

Maryland Employer Withholding Guide 2023



This guide is effective January 2014 and includes local income tax rates. These rates were current at the time this guide was developed. The Maryland Legislature may change this tax rate when in session. During this time, please check our Web site at www.marylandtaxes.com for any changes.

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(See Revision Notes on Page 3)

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Maryland Employer Withholding Guide 2023 is an essential resource for employers navigating the complexities of state income tax withholding requirements. As businesses strive to remain compliant with tax laws, understanding the intricacies of Maryland's withholding regulations is crucial for maintaining accurate payroll and avoiding penalties. This guide will provide an in-depth look at the key components of employer withholding in Maryland for the year 2023, including the withholding tax rates, employee classifications, filing requirements, and common pitfalls to avoid.

Understanding Maryland Withholding Tax

Withholding tax is the amount an employer must deduct from an employee's

wages and remit to the state of Maryland. This deduction is a prepayment of the employee's state income tax liability. The Maryland Comptroller's Office administers these withholding requirements, and it's important for employers to keep up with any changes in legislation or tax rates.

Who is Required to Withhold?

Employers are required to withhold Maryland state income tax from wages if:

1. The employee is working in Maryland, regardless of where the employer is based.
2. The employee is a Maryland resident working for an employer outside of the state.
3. The employee is a non-resident working for a Maryland employer.

Employee Classification

Understanding the classification of employees is key to accurate withholding. In Maryland, employees can be classified into different categories that affect withholding amounts:

- Regular Employees: Typically receive a W-2 form for reporting wages and taxes withheld.
- Contractors and Freelancers: Often receive a 1099 form and may not have taxes withheld unless specifically requested by the contractor.
- Seasonal Workers: May have different withholding requirements depending on their employment duration.

Maryland Withholding Tax Rates for 2023

For 2023, Maryland's income tax rates continue to be progressive, meaning that higher income levels are taxed at higher rates. The rates are as follows:

- 2% on the first \$1,000 of taxable income
- 3% on taxable income over \$1,000 but not over \$2,000
- 4% on taxable income over \$2,000 but not over \$3,000
- 4.75% on taxable income over \$3,000 but not over \$100,000
- 5% on taxable income over \$100,000 but not over \$125,000
- 5.25% on taxable income over \$125,000 but not over \$150,000
- 5.75% on taxable income over \$150,000

In addition, local counties in Maryland may impose their own income tax rates, which employers must also consider when calculating withholding amounts.

Withholding Calculation

Employers can calculate withholding amounts using the following steps:

1. Determine Employee's Filing Status: The employee's choice of filing status (single, married, etc.) affects the withholding calculation.
2. Use the Maryland Withholding Exemption Certificate: Employees must complete Form MW507 to indicate exemptions and the number of allowances they are claiming.
3. Consult the Maryland Withholding Tax Tables: Employers can use the tables provided by the Maryland Comptroller to find the appropriate withholding amount based on the employee's wages and filing status.
4. Consider Additional Withholding: Employees may choose to have additional amounts withheld from their paychecks, which should be accounted for in the calculation.

Example Calculation

To illustrate the calculation, consider an employee with a gross monthly wage of \$4,000 who is married and claims two allowances:

1. Determine the annualized wage: $\$4,000 \times 12 = \$48,000$.
2. Identify the applicable tax rate: Since \$48,000 falls between \$3,000 and \$100,000, the tax rate is 4.75%.
3. Calculate withholding: Using the tax tables, find the withholding amount for a married employee with two allowances and a monthly wage of \$4,000.
4. Adjust for allowances: Subtract the value of the allowances from the calculated withholding.

Filing and Payment Requirements

Employers in Maryland must follow specific filing and payment requirements to ensure compliance:

- Frequency of Payments: Employers must remit withheld taxes on a monthly or quarterly basis, depending on the total amount withheld in the previous year.
- Monthly: If the total withholding tax is \$1,200 or more in the previous calendar year.
- Quarterly: If the total withholding tax is less than \$1,200.
- Filing Forms: Employers are required to file Form MW508 to report and pay withheld taxes.
- Due Dates: Payments are due by the 15th day of the month following the pay period.

Penalties for Non-Compliance

Failure to comply with Maryland's employer withholding requirements can result in significant penalties. Common penalties include:

- Failure to Withhold: Employers may be liable for the amount that should have been withheld.
- Late Payment Penalties: Employers can incur penalties for late payments, typically calculated as a percentage of the unpaid tax.
- Interest on Unpaid Taxes: Interest may accrue on any unpaid withholding taxes until they are paid in full.

To avoid these penalties, employers should regularly review their withholding practices and stay informed about changes to tax laws.

Resources for Employers

Employers seeking additional information or assistance can utilize the following resources:

- Maryland Comptroller's Office: The official site provides access to forms, tax tables, and updates on legislation.
- Local Tax Professionals: Hiring a tax professional with expertise in Maryland payroll laws can help navigate the complexities of withholding.
- Workshops and Seminars: The Maryland Comptroller's Office often holds workshops to educate employers about withholding regulations and compliance.

Conclusion

The Maryland Employer Withholding Guide 2023 serves as a vital tool for businesses to ensure accurate withholding and compliance with state tax laws. By understanding the withholding tax rates, filing requirements, and potential penalties, employers can better manage their payroll processes. Staying informed and utilizing available resources will help businesses fulfill their obligations while avoiding costly mistakes. As tax regulations can change, it is advisable for employers to regularly check for updates from the Maryland Comptroller's Office to ensure they are compliant with the latest requirements.

Frequently Asked Questions

What is the Maryland Employer Withholding Guide for 2023?

The Maryland Employer Withholding Guide for 2023 provides employers with detailed information on how to withhold state income taxes from employee wages, including updated tax rates, tables, and regulations.

Where can I find the Maryland Employer Withholding Guide for 2023?

The Maryland Employer Withholding Guide for 2023 can be found on the official Maryland State Comptroller's website, where it is available for download in PDF format.

What are the key changes in the Maryland Employer Withholding Guide for 2023 compared to 2022?

Key changes often include updated tax rates, adjustments to withholding tables, and any new legislation affecting employer responsibilities or employee tax credits.

How do I calculate employee withholding using the 2023 guide?

To calculate employee withholding, employers should refer to the withholding tables in the guide, input the employee's gross wages, and apply the appropriate tax rate based on the employee's filing status.

Are there specific forms associated with the Maryland Employer Withholding Guide for 2023?

Yes, employers must use Form MW507 to determine the correct amount of Maryland state income tax to withhold from employee wages, as well as Form MW508 for annual reconciliation.

What should employers do if they have employees working in multiple states?

Employers should review the withholding requirements for each state where their employees work, as they may need to withhold Maryland taxes as well as taxes for other states.

What are the penalties for not complying with the Maryland Employer Withholding Guide?

Penalties for non-compliance can include fines, interest on unpaid taxes, and potential legal action from the state if withholding requirements are not met.

Is there guidance for independent contractors in the Maryland Employer Withholding Guide?

The guide primarily focuses on employees; independent contractors are typically responsible for their own tax payments and may need to file estimated taxes rather than having taxes withheld.

Can employers use payroll software to assist with withholding calculations?

Yes, many payroll software solutions are designed to incorporate the latest tax rates and withholding guidelines, simplifying the process for employers.

How often should employers review their withholding practices in light of the 2023 guide?

Employers should review their withholding practices at least annually or whenever there are significant changes in tax laws, employee status, or payroll processes.

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