

BY: Budget and Taxation Committee

AMENDMENTS TO SENATE BILL NO. 56

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, strike "Institution Franchise Tax - Termination" and substitute "Institutions - Taxation"; in line 3, after "tax" insert "and the savings and loan association franchise tax"; in line 4, after "date;" insert "providing that, for income tax purposes, interest received by certain financial institutions from one of its subsidiary corporations shall be allocated to this State only to a certain extent;"; in line 5, after "for" insert "certain"; in line 6, after the second "provisions;" insert "repealing the property tax exemption for certain personal property of savings and loan associations;"; in line 7, strike "retains" and substitute "and the Comptroller retain"; in line 8, strike "State"; strike beginning with "termination" in line 10 through "tax" in line 11 and substitute "taxation of financial institutions"; in line 19, after "8-202(a)" insert "and 8-301"; after line 21, insert:

"BY adding to

Article - Tax - General

Section 10-403

Annotated Code of Maryland

(1997 Replacement Volume and 1999 Supplement)";

and in line 24, after "7-221" insert "and 7-221.1".

AMENDMENT NO. 2

On page 3, after line 9, insert:

"8-301.

(A) [A] FOR ALL TAXABLE YEARS BEGINNING BEFORE JANUARY 1, 2001, A franchise tax, measured by deposits held in the State, is imposed, for each calendar year, on each savings and loan association.

(Over)

(B) FOR ALL TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2000, THE SAVINGS AND LOAN ASSOCIATION FRANCHISE TAX IS TERMINATED.".

AMENDMENT NO. 3

On page 3, before line 10, insert:

"10-403.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) (I) "FINANCIAL INSTITUTION" MEANS:

1. A CREDIT COMPANY;

2. EXCEPT AS PROVIDED IN SUBPARAGRAPH (II)1 OF THIS PARAGRAPH, A FINANCE COMPANY;

3. AN INTERNATIONAL BANKING FACILITY;

4. A LOAN COMPANY;

5. A MORTGAGE COMPANY;

6. A SAFE-DEPOSIT COMPANY; AND

7. A SAVINGS AND LOAN ASSOCIATION.

(II) "FINANCIAL INSTITUTION" DOES NOT INCLUDE:

1. A FINANCE COMPANY THAT MAKES LOANS ONLY TO FARMERS FOR AGRICULTURAL PURPOSES;

2. A COMPANY LICENSED UNDER THE FEDERAL SMALL

BUSINESS INVESTMENT ACT OF 1958;

3. A CORPORATION THAT ELECTS TO BE TAXED AS A SMALL BUSINESS CORPORATION UNDER SUBCHAPTER S OF THE INTERNAL REVENUE CODE;

4. AN ENTITY THAT IS A REAL ESTATE MORTGAGE INVESTMENT CONDUIT AS DEFINED IN THE INTERNAL REVENUE CODE;

5. A LIMITED LIABILITY COMPANY; OR

6. A COMMERCIAL BANK, SAVINGS BANK, TRUST COMPANY, OR COMPANY THAT SUBSTANTIALLY COMPETES WITH NATIONAL BANKS IN THE STATE.

(3) "FINANCIAL INSTITUTION HOLDING COMPANY" MEANS A FINANCIAL INSTITUTION WHOSE ONLY ACTIVITIES ARE:

(I) THE MAINTENANCE AND MANAGEMENT OF INTANGIBLE INVESTMENTS; AND

(II) THE COLLECTION AND DISTRIBUTION OF INCOME FROM INTANGIBLE INVESTMENTS.

(B) NOTWITHSTANDING § 10-402 OF THIS SUBTITLE, INTEREST RECEIVED BY A FINANCIAL INSTITUTION HOLDING COMPANY FROM ONE OF ITS SUBSIDIARY CORPORATIONS THAT IS A FINANCIAL INSTITUTION SHALL BE ALLOCATED TO THIS STATE ONLY TO THE EXTENT THAT THE INTEREST IS DERIVED FROM THE TRADE OR BUSINESS OF THE SUBSIDIARY CORPORATION WITHIN THIS STATE."

AMENDMENT NO. 4

On page 3, in line 17, after "Article" insert "OTHER THAN A SAVINGS AND LOAN ASSOCIATION AS DEFINED IN § 7-221.1 OF THIS SUBTITLE"; and after line 34, insert:

(Over)

"7-221.1.

(a) (1) In this section [, "bank] THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) "BANK or trust company" means:

[(1)] (I) a commercial bank;

[(2)] (II) a savings bank;

[(3)] (III) a trust company; or

[(4)] (IV) a company that substantially competes with national banks in the State.

(b) "SAVINGS AND LOAN ASSOCIATION" MEANS A SAVINGS AND LOAN ASSOCIATION THAT:

(1) IS ORGