

# HOUSE BILL 7

Q3, C8

11r0508

(PRE-FILED)

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By: **Delegate Davis**

Requested: November 9, 2010

Introduced and read first time: January 12, 2011

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification and Tax Credit – Interest on Loans to**  
3 **Enterprise Zone Businesses**

4 FOR the purpose of allowing a subtraction modification under the Maryland income  
5 tax for interest income from certain loans made to certain business entities  
6 located in an enterprise zone; providing that the subtraction modification is not  
7 allowed if the lender has an equity or other ownership interest in the business  
8 entity; allowing a credit against the State income tax in a certain amount of  
9 interest income from certain residential mortgage loans; requiring a lender to  
10 reduce the principal of a certain loan by the amount of the credit allowed within  
11 a certain number of days after an income tax return is filed; and generally  
12 relating to a subtraction modification and tax credit for certain loans to  
13 businesses or the owners of businesses located in an enterprise zone.

14 BY repealing and reenacting, without amendments,  
15 Article – Tax – General  
16 Section 10–207(a) and 10–307(a)  
17 Annotated Code of Maryland  
18 (2010 Replacement Volume)

19 BY adding to  
20 Article – Tax – General  
21 Section 10–207(y) and 10–729  
22 Annotated Code of Maryland  
23 (2010 Replacement Volume)

24 BY repealing and reenacting, with amendments,  
25 Article – Tax – General  
26 Section 10–307(g)  
27 Annotated Code of Maryland

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2010 Replacement Volume)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article – Tax – General**

5 10–207.

6 (a) To the extent included in federal adjusted gross income, the amounts  
7 under this section are subtracted from the federal adjusted gross income of a resident  
8 to determine Maryland adjusted gross income.

9 **(Y) (1) IN THIS SUBSECTION, “BUSINESS ENTITY” AND “ENTERPRISE**  
10 **ZONE” HAVE THE MEANINGS STATED IN § 5–701 OF THE ECONOMIC**  
11 **DEVELOPMENT ARTICLE.**

12 **(2) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, THE**  
13 **SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES INTEREST**  
14 **INCOME RECEIVED FROM A LOAN:**

15 **(I) MADE TO A BUSINESS ENTITY LOCATED IN AN**  
16 **ENTERPRISE ZONE; AND**

17 **(II) USED FOR BUSINESS ACTIVITIES IN THE ENTERPRISE**  
18 **ZONE.**

19 **(3) THE SUBTRACTION UNDER PARAGRAPH (2) OF THIS**  
20 **SUBSECTION IS NOT ALLOWED IF THE LENDER HAS AN EQUITY OR OTHER**  
21 **OWNERSHIP INTEREST IN THE BUSINESS ENTITY.**

22 10–307.

23 (a) To the extent included in federal taxable income, the amounts under this  
24 section are subtracted from the federal taxable income of a corporation to determine  
25 Maryland modified income.

26 (g) The subtraction under subsection (a) of this section includes the amounts  
27 allowed to be subtracted for an individual under:

28 (1) § 10–207(i) of this title (Profits on sale or exchange of State or local  
29 bonds);

30 (2) § 10–207(k) of this title (Relocation and assistance payments);

31 (3) § 10–207(m) of this title (State or local income tax refunds); [or]

1           (4)    § 10-207(c-1) of this title (State tax-exempt interest from mutual  
2 funds); OR

3           (5)    § 10-207(Y) OF THIS TITLE (INTEREST INCOME FROM A LOAN  
4 TO AN ENTERPRISE ZONE BUSINESS).  
5 **10-729.**

6           (A)    IN THIS SECTION, “BUSINESS ENTITY” AND “ENTERPRISE ZONE”  
7 HAVE THE MEANINGS STATED IN § 5-701 OF THE ECONOMIC DEVELOPMENT  
8 ARTICLE.

9           (B)    A LENDER MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX  
10 IN AN AMOUNT EQUAL TO 5% OF THE INTEREST INCOME RECEIVED FROM A  
11 RESIDENTIAL MORTGAGE LOAN IF THE MORTGAGOR IS AN INDIVIDUAL WITH AT  
12 LEAST A 50% OWNERSHIP INTEREST IN A BUSINESS ENTITY LOCATED IN AN  
13 ENTERPRISE ZONE.

14           (C)    THE LENDER SHALL REDUCE THE PRINCIPAL OF THE LOAN BY THE  
15 AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION WITHIN 90 DAYS  
16 AFTER THE LENDER FILES ITS STATE INCOME TAX RETURN.

17           (D)    THE CREDIT UNDER THIS SECTION IS NOT ALLOWED IF THE LENDER  
18 HAS AN EQUITY OR OTHER OWNERSHIP INTEREST IN THE BUSINESS ENTITY.

19           (E)    (1)    FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS  
20 SECTION MAY NOT EXCEED THE STATE INCOME TAX FOR THAT YEAR.

21                   (2)    THE UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE  
22 YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

23           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
24 July 1, 2011, and shall be applicable to all taxable years beginning after December 31,  
25 2010.