BY: Budget and Taxation Committee

<u>AMENDMENTS TO SENATE BILL NO. 95</u>
(First Reading File Bill)

<u>AMENDMENT NO. 1</u>
        On page 1, in line 2, strike "- Appeals Process"; in line 5, after "Act;" insert "<u>modifying and clarifying a subtraction modification for certain financial institutions under the financial institutions franchise tax; and providing for the abrogation of certain provisions of this Act after a certain date;</u>"; and in line 9, after "Section" insert "<u>8-204 and</u>".

<u>AMENDMENT NO. 2</u>
        On page 1, after line 14, insert:

"<u>8-204.</u>

        <u>(a) A financial institution shall compute its net earnings:</u>

                <u>(1) based on the accounting period used as its fiscal year; and</u>

                <u>(2) subject to the requirements under this section, in the manner that a corporation computes, for purposes of the income tax, the Maryland modified income.</u>

        <u>(b) A financial institution shall add to its net earnings computed under subsection (a) of this section the amounts that, even if otherwise allowed to be subtracted under § 10-307(b) and (g)(2) and (5) of this article, equal:</u>

                <u>(1) profit realized from the sale or exchange of bonds issued by this State or a political subdivision of this State;</u>

                <u>(2) dividends received from foreign corporations and included in federal gross income under § 78 of the Internal Revenue Code;</u>

(Over)

(3) interest derived from a United States obligation;

(4) State tax exempt interest received from a mutual fund and allowed to be subtracted under § 10-307(g)(5) of this article; and

(5) interest excluded from federal gross income under § 103 of the Internal Revenue Code and derived from a bond:

(i) issued by a state or a public corporation, special district, political subdivision of a state or their instrumentalities; or

(ii) under § 150 of the Internal Revenue Code, treated as a bond issued by a state or a public corporation, special district, or political subdivision of a state or their instrumentalities.

(c) A financial institution shall subtract from its net earnings computed under subsection (a) of this section interest expense incurred to purchase or carry a bond as defined in subsection (b)(5) of this section.

(d) In computing taxable net earnings, a financial institution that is a commercial bank, a savings bank, a trust company, or a company that substantially competes with national banks in the State shall subtract from its net earnings computed under subsection (a) of this section:

(1) for a taxable year beginning after December 31, 1995 but before January 1, 1997, 50% of the SUM OF:

(I) THE amount required to be added under subsection (b)(1), (3), AND (4), [and (5)] of this section; and

(II) THE AMOUNT REQUIRED TO BE ADDED UNDER SUBSECTION (B) (5) OF THIS SECTION FOR INCOME FROM A BOND OF THIS STATE OR A POLITICAL SUBDIVISION OF THIS STATE, AFTER SUBTRACTING ANY INTEREST EXPENSE CLAIMED IN SUBSECTION (C) OF THIS SECTION FOR THE BOND; AND

(2) for a taxable year beginning after December 31, 1996, but before January 1, 1998, 75% of the SUM OF:

(I) THE amount required to be added under subsection (b) (1), (3), AND (4), [and (5)] of this section; AND

(II) THE AMOUNT REQUIRED TO BE ADDED UNDER SUBSECTION (B)(5) OF THIS SECTION FOR INCOME FROM A BOND OF THIS STATE OR A POLITICAL SUBDIVISION OF THIS STATE, AFTER SUBTRACTING ANY INTEREST EXPENSE CLAIMED IN SUBSECTION (C) OF THIS SECTION FOR THE BOND.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Tax - General".

AMENDMENT NO. 3
On page 2, after line 19, insert:

"SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall be applicable to all taxable years beginning after December 31, 1995 but before January 1, 1998. It shall remain effective for a period of one and one-half years and, at the end of December 31, 1997, with no further action required by the General Assembly, Section 1 of this Act shall be abrogated and of no further force and effect.".

AMENDMENT NO. 4
On page 2, in line 20, strike "2." and substitute "4."; and in line 21, strike "and" and substitute ". Section 2 of this Act shall".