
By: Senator Baker

Requested: June 26, 1996

Introduced and read first time: January 8, 1997

Assigned to: Budget and Taxation

Committee Report: Favorable

Senate action: Adopted

Read second time: February 25, 1997

CHAPTER ____

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

2

1 FEDERAL INCOME TAX PURPOSES FROM AN INSTALLMENT SALE OF PROPERTY
2 LOCATED IN A STATE OTHER THAN MARYLAND IF:

3 (1) THE DISPOSITION OF THE PROPERTY OCCURRED IN AN EARLIER
4 TAXABLE YEAR; AND

5 (2) THE TAXPAYER PAID STATE TAX ON INCOME FOR THE EARLIER
6 TAXABLE YEAR TO THE STATE WHERE THE PROPERTY WAS LOCATED ON THE
7 INCOME THAT FOR FEDERAL INCOME TAX PURPOSES IS RECOGNIZED IN THE
8 CURRENT TAXABLE YEAR.

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

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

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

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