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§10–207. IN EFFECT

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

(b) The subtraction under subsection (a) of this section includes a distribution, to a beneficiary, of accumulated income on which a fiduciary has paid the income tax.

(c) The subtraction under subsection (a) of this section includes interest or dividends attributable to an obligation of the United States or an authority, commission, instrumentality, possession, or territory of the United States.

(c–1) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Mutual fund" means a regulated investment company as defined under § 851 of the Internal Revenue Code.

(iii) "United States government obligation" means an obligation of the United States or an authority, commission, instrumentality, possession, or territory of the United States.

(2) The subtraction under subsection (a) of this section includes a distribution or dividend by a mutual fund of interest or dividends attributable to a United States government obligation.

(d) The subtraction under subsection (a) of this section includes income attributable to an employer–provided official vehicle used in accordance with law by a member of a State, county, or local:

(1) police force; or

(2) fire department.

(e) The subtraction under subsection (a) of this section includes a payment from a pension system to an individual for a disability or injury that arose out of and in the course of the individual's employment as a policeman or fire fighter.

(e–1) (1) In this subsection, "law enforcement officer" means a law enforcement officer as defined in § 3–101 of the Public Safety Article or other sworn law enforcement officer of the United States, a state, or a political subdivision of a state.

(2) The subtraction under subsection (a) of this section includes a payment from a pension system to the surviving spouse or other beneficiary of a law enforcement

officer or fire fighter whose death arises out of or in the course of employment as a law enforcement officer or fire fighter.

(f) The subtraction under subsection (a) of this section includes income that:

(1) is received by withdrawing money from a retirement account known as a Keogh Plan and established under Subchapter D of the Internal Revenue Code; and

(2) is attributable to:

(i) money contributed by an individual before 1967 for which the individual was not allowed a deduction at the time of contribution to the account; or

(ii) interest or dividends paid on the account on which a State tax on income was paid at the time that the interest or dividends accumulated in the account.

(g) The subtraction under subsection (a) of this section includes a payment received under a fire, rescue, or ambulance personnel length of service award program that is funded by any county or municipal corporation of the State.

(h) Repealed.

(i) The subtraction under subsection (a) of this section includes profit realized from the sale or exchange of a bond issued by the State or a political subdivision of the State.

(j) The subtraction under subsection (a) of this section includes a payment received:

(1) under Title II of the Social Security Act; or

(2) as a benefit under the Railroad Retirement Act.

(k) The subtraction under subsection (a) of this section includes payment for relocation and assistance under Title 12, Subtitle 2 of the Real Property Article.

(l) The subtraction under subsection (a) of this section includes that portion of an annuity received by a retiree of a retirement or pension system:

(1) for which pickup contributions were made under § 21–313 of the State Personnel and Pensions Article; and

(2) that is included in federal adjusted gross income under § 414(h)(2) of the Internal Revenue Code.

(m) The subtraction under subsection (a) of this section includes a refund of tax on income received from a state or a political subdivision of a state.

(n) The subtraction under subsection (a) of this section includes any income that

federal law or treaty exempts from a state but not federal tax on income.

(o) (1) In this subsection, "remaindermen" includes a person whose remainder interest is vested, contingent, or vested subject to divestment.

(2) The subtraction under subsection (a) of this section includes:

(i) income derived from intangible personal property that is held in trust for the benefit of a nonresident or a corporation not doing business in the State; and

(ii) to the extent not included under item (i) of this paragraph, capital gain income derived from the sale or other disposition of intangible personal property that is held in trust, if the proceeds thereof are added to the principal of the trust, and if all the remaindermen in being are:

1. nonresidents during the entire taxable year; or

2. corporations not doing business in the State.

(3) The subtraction allowed under paragraph (2)(ii) of this subsection does not apply if there are no remaindermen of the trust in being.

(p) (1) The subtraction under subsection (a) of this section includes the first $15,000 of military pay that is:

(i) received by an individual who is in active service of any branch of the armed forces; and

(ii) attributable to military service of the individual outside the United States.

(2) The amount of the subtraction under paragraph (1) of this subsection:

(i) is reduced dollar for dollar in the amount by which military pay received by the individual exceeds $15,000; and

(ii) is reduced to zero if the amount of military pay received by the individual exceeds $30,000.

(q) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Military service" means:

1. induction into the armed forces of the United States for training and service under the Selective Training and Service Act of 1940 or a subsequent act of a similar nature;

2. membership in a reserve component of the armed forces of the United States;

3. membership in an active component of the armed forces of the United States;

4. membership in the Maryland National Guard; or

5. active duty with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey.

(iii) "Military retirement income" means retirement income received as a result of military service.

(2) The subtraction under subsection (a) of this section includes the first $5,000 of military retirement income received by an individual during the taxable year.

(r) (1) In this subsection, "modified Maryland adjusted gross income" means Maryland adjusted gross income determined separately for each spouse on a joint return without regard to the subtraction allowed under this subsection.

(2) For a two–income married couple filing a joint return, the subtraction under subsection (a) of this section includes the lesser of $1,200 or the modified Maryland adjusted gross income of the spouse with the lesser modified Maryland adjusted gross income for the taxable year.

(s) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Qualified beneficiary" has the meaning stated in § 18–1901 of the Education Article.

(iii) "Qualified designated beneficiary" means a qualified designated beneficiary as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

(iv) "Qualified higher education expenses" has the meaning stated in § 529 of the Internal Revenue Code.

(2) Except as provided in paragraph (3) of this subsection, the subtraction under subsection (a) of this section includes any amount included in federal adjusted gross income as a result of a distribution to:

(i) a qualified beneficiary pursuant to a prepaid contract under the Maryland Prepaid College Trust;

(ii) a qualified designated beneficiary from an investment account under the Maryland College Investment Plan; or

(iii) a qualified designated beneficiary from an investment account under the Maryland Broker–Dealer College Investment Plan.

(3) The subtraction under paragraph (2) of this subsection does not apply to:

(i) a refund under the Maryland Prepaid College Trust; or

(ii) a distribution that is not used by the qualified beneficiary or qualified designated beneficiary for qualified higher education expenses.

(t) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Holocaust victim" means an individual who died or lost property as a result of discriminatory laws, policies, or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation, or national origin, whether or not the individual was actually a member of any of those groups, or because the individual assisted or allegedly assisted any of those groups, between January 1, 1929 and December 31, 1945, in the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, areas occupied by those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of invasion by Nazi Germany or by any European country allied with or occupied by Nazi Germany.

(iii) "Nazi Germany" means:

1. for the period from 1929 to 1933, the Republic of Germany, commonly referred to as the Weimar Republic; and

2. for the period from 1933 through 1945, Deutsche Reich.

(2) The subtraction under subsection (a) of this section includes:

(i) income of an individual related to tangible or intangible property that was seized, misappropriated, or lost as a result of the actions or policies of Nazi Germany toward a Holocaust victim; and

(ii) amounts received by an individual as reparations or restitution for the loss of liberty or damage to the health of the individual because the individual is:

1. a Holocaust victim; or

2. a spouse or descendant of a Holocaust victim.

(3) The subtraction under paragraph (2) of this subsection includes interest on the proceeds receivable as insurance under policies issued to a Holocaust

victim by European insurance companies prior to and during World War II.

(4) The subtraction under paragraph (2) of this subsection does not include:

(i) assets acquired with the assets described in paragraph (2) of this subsection; or

(ii) assets acquired with the proceeds from the sale of the assets described in paragraph (2) of this subsection.

(5) The subtraction under paragraph (2)(i) of this subsection shall only apply if the individual:

(i) is the first recipient of the assets described in paragraph (2)(i) of this subsection after their recovery; and

(ii) is:

1. a Holocaust victim; or

2. a spouse or descendant of a Holocaust victim.

(u) Repealed.

(v) (1) In this subsection, "artistic work", "arts and entertainment district", and "qualifying residing artist" have the meanings stated in § 4–701 of the Economic Development Article.

(2) The subtraction under subsection (a) of this section includes the amount of income derived within an arts and entertainment district by a qualifying residing artist from the publication, production, or sale of an artistic work that the artist created, wrote, composed, or executed in the arts and entertainment district.

(3) For the purpose of determining whether income is derived within an arts and entertainment district for the purpose of this subsection, a qualifying residing artist shall allocate receipts and expenses as the Comptroller may require.

(w) (1) In this subsection:

(i) except as provided in item (ii) of this paragraph, "foreign earned income" means foreign earned income within the meaning of § 911(b)(1) of the Internal Revenue Code, subject to the limitation under § 911(b)(2) of the Internal Revenue Code; and

(ii) "foreign earned income" includes amounts paid by the United States or an agency of the United States to an employee of the United States or of an agency of the United States.

(2) Subject to the limitation under paragraph (3) of this subsection, for each taxable year beginning after December 31, 2006, but before January 1, 2010, the subtraction under subsection (a) of this section includes the foreign earned income of an individual earned as an employee of the United States or of an agency of the United States.

(3) The amount subtracted under this section:

(i) does not include any amount subtracted under any other provisions of this section; and

(ii) may not exceed $3,500 for any taxable year.

(x) The subtraction under subsection (a) of this section includes an amount received as a grant under the Solar Energy Grant Program under § 9–2007 of the State Government Article.

(y) (1) The subtraction under subsection (a) of this section includes the amount that would have been allowed for indebtedness discharged for qualified principal residence indebtedness under the federal Mortgage Forgiveness Debt Relief Act of 2007, as amended, prior to its expiration on December 31, 2012, and without regard to the date limitation in § 108(a)(1)(e) of the Internal Revenue Code.

(2) The subtraction under paragraph (1) of this subsection applies only to an owner–occupied principal residence.

(3) The subtraction under paragraph (1) of this subsection may not exceed:

(i) $100,000 for an individual; or

(ii) $200,000 for a married couple filing a joint return or an individual described in § 2 of the Internal Revenue Code as a head of household or as a surviving spouse.

(z) (1) In this subsection, "principal residence" has the meaning stated in § 121 of the Internal Revenue Code.

(2) Subject to paragraph (3) of this subsection, the subtraction under subsection (a) of this section includes the amount of a gain resulting from a payment from the Maryland Department of Transportation to an individual for the acquisition of a portion of the individual's property on which the individual's principal residence is located.

(3) The amount subtracted under this subsection may not exceed the amount that may be excluded from income on the condemnation of an individual's principal residence under § 121 of the Internal Revenue Code.

(aa) (1) (i) In this subsection the following words have the meanings

indicated.

(ii) "Lost pay" means wages, salary, or other compensation attributable to services performed, or that would have been performed but for a claimed violation of law, as an employee, a former employee, or a prospective employee.

(iii) 1. "Noneconomic damages" means amounts received by a claimant in satisfaction of a claim of unlawful discrimination, other than compensation for lost pay or punitive damages.

2. "Noneconomic damages" includes amounts received as a result of a claim of unlawful discrimination:

A. whether by judgment or other order or by settlement; and

B. whether payable in a lump sum or periodic payments.

(iv) "Unlawful discrimination" has the meaning stated in § 62(e) of the Internal Revenue Code.

(2) The subtraction under subsection (a) of this section includes any amount received by a claimant for noneconomic damages as a result of a claim of unlawful discrimination.

(bb) (1) The subtraction under subsection (a) of this section includes the amount of student loan indebtedness discharged due to total and permanent disability or death.

(2) To qualify for the subtraction modification provided under this subsection, an individual must attach to the individual's income tax return or otherwise file with the Comptroller a copy of the notice stating that the loans have been discharged due to total and permanent disability or death.

