
By: **Delegates Barve and Hurson**

Introduced and read first time: February 11, 1999

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction Modification for High Technology Venture Capital**
3 **Investment Rollover**

4 FOR the purpose of allowing a subtraction modification under the Maryland income
5 tax for certain gain on certain investments in certain business enterprises that
6 an individual reinvests in certain business enterprises; providing for the
7 application of this Act; defining certain terms; and generally relating to a
8 Maryland income tax subtraction modification for certain gain on certain
9 investments in certain business enterprises that an individual reinvests in
10 certain business enterprises.

11 BY repealing and reenacting, without amendments,
12 Article - Tax - General
13 Section 10-207(a)
14 Annotated Code of Maryland
15 (1997 Replacement Volume and 1998 Supplement)

16 BY adding to
17 Article - Tax - General
18 Section 10-207(t)
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 1998 Supplement)

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

23 **Article - Tax - General**

24 10-207.

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

1 (T) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE
2 MEANINGS INDICATED.

3 (II) "HIGH TECHNOLOGY BUSINESS ENTERPRISE" MEANS A
4 BUSINESS ENTERPRISE THAT IS PRIMARILY ENGAGED IN AN INDUSTRY THAT:

5 1. DEVELOPS TECHNOLOGY THROUGH ACTIVITIES THAT
6 INVOLVE RESEARCH AND DEVELOPMENT, PRODUCING, OR PROVIDING SERVICES, IN
7 THE AREAS OF ADVANCED MATERIALS, PARTS, EQUIPMENT, KNOWLEDGE SYSTEMS,
8 ADVANCED TELECOMMUNICATIONS, ADVANCED BIOLOGICS, AND BIOLOGICAL
9 INFORMATION; AND

10 2. IS CHARACTERIZED BY A SIGNIFICANT WORKFORCE OF
11 SCIENTISTS, ENGINEERS, TECHNICIANS, OR TECHNOLOGY EXPERTS.

12 (III) "VENTURE CAPITAL INVESTMENT" MEANS AN INVESTMENT
13 PROVIDING CAPITAL TO A BUSINESS ENTERPRISE AT ANY STAGE OF ITS
14 DEVELOPMENT:

15 1. BEFORE ANY PUBLIC OFFERING OF STOCK IN THE
16 BUSINESS ENTERPRISE; OR

17 2. AS PART OF THE INITIAL PUBLIC OFFERING OF STOCK IN
18 THE BUSINESS ENTERPRISE.

19 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION
20 INCLUDES THE AMOUNT DETERMINED UNDER PARAGRAPH (3) OF THIS SUBSECTION
21 FOR THE REINVESTMENT OF GAIN RECOGNIZED ON A VENTURE CAPITAL
22 INVESTMENT IN A HIGH TECHNOLOGY BUSINESS ENTERPRISE.

23 (3) THE SUBTRACTION UNDER THIS SECTION EQUALS THE AMOUNT BY
24 WHICH THE GAIN RECOGNIZED FOR FEDERAL INCOME TAX PURPOSES FOR THE
25 TAXABLE YEAR ON THE SALE OR EXCHANGE OF AN OWNERSHIP INTEREST IN A HIGH
26 TECHNOLOGY BUSINESS ENTERPRISE THAT THE INDIVIDUAL OBTAINED THROUGH A
27 VENTURE CAPITAL INVESTMENT EXCEEDS THE AMOUNT OF THE GROSS PROCEEDS
28 FROM THE SALE OR EXCHANGE THAT ARE NOT REINVESTED DURING THE SAME
29 TAXABLE YEAR IN A VENTURE CAPITAL INVESTMENT IN ANOTHER HIGH
30 TECHNOLOGY BUSINESS ENTERPRISE.

31 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
32 July 1, 1999 and shall be applicable to all taxable years beginning after December 31,
33 1998.