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**By: Senator Baker**

Requested: June 26, 1996

Introduced and read first time: January 8, 1997

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Installment Sales - Credit for Tax Paid to Another State for Earlier**  
3 **Taxable Year**

4 FOR the purpose of allowing a credit under certain circumstances against the State  
5 income tax for certain state tax on income paid to another state for an earlier  
6 taxable year on certain income from an installment sale that is recognized for  
7 federal income tax purposes in the current taxable year; and providing for the  
8 application of this Act.

9 BY adding to

10 Article - Tax - General  
11 Section 10-703.2  
12 Annotated Code of Maryland  
13 (1988 Volume and 1996 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 10-703.2.

18 (A) IN THIS SECTION, "INSTALLMENT SALE" HAS THE MEANING STATED IN §  
19 453(B) OF THE INTERNAL REVENUE CODE.

20 (B) A CREDIT AGAINST THE STATE INCOME TAX IN THE AMOUNT  
21 DETERMINED UNDER SUBSECTION (C) OF THIS SECTION MAY BE CLAIMED BY A  
22 RESIDENT WHO RECOGNIZES INCOME FOR THE CURRENT TAXABLE YEAR FOR  
23 FEDERAL INCOME TAX PURPOSES FROM AN INSTALLMENT SALE OF PROPERTY  
24 LOCATED IN A STATE OTHER THAN MARYLAND IF:

25 (1) THE DISPOSITION OF THE PROPERTY OCCURRED IN AN EARLIER  
26 TAXABLE YEAR; AND

27 (2) THE TAXPAYER PAID STATE TAX ON INCOME FOR THE EARLIER  
28 TAXABLE YEAR TO THE STATE WHERE THE PROPERTY WAS LOCATED ON THE

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1 INCOME THAT FOR FEDERAL INCOME TAX PURPOSES IS RECOGNIZED IN THE  
2 CURRENT TAXABLE YEAR.

3 (C) THE AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION IS EQUAL  
4 TO THE INCOME RECOGNIZED FOR FEDERAL INCOME TAX PURPOSES FOR THE  
5 CURRENT YEAR ON WHICH STATE INCOME TAX WAS PAID TO ANOTHER STATE IN  
6 AN EARLIER YEAR, AS DESCRIBED IN SUBSECTION (B)(2) OF THIS SECTION,  
7 MULTIPLIED BY THE LESSER OF:

8 (1) THE RATE OF TAX IMPOSED BY THE OTHER STATE ON THE INCOME  
9 DESCRIBED IN SUBSECTION (B)(2) OF THIS SECTION; OR

10 (2) THE MAXIMUM RATE OF MARYLAND STATE INCOME TAX.

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 1996.