10–207. // EFFECTIVE JUNE 30, 2016 PER CHAPTERS 528 AND 529 OF 2014 //

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

(b) The subtraction under subsection (a) of this section includes a distribution, to a beneficiary, of accumulated income on which a fiduciary has paid the income tax.

(c) The subtraction under subsection (a) of this section includes interest or dividends attributable to an obligation of the United States or an authority, commission, instrumentality, possession, or territory of the United States.

(c–1) (1) (i) In this subsection the following words have the meanings

indicated.

(ii) "Mutual fund" means a regulated investment company as defined under § 851 of the Internal Revenue Code.

(iii) "United States government obligation" means an obligation of the United States or an authority, commission, instrumentality, possession, or territory of the United States.

(2) The subtraction under subsection (a) of this section includes a distribution or dividend by a mutual fund of interest or dividends attributable to a United States government obligation.

(d) The subtraction under subsection (a) of this section includes income attributable to an employer–provided official vehicle used in accordance with law by a member of a State, county, or local:

(1) police force; or

(2) fire department.

(e) The subtraction under subsection (a) of this section includes a payment from a pension system to an individual for a disability or injury that arose out of and in the course of the individual's employment as a policeman or fire fighter.

(e–1) (1) In this subsection, "law enforcement officer" means a law enforcement officer as defined in § 3–101 of the Public Safety Article or other sworn law enforcement officer of the United States, a state, or a political subdivision of a state.

(2) The subtraction under subsection (a) of this section includes a payment from a pension system to the surviving spouse or other beneficiary of a law enforcement officer or fire fighter whose death arises out of or in the course of employment as a law enforcement officer or fire fighter.

(f) The subtraction under subsection (a) of this section includes income that:

(1) is received by withdrawing money from a retirement account known as a Keogh Plan and established under Subchapter D of the Internal Revenue Code; and

(2) is attributable to:

(i) money contributed by an individual before 1967 for which the individual was not allowed a deduction at the time of contribution to the account; or

(ii) interest or dividends paid on the account on which a State tax on income was paid at the time that the interest or dividends accumulated in the account.

(g) The subtraction under subsection (a) of this section includes a payment

received under a fire, rescue, or ambulance personnel length of service award program that is funded by any county or municipal corporation of the State.

(h) Repealed.

(i) The subtraction under subsection (a) of this section includes profit realized from the sale or exchange of a bond issued by the State or a political subdivision of the State.

(j) The subtraction under subsection (a) of this section includes a payment received:

(1) under Title II of the Social Security Act; or

(2) as a benefit under the Railroad Retirement Act.

(k) The subtraction under subsection (a) of this section includes payment for relocation and assistance under Title 12, Subtitle 2 of the Real Property Article.

(l) The subtraction under subsection (a) of this section includes that portion of an annuity received by a retiree of a retirement or pension system:

(1) for which pickup contributions were made under § 21–313 of the State Personnel and Pensions Article; and

(2) that is included in federal adjusted gross income under § 414(h)(2) of the Internal Revenue Code.

(m) The subtraction under subsection (a) of this section includes a refund of tax on income received from a state or a political subdivision of a state.

(n) The subtraction under subsection (a) of this section includes any income that federal law or treaty exempts from a state but not federal tax on income.

(o) (1) In this subsection, "remaindermen" includes a person whose remainder interest is vested, contingent, or vested subject to divestment.

(2) The subtraction under subsection (a) of this section includes:

(i) income derived from intangible personal property that is held in trust for the benefit of a nonresident or a corporation not doing business in the State; and

(ii) to the extent not included under item (i) of this paragraph, capital gain income derived from the sale or other disposition of intangible personal property that is held in trust, if the proceeds thereof are added to the principal of the trust, and if all the remaindermen in being are:

1. nonresidents during the entire taxable year; or

2. corporations not doing business in the State.

