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**By: Delegate Rosapepe**

Introduced and read first time: February 23, 1996

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Contributions to Employee Stock Ownership Plans**

3 FOR the purpose of requiring the amount allowed as a deduction under the Internal  
4 Revenue Code for employer contributions to a trust that forms part of an employee  
5 stock ownership plan to be added to federal taxable income of a corporation to  
6 determine Maryland modified income under certain circumstances; providing for  
7 the application of this Act; and generally relating to the determination of a  
8 corporation's Maryland modified income for State income tax purposes.

9 BY repealing and reenacting, with amendments,

10 Article - Tax - General  
11 Section 10-305  
12 Annotated Code of Maryland  
13 (1988 Volume and 1995 Supplement)

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

16 **Article - Tax - General**

17 10-305.

18 (a) To the extent excluded from federal taxable income, the amounts under this  
19 section are added to the federal taxable income of a corporation to determine Maryland  
20 modified income.

21 (b) The addition under subsection (a) of this section includes the net capital loss  
22 carry back, as defined in § 1212 of the Internal Revenue Code.

23 (c) The addition under subsection (a) of this section includes any taxes based on  
24 net income that are imposed by any state or by a political subdivision of any state.

25 (D) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE  
26 AMOUNT ALLOWED AS A DEDUCTION UNDER § 404 OF THE INTERNAL REVENUE  
27 CODE FOR EMPLOYER CONTRIBUTIONS TO A TRUST THAT FORMS PART OF AN  
28 EMPLOYEE STOCK OWNERSHIP PLAN, AS DEFINED IN § 4975(E)(7) OF THE INTERNAL  
29 REVENUE CODE, UNLESS THE PLAN MEETS THE VOTING RIGHTS REQUIREMENTS OF  
30 § 409(E)(2) OF THE INTERNAL REVENUE CODE, WHETHER OR NOT THE EMPLOYER

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1 HAS A REGISTRATION-TYPE CLASS OF SECURITIES, AS DEFINED IN § 409(E)(4) OF THE  
2 INTERNAL REVENUE CODE.

3 [(d)] (E) The addition under subsection (a) of this section includesthe additions  
4 required for an individual under:

5 (1) § 10-204(b) of this title (Dividends and interest from another state or  
6 local obligation);

7 (2) § 10-204(c)(2) of this title (Federal tax exempt income); and

8 (3) § 10-204(e) of this title (Oil percentage depletion allowance).

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
10 October 1, 1996, and shall apply to all taxable years beginning after December 31, 1995.