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**By: Delegates Schade, Redmer, Ports, Jacobs, Mossburg, and M. Burns**

Introduced and read first time: January 31, 1997

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Distributions from Qualified Retirement Plans for Reinvestment in Small**  
3 **Business**

4 FOR the purpose of providing a subtraction modification under the Maryland individual  
5 income tax for certain amounts distributed under certain retirement plans to a  
6 certain extent; defining certain terms; and providing for the application of this Act.

7 BY repealing and reenacting, without amendments,  
8 Article - State Government  
9 Section 2-1505.1(a)(4)  
10 Annotated Code of Maryland  
11 (1995 Replacement Volume and 1996 Supplement)

12 BY repealing and reenacting, without amendments,  
13 Article - Tax - General  
14 Section 10-207(a)  
15 Annotated Code of Maryland  
16 (1988 Volume and 1996 Supplement)

17 BY adding to  
18 Article - Tax - General  
19 Section 10-207(s)  
20 Annotated Code of Maryland  
21 (1988 Volume and 1996 Supplement)

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

24 **Article - State Government**

25 2-1505.1.

26 (a) (4) "Small business" means a corporation, partnership, sole proprietorship,  
27 or other business entity, including its affiliates, that:

28 (i) is independently owned and operated;

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1 (ii) is not dominant in its field; and

2 (iii) employs 50 or fewer full-time employees.

3 **Article - Tax - General**

4 10-207.

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

8 (S) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE  
9 MEANINGS INDICATED.

10 (II) "SMALL BUSINESS" HAS THE MEANING STATED IN § 2-1505.1 OF  
11 THE STATE GOVERNMENT ARTICLE.

12 (III) "QUALIFIED RETIREMENT PLAN" HAS THE MEANING STATED  
13 IN § 4974(C) OF THE INTERNAL REVENUE CODE.

14 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION  
15 INCLUDES THE AMOUNT OF ANY DISTRIBUTION UNDER A QUALIFIED RETIREMENT  
16 PLAN TO THE EXTENT THE INDIVIDUAL REINVESTS THE AMOUNT DISTRIBUTED IN A  
17 SMALL BUSINESS IN THE STATE.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
19 July 1, 1997 and shall be applicable to all taxable years beginning after December 31,  
20 1996.