

PwC's Law Firm Services News Alert

U.S. Supreme Court finds Maryland's failure to provide a tax credit to residents for the local portion of personal income tax for out-of-state income to be in violation of "dormant" Commerce Clause and thereby unconstitutional



May 19, 2015

In a 5-4 decision issued yesterday, the United States Supreme Court has upheld a Maryland Court of Appeals' decision that Maryland's absence of a credit against the local portion of the state's personal income tax, with respect to a Maryland resident's out-of-state pass-through income from an S corporation, is unconstitutional. See Maryland State Comptroller of the Treasury v. Wynne, Slip Op. 13-485 (May 18, 2015) - http://www.supremecourt.gov/opinions/14pdf/13-485_o7jp.pdf

Maryland resident taxpayers of law firm partnerships that had filed protective refund claims with Maryland should now be entitled to those refunds. However, PwC expects some time lag to occur as Maryland likely did not process any refund claims while the appeal was pending. Once the State issues guidance on this matter, PwC will issue a follow-up alert.

If a taxpayer has not yet filed with Maryland for a refund on this issue, they should consider doing so now. The statute of limitations in Maryland is three years. Going forward, Maryland residents receiving income from out-of-state sources should be able to take a credit on the local portion of their Maryland income tax.

For an earlier LFS News Alert on this case, please visit:

<http://www.pwc.com/us/en/law-firms/assets/pwc-news-alert-lfs-2013.pdf>

Contact PwC's Law Firm Services for further details

If you have any questions, please contact:

Stanley Kolodziejczak at +1 (646) 471-6130 or stanley.kolodziejczak@us.pwc.com

Gary M. Pogharian at +1 (646) 471-7202 or gary.m.pogharian@us.pwc.com

Gregg Sincoff at +1 (646) 471-1335 or gregg.sincoff@us.pwc.com

Steve Arluna at +1 (703) 918-1521 or steve.arluna@us.pwc.com

Carolyn Makuen at +1 (646) 471-7942 or carolyn.makuen@us.pwc.com

Renee P. Padousis at +1 (703) 610-7455 or renee.p.padousis@us.pwc.com

or any member of your PwC Law Firm Services team