

SENATE BILL 620

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Q3
SB 453/97 - B&T

1998 Regular Session
8r1244

By: **Senator Haines**

Introduced and read first time: February 6, 1998

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Capital Gains**

3 FOR the purpose of allowing a subtraction modification for Maryland individual and
4 corporate income tax purposes for a certain portion of certain capital gain
5 income; including the amount of the subtracted capital gain income in items of
6 tax preference for purposes of the individual income tax; providing for the
7 application of this Act; and generally relating to a subtraction modification
8 under the Maryland income tax for a certain portion of certain capital gain
9 income.

10 BY adding to

11 Article - Tax - General
12 Section 10-207(h-1)
13 Annotated Code of Maryland
14 (1997 Replacement Volume)

15 BY repealing and reenacting, with amendments,

16 Article - Tax - General
17 Section 10-222(a) and 10-307(g)
18 Annotated Code of Maryland
19 (1997 Replacement Volume)

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

22 **Article - Tax - General**

23 10-207.

24 (H-1) (1) IN THIS SUBSECTION, "NET CAPITAL GAIN" MEANS NET CAPITAL
25 GAIN, AS DEFINED AND DETERMINED UNDER THE INTERNAL REVENUE CODE,
26 BEFORE ANY EXCLUSION FOR FEDERAL INCOME TAX PURPOSES.

1 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE
2 SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES AN AMOUNT
3 EQUAL TO 50% OF THE FIRST \$50,000 OF NET CAPITAL GAIN.

4 (3) THE AMOUNT DETERMINED UNDER PARAGRAPH (2) OF THIS
5 SUBSECTION SHALL BE REDUCED, BUT NOT BELOW ZERO, BY THE AMOUNT OF ANY
6 PORTION OF NET CAPITAL GAIN EXCLUDED FROM FEDERAL ADJUSTED GROSS
7 INCOME FOR FEDERAL INCOME TAX PURPOSES.

8 10-222.

9 (a) In this section, "tax preference items" mean the items that:

10 (1) total more than \$10,000 for an individual return or \$20,000 for a joint
11 return;

12 (2) are defined under § 57 of the Internal Revenue Code;

13 (3) are modified and apportioned under § 59 of the Internal Revenue
14 Code; [and]

15 (4) are further modified by excluding:

16 (i) the oil percentage depletion allowance claimed under § 613 or §
17 613A of the Internal Revenue Code; and

18 (ii) interest described in § 57(a)(5) of the Internal Revenue Code, if
19 the interest is attributable to obligations of:

20 1. the State of Maryland;

21 2. a political subdivision or authority of the State; or

22 3. any other entity authorized under Maryland law to issue
23 obligations the interest on which is excluded from gross income under § 103 of the
24 Internal Revenue Code; AND

25 (5) ARE FURTHER MODIFIED BY ADDING THE AMOUNT ALLOWED TO BE
26 SUBTRACTED AS AN ADJUSTMENT FOR NET CAPITAL GAIN UNDER § 10-207(H-1) OF
27 THIS SUBTITLE.

28 10-307.

29 (g) The subtraction under subsection (a) of this section includes the amounts
30 allowed to be subtracted for an individual under:

31 (1) § 10-207(i) of this title (Profits on sale or exchange of State or local
32 bonds);

33 (2) § 10-207(k) of this title (Relocation and assistance payments);

1 (3) § 10-207(m) of this title (State or local income tax refunds); [or]

2 (4) § 10-207(c-1) of this title (State tax exempt interest from mutual
3 funds); OR

4 (5) § 10-207(H-1) OF THIS TITLE (NET CAPITAL GAIN).

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 July 1, 1998 and shall be applicable to all taxable years beginning after December 31,
7 1997.