

SENATE BILL 976

Q3
HB 1429/01 – W&M

11r3096
CF 11r3097

By: **Senator Middleton**

Constitutional Requirements Complied with for Introduction in the last 35 Days of
Session

Introduced and read first time: March 8, 2011

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Credit for Charitable Contributions to Community**
3 **Foundations**

4 FOR the purpose of providing an individual a credit against the State income tax in a
5 certain amount for certain charitable contributions made to certain tax–exempt
6 organizations, subject to a certain limitation; providing for a certain reduction of
7 itemized deductions for Maryland income tax purposes if a certain credit is
8 claimed under certain circumstances; defining certain terms; providing for the
9 application of this Act; and generally relating to a credit against the State
10 income tax for certain charitable contributions made by individuals to certain
11 tax–exempt organizations.

12 BY repealing and reenacting, with amendments,
13 Article – Tax – General
14 Section 10–218
15 Annotated Code of Maryland
16 (2010 Replacement Volume)

17 BY adding to
18 Article – Tax – General
19 Section 10–729
20 Annotated Code of Maryland
21 (2010 Replacement Volume)

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

24 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 10-218.

2 (a) Only an individual who itemizes deductions on the individual's federal
3 income tax return may elect to itemize deductions on the individual's income tax
4 return.

5 (b) An individual who elects to itemize deductions is allowed as a deduction
6 the sum of the individual's federal itemized deductions:

7 (1) limited and reduced as required under the Internal Revenue Code;

8 (2) further reduced by any amount deducted under § 170 of the
9 Internal Revenue Code for contributions of a preservation or conservation easement
10 for which a credit is claimed under § 10-723 of this title; [and]

11 (3) **FURTHER REDUCED BY ANY AMOUNT DEDUCTED UNDER § 170**
12 **OF THE INTERNAL REVENUE CODE FOR CONTRIBUTIONS TO A COMMUNITY**
13 **FOUNDATION'S ENDOWMENT FOR WHICH A CREDIT IS CLAIMED UNDER § 10-729**
14 **OF THIS TITLE; AND**

15 (4) further reduced by the amount claimed as taxes on income paid to
16 a state or political subdivision of a state, after subtracting a pro rata portion of the
17 reduction to itemized deductions required under § 68 of the Internal Revenue Code.

18 **10-729.**

19 (A) (1) **IN THIS SECTION THE FOLLOWING WORDS HAVE THE**
20 **MEANINGS INDICATED.**

21 (2) **"COMMUNITY FOUNDATION" MEANS AN ORGANIZATION**
22 **LOCATED IN THE STATE THAT:**

23 (I) **IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE**
24 **INTERNAL REVENUE CODE;**

25 (II) **IS COMMONLY KNOWN AS A COMMUNITY TRUST, FUND,**
26 **OR FOUNDATION OR BY ANOTHER SIMILAR NAME;**

27 (III) **MAINTAINS A CAPITAL OR PERMANENT ENDOWMENT**
28 **FUND TO SUPPORT CHARITABLE ACTIVITIES IN THE COMMUNITY OR AREA THAT**
29 **IT SERVES; AND**

30 (IV) **SATISFIES THE PUBLIC SUPPORT TEST UNDER §**
31 **170(B)(1)(A)(VI) OF THE INTERNAL REVENUE CODE AND REGULATIONS**
32 **ADOPTED UNDER THAT SECTION.**

1 **(3) “QUALIFIED CAPITAL GAIN” MEANS THE NET CAPITAL GAIN,**
2 **WITHIN THE MEANING OF § 1222(11) OF THE INTERNAL REVENUE CODE, THAT**
3 **IS INCLUDED IN THE MARYLAND ADJUSTED GROSS INCOME OF AN INDIVIDUAL.**

4 **(4) “UNRESTRICTED CHARITABLE CONTRIBUTION” MEANS A**
5 **CHARITABLE CONTRIBUTION TO A COMMUNITY FOUNDATION THAT IS**
6 **UNRESTRICTED, WITHIN THE MEANING OF § 170(B)(1)(A)(VI) OF THE INTERNAL**
7 **REVENUE CODE AND REGULATIONS ADOPTED UNDER THAT SECTION, WITH**
8 **RESPECT TO ITS AVAILABILITY FOR DISTRIBUTION BY THE GOVERNING BODY OF**
9 **THE COMMUNITY FOUNDATION.**

10 **(B) (1) SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS**
11 **SUBSECTION, AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE**
12 **INCOME TAX IN AN AMOUNT EQUAL TO 100% OF THE AMOUNT OF ANY**
13 **UNRESTRICTED CHARITABLE CONTRIBUTION MADE BY THE INDIVIDUAL TO A**
14 **COMMUNITY FOUNDATION’S ENDOWMENT DURING THE TAXABLE YEAR.**

15 **(2) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS**
16 **SECTION MAY NOT EXCEED THE DIFFERENCE BETWEEN:**

17 **(I) THE STATE INCOME TAX FOR THE TAXABLE YEAR ON**
18 **THE INDIVIDUAL’S MARYLAND TAXABLE INCOME; AND**

19 **(II) THE STATE INCOME TAX THAT WOULD BE PAYABLE FOR**
20 **THE TAXABLE YEAR ON THE INDIVIDUAL’S MARYLAND TAXABLE INCOME**
21 **REDUCED BY THE AMOUNT OF THE INDIVIDUAL’S QUALIFIED CAPITAL GAIN.**

22 **(3) THE CREDIT MAY ONLY BE ALLOWED IF THE INDIVIDUAL’S**
23 **QUALIFIED CAPITAL GAIN FOR THE TAXABLE YEAR FOR WHICH THE CREDIT IS**
24 **RECEIVED IS AT LEAST \$10,000,000.**

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
26 July 1, 2011, and shall be applicable to all taxable years beginning after December 31,
27 2010.