(3) The subtraction allowed under paragraph (2)(ii) of this subsection does not apply if there are no remaindermen of the trust in being.

(p) (1) The subtraction under subsection (a) of this section includes the first $15,000 of military pay that is:

(i) received by an individual who is in active service of any branch of the armed forces; and

(ii) attributable to military service of the individual outside the United States.

(2) The amount of the subtraction under paragraph (1) of this subsection:

(i) is reduced dollar for dollar in the amount by which military pay received by the individual exceeds $15,000; and

(ii) is reduced to zero if the amount of military pay received by the individual exceeds $30,000.

(q) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Military service" means:

1. induction into the armed forces of the United States for training and service under the Selective Training and Service Act of 1940 or a subsequent act of a similar nature;

2. membership in a reserve component of the armed forces of the United States;

3. membership in an active component of the armed forces of the United States;

4. membership in the Maryland National Guard; or

5. active duty with the commissioned corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey.

(iii) "Military retirement income" means retirement income received as a result of military service.

(2) The subtraction under subsection (a) of this section includes the first $5,000 of military retirement income received by an individual during the taxable year.

(r) (1) In this subsection, "modified Maryland adjusted gross income" means Maryland adjusted gross income determined separately for each spouse on a joint return without regard to the subtraction allowed under this subsection.

(2) For a two–income married couple filing a joint return, the subtraction under subsection (a) of this section includes the lesser of $1,200 or the modified Maryland adjusted gross income of the spouse with the lesser modified Maryland adjusted gross income for the taxable year.

(s) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Qualified beneficiary" has the meaning stated in § 18–1901 of the Education Article.

(iii) "Qualified designated beneficiary" means a qualified designated beneficiary as defined in § 18–19A–01 or § 18–19B–01 of the Education Article.

(iv) "Qualified higher education expenses" has the meaning stated in § 529 of the Internal Revenue Code.

(2) Except as provided in paragraph (3) of this subsection, the subtraction under subsection (a) of this section includes any amount included in federal adjusted gross income as a result of a distribution to:

(i) a qualified beneficiary pursuant to a prepaid contract under the Maryland Prepaid College Trust;

(ii) a qualified designated beneficiary from an investment account under the Maryland College Investment Plan; or

(iii) a qualified designated beneficiary from an investment account under the Maryland Broker–Dealer College Investment Plan.

(3) The subtraction under paragraph (2) of this subsection does not apply to:

(i) a refund under the Maryland Prepaid College Trust; or

(ii) a distribution that is not used by the qualified beneficiary or qualified designated beneficiary for qualified higher education expenses.

(t) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Holocaust victim" means an individual who died or lost property as a result of discriminatory laws, policies, or actions targeted against discrete groups of individuals based on race, religion, ethnicity, sexual orientation, or national origin,

whether or not the individual was actually a member of any of those groups, or because the individual assisted or allegedly assisted any of those groups, between January 1, 1929 and December 31, 1945, in the country of Nazi Germany, areas occupied by Nazi Germany, those European countries allied with Nazi Germany, areas occupied by those European countries allied with Nazi Germany, or any other neutral European country or area in Europe under the influence or threat of invasion by Nazi Germany or by any European country allied with or occupied by Nazi Germany.

(iii) "Nazi Germany" means:

1. for the period from 1929 to 1933, the Republic of Germany, commonly referred to as the Weimar Republic; and

2. for the period from 1933 through 1945, Deutsche Reich.

(2) The subtraction under subsection (a) of this section includes:

(i) income of an individual related to tangible or intangible property that was seized, misappropriated, or lost as a result of the actions or policies of Nazi Germany toward a Holocaust victim; and

(ii) amounts received by an individual as reparations or restitution for the loss of liberty or damage to the health of the individual because the individual is:

1. a Holocaust victim; or

2. a spouse or descendant of a Holocaust victim.

