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**By: Delegates Finifter, Morhaim, Frank, and Klausmeier**

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 **Horse Racing and Breeding Industry Retention Tax Act of 1997**

3 FOR the purpose of providing a subtraction modification under the Maryland individual  
4 and corporation income taxes for certain losses related to horse racing and breeding  
5 that are disallowed for federal income tax purposes; providing an addition  
6 modification for the amount allowed as a subtraction modification for the preceding  
7 taxable year; providing a subtraction modification for certain gain from the sale or  
8 exchange of an interest in certain horse racing and breeding activities; defining a  
9 certain term; providing for the application of this Act; and generally relating to the  
10 income taxation of certain horse racing and breeding activities.

11 BY repealing and reenacting, without amendments,

12 Article - Tax - General  
13 Section 10-205(a) and 10-208(a)  
14 Annotated Code of Maryland  
15 (1988 Volume and 1996 Supplement)

16 BY adding to

17 Article - Tax - General  
18 Section 10-205(h) and 10-208(l)  
19 Annotated Code of Maryland  
20 (1988 Volume and 1996 Supplement)

21 BY repealing and reenacting, with amendments,

22 Article - Tax - General  
23 Section 10-306(b) and 10-308(b)  
24 Annotated Code of Maryland  
25 (1988 Volume and 1996 Supplement)

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

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1 **Article - Tax - General**

2 10-205.

3 (a) In addition to the modification under § 10-204 of this subtitle, the amounts  
4 under this section are added to the federal adjusted gross income of a resident to  
5 determine Maryland adjusted gross income.

6 (H) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE  
7 AMOUNT ALLOWED AS A SUBTRACTION MODIFICATION FOR THE PRECEDING  
8 TAXABLE YEAR UNDER § 10-208(L)(2) OF THIS SUBTITLE FOR DISALLOWED LOSSES  
9 FROM PASSIVE ACTIVITIES THAT ARE QUALIFIED HORSE RACING AND BREEDING  
10 ACTIVITIES.

11 10-208.

12 (a) In addition to the modification under § 10-207 of this subtitle, the amounts  
13 under this section are subtracted from the federal adjusted gross income of a resident to  
14 determine Maryland adjusted gross income.

15 (L) (1) IN THIS SUBSECTION, "QUALIFIED HORSE RACING AND BREEDING  
16 ACTIVITY" MEANS ANY ACTIVITY THAT INVOLVES THE CONDUCT OF THE TRADE OR  
17 BUSINESS IN THE STATE OF OWNING AND RACING RACEHORSES OR OF BREEDING  
18 RACEHORSES.

19 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION  
20 INCLUDES THE LESSER OF:

21 (I) THE TAXPAYER'S NET LOSSES FOR THE TAXABLE YEAR FROM  
22 PASSIVE ACTIVITIES THAT ARE QUALIFIED HORSE RACING AND BREEDING  
23 ACTIVITIES; OR

24 (II) THE PASSIVE ACTIVITY LOSS FOR THE TAXABLE YEAR THAT IS  
25 DISALLOWED UNDER § 469 OF THE INTERNAL REVENUE CODE.

26 (3) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION  
27 INCLUDES 50% OF ANY GAIN RECOGNIZED FOR THE TAXABLE YEAR FROM THE  
28 SALE OR EXCHANGE OF AN INTEREST IN A QUALIFIED HORSE RACING AND  
29 BREEDING ACTIVITY.

30 10-306.

31 (b) The addition under subsection (a) of this section includes the additions  
32 required for an individual under:

33 (1) § 10-205(b) of this title (Enterprise zone wage credit and employment  
34 opportunity credit);

35 (2) § 10-205(c) of this title (Reforestation and timber stand modification);

36 (3) § 10-205(e) of this title (Net operating loss modification); [and]

37 (4) § 10-205(g) of this title (Unlicensed child care facility operating  
38 expenses); AND

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1 (5) § 10-205(H) OF THIS TITLE (QUALIFIED HORSE RACING AND  
2 BREEDING MODIFICATION).

3 10-308.

4 (b) The subtraction under subsection (a) of this section includes the amounts  
5 allowed to be subtracted for an individual under:

6 (1) § 10-208(d) of this title (Conservation tillage equipment expenses);

7 (2) § 10-208(i) of this title (Reforestation or timber stand expenses); [and]

8 (3) § 10-208(k) of this title (Wage expenses for targeted jobs); AND

9 (4) § 10-208(L) OF THIS TITLE (QUALIFIED HORSE RACING AND  
10 BREEDING ACTIVITIES).

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 July 1, 1997 and shall be applicable to all taxable years beginning after December 31,  
13 1997.