

# How the U.S. Supreme Court Ruling Can Impact Your Taxes

June 1, 2015



In an ostensibly significant taxpayer victory, a bitterly divided (5-4) U.S. Supreme Court ruled on May 18, 2015 in *Comptroller of the Treasury of Maryland v. Wynne* that Maryland's personal income tax regime ran afoul of the Constitution's "Dormant" Commerce Clause. The Court held that the county income tax portion (ranging from 1.25% to 3.2%) imposed and collected by the state discriminated against interstate commerce because **residents** were not allowed credits for income taxes paid on business income (e.g., earnings from a Subchapter S Corporation) to other higher-taxed states (such as California, New Jersey, and New York) in excess of Maryland's up-to-5.75% basic state rate. Unlike, for example, New York City's personal income tax, Maryland nonresidents were also subject to a 1.25% county tax on income derived from Maryland sources.

## What does this mean to you?

The exact implications of this case outside of Maryland remain to be seen and are currently being debated among professional advisors. Also, state taxing authorities are expected to issue guidance on what they think the case means to their state tax structure. The possibility exists that the principles of this case *could* extend to:

- New York City and Yonkers residents – for credits on taxes paid to states

(e.g., California and New Jersey) with a greater rate than New York State whose highest rate is 8.82%.

- New York State and New York City “statutory residents” (but not individuals *domiciled* in NY) – for tax on income not derived from New York sources such as interest, dividends, and investment capital gains.

We may suggest filing protective refund claims for some of our clients in the future based upon both filing deadlines and potential refunds.

Anchin will issue further guidance on this issue as it becomes available. To discuss how these rules may apply to you, contact your Anchin Relationship Partner or Barry Weisman, Partner in Anchin’s Tax Department at 212.840.3456.