(3) The subtraction under paragraph (2) of this subsection includes interest on the proceeds receivable as insurance under policies issued to a Holocaust victim by European insurance companies prior to and during World War II.

(4) The subtraction under paragraph (2) of this subsection does not include:

(i) assets acquired with the assets described in paragraph (2) of this subsection; or

(ii) assets acquired with the proceeds from the sale of the assets described in paragraph (2) of this subsection.

(5) The subtraction under paragraph (2)(i) of this subsection shall only apply if the individual:

(i) is the first recipient of the assets described in paragraph (2)(i) of this subsection after their recovery; and

(ii) is:

1. a Holocaust victim; or

2. a spouse or descendant of a Holocaust victim.

(u) Repealed.

(v) (1) In this subsection, "artistic work", "arts and entertainment district", and "qualifying residing artist" have the meanings stated in § 4–701 of the Economic Development Article.

(2) The subtraction under subsection (a) of this section includes the amount of income derived within an arts and entertainment district by a qualifying residing artist from the publication, production, or sale of an artistic work that the artist created, wrote, composed, or executed in the arts and entertainment district.

(3) For the purpose of determining whether income is derived within an arts and entertainment district for the purpose of this subsection, a qualifying residing artist shall allocate receipts and expenses as the Comptroller may require.

(w) (1) In this subsection:

(i) except as provided in item (ii) of this paragraph, "foreign earned income" means foreign earned income within the meaning of § 911(b)(1) of the Internal Revenue Code, subject to the limitation under § 911(b)(2) of the Internal Revenue Code; and

(ii) "foreign earned income" includes amounts paid by the United States or an agency of the United States to an employee of the United States or of an agency of the United States.

(2) Subject to the limitation under paragraph (3) of this subsection, for each taxable year beginning after December 31, 2006, but before January 1, 2010, the subtraction under subsection (a) of this section includes the foreign earned income of an individual earned as an employee of the United States or of an agency of the United States.

(3) The amount subtracted under this section:

(i) does not include any amount subtracted under any other provisions of this section; and

(ii) may not exceed $3,500 for any taxable year.

(x) The subtraction under subsection (a) of this section includes an amount received as a grant under the Solar Energy Grant Program under § 9–2007 of the State Government Article.

(y) (1) In this subsection, "principal residence" has the meaning stated in § 121 of the Internal Revenue Code.

(2) Subject to paragraph (3) of this subsection, the subtraction under subsection (a) of this section includes the amount of a gain resulting from a payment from the Maryland Department of Transportation to an individual for the acquisition of a portion of the individual's property on which the individual's principal residence is located.

(3) The amount subtracted under this subsection may not exceed the amount that may be excluded from income on the condemnation of an individual's principal residence under § 121 of the Internal Revenue Code.

(z) (1) (i) In this subsection the following words have the meanings indicated.

(ii) "Lost pay" means wages, salary, or other compensation attributable to services performed, or that would have been performed but for a claimed violation of law, as an employee, a former employee, or a prospective employee.

(iii) 1. "Noneconomic damages" means amounts received by a claimant in satisfaction of a claim of unlawful discrimination, other than compensation for lost pay or punitive damages.

2. "Noneconomic damages" includes amounts received as a result of a claim of unlawful discrimination:

A. whether by judgment or other order or by settlement; and

B. whether payable in a lump sum or periodic payments.

(iv) "Unlawful discrimination" has the meaning stated in § 62(e) of the Internal Revenue Code.

(2) The subtraction under subsection (a) of this section includes any amount received by a claimant for noneconomic damages as a result of a claim of unlawful discrimination.

(aa) (1) The subtraction under subsection (a) of this section includes the amount of student loan indebtedness discharged due to total and permanent disability or death.

(2) To qualify for the subtraction modification provided under this subsection, an individual must attach to the individual's income tax return or otherwise file with the Comptroller a copy of the notice stating that the loans have been discharged due to total and permanent disability or death.

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