
By: Chairman, Budget and Taxation Committee (Departmental - Assessments and Taxation)

Requested: November 8, 1995

Introduced and read first time: January 10, 1996

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 14, 1996

CHAPTER ____

1 AN ACT concerning

2 **Financial Institution Franchise Tax –~~Appeals Process~~**

3 FOR the purpose of altering the appeal process for assessments of financial institution
4 franchise tax; providing for certain informal hearings; providing for the application
5 of this Act; modifying and clarifying a subtraction modification for certain financial
6 institutions under the financial institutions franchise tax; and providing for the
7 abrogation of certain provisions of this Act after a certain date; and generally
8 relating to the appeal process for the financial institution franchise tax.

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 8-204 and 13-508
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 8-204.

18 (a) A financial institution shall compute its net earnings:

19 (1) based on the accounting period used as its fiscal year; and

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

1 (b) A financial institution shall add to its net earnings computed under subsection
2 (a) of this section the amounts that, even if otherwise allowed to be subtracted under §
3 10-307(b) and (g)(2) and (5) of this article, equal:

4 (1) profit realized from the sale or exchange of bonds issued by this State or
5 a political subdivision of this State;

6 (2) dividends received from foreign corporations and included in federal
7 gross income under § 78 of the Internal Revenue Code;

8 (3) interest derived from a United States obligation;

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

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

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

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

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

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

25 (1) for a taxable year beginning after December 31, 1995 but before January
26 1, 1997, 50% of the SUM OF:

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

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

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

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

37 (II) THE AMOUNT REQUIRED TO BE ADDED UNDER SUBSECTION
38 (B)(5) OF THIS SECTION FOR INCOME FROM A BOND OF THIS STATE OR A POLITICAL

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1 SUBDIVISION OF THIS STATE, AFTER SUBTRACTING ANY INTEREST EXPENSE
2 CLAIMED IN SUBSECTION (C) OF THIS SECTION FOR THE BOND.

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

5 **Article - Tax - General**

6 13-508.

7 (a) Within 30 days after the date on which a notice of assessment of the
8 admissions and amusement tax, income tax, motor carrier tax, motor fuel tax, public
9 service company franchise tax, FINANCIAL INSTITUTION FRANCHISE TAX, sales and use
10 tax, or tobacco tax is mailed, a person or governmental unit against which the assessment
11 is made may submit to the tax collector:

12 (1) an application for revision of the assessment; or

13 (2) except for the public service company franchise tax, if the assessment is
14 paid, a claim for refund.

15 (b) If a person or governmental unit fails to submit an application for revision or
16 claim for refund within the time allowed in subsection (a) of this section, the assessment
17 becomes final.

18 (c) The Comptroller or an employee of the Comptroller's office expressly
19 designated by the Comptroller promptly:

20 (1) (i) shall hold an informal hearing on a person's or governmental unit's
21 admissions and amusement tax, income tax, motor carrier tax, motor fuel tax, sales and
22 use tax, or tobacco tax application for revision or claim for refund under subsection (a) of
23 this section; and

24 (ii) after the hearing:

25 1. shall act on the application for revision; and

26 2. may assess any additional tax, penalty, and interest due; and

27 (2) shall mail to the person or governmental unit a notice of final
28 determination.

29 (d) The Department promptly:

30 (1) shall act on a person's public service company franchise tax OR
31 FINANCIAL INSTITUTION FRANCHISE TAX application for revision under subsection (a)
32 of this section; or

33 (2) (i) shall hold an informal hearing after giving reasonable notice to the
34 person; and

35 (ii) after the hearing:

36 1. shall act on the application for revision; and

