [Section 7-202 or 7-245] of the Tax Property Article of the Annotated Code of Maryland."

Apply for a personal property tax exemption:

Charitable organizations may apply for a personal property tax exemption, which if received would exempt them from personal property tax, and they would not need to file the Business Personal Property Return (see MD Code Tax-Property Article 7-202). You can find an exemption application online at http://dat.maryland.gov/SDAT%20Forms/pp_Charitable.pdf.

File the forms:

- File online at <https://egov.maryland.gov/businessexpress>
- OR mail the completed form(s) to:
Maryland Department of Assessments and Taxation
Annual Report
PO Box 17052
Baltimore, Maryland 21297-1052
- OR hand deliver the completed form(s) to: State of Maryland - State Center, 301 W. Preston Street, Room 801, Baltimore, MD 21201

Sign up online for more information from SDAT:

<https://public.govdelivery.com/accounts/MDSDAT/subscriber/new?preferences=true>

Check your organization's status: <https://egov.maryland.gov/BusinessExpress/EntitySearch>

For more information, contact SDAT's Personal Property Valuation Unit:
SDAT.PersProp@Maryland.gov or (410) 767-1170



This form is for informational purposes only and shall not be construed as legal advice. Legal advice must be tailored to the specific circumstances of each case and laws are constantly changing. Organizations should seek the assistance of competent legal counsel for specific legal advice. **To request legal assistance for a nonprofit in Maryland, contact Ingrid Hitchens (410.366.0922 x113 or ingridh@communitylaw.org) or download an Application for Legal Services at <http://communitylaw.org/apply-for-services/>.**