

Maryland Two-Income Subtraction

- [Line 14. Two-Income Subtraction](#)

The Two-Income Subtraction is a deduction of up to \$1,200 on a MFJ tax return, determined by the amount of taxable income for Maryland, after all other deductions have been taken, attributable to the spouse with the smaller taxable income after all other deductions. TaxSlayer will give an accurate number if all income had been attributed to one spouse or the other when input into the Federal return, unless any of the following exist on the tax return.

Subtractions from income: (Each of following four items corresponds to the first four adjustments in TaxSlayer under "Two Income Subtraction").

- Required allocation to each taxpayer of the **state tax refund**. (Line 8 on Form 502)
- Required allocation to each taxpayer of **childcare expenses**. (Line 9 on Form 502)
- Required allocation to each taxpayer of **non-resident income**. (Line 12 on Form 502)
- Required allocation to each taxpayer of **Subtractions from MD AGI** recorded on form **502SU**.

Additions to income: (Each of the following four items corresponds to the second four adjustments in TaxSlayer under "Two Income Subtraction")

- Allocation of Tax-exempt interest on state and local bonds other than Maryland. (Note that this could also be allocated on the Federal interest income input screen.)
- Allocation of lump-sum distributions.
- Allocation of any other Additions to income for Maryland. (Line 6 of form 502.)
- Adjustments to State Calculated AGI. This could be caused by:
 - Capital Gain loss carry forward or net capital gain loss for TP or Spouse. (Note that losses are additions to MD income.)
 - Allocations for Alimony payments, Student Loan Interest, or Self-Employed Health Insurance (SEHI).
 - Rents or royalties from Schedule E allocated to TP or Spouse.

Note to preparers:

The preparer should examine the form 502 Line 14 to see if the Two-Income Subtraction calculated by TaxSlayer is what you would expect. The worksheet 13D will show how it allocated Additions and Subtractions, in sum. If the Two-Income Subtraction is not correct, adjustments on the Two Income Subtraction screen should be made until it is correct. Even if it is correct, some entries may have to be made to appease TaxSlayer and enable you to proceed to e-filing. If the Two-Income Subtraction is correct and TaxSlayer is OK with it, there is no good reason to make entries that will not affect line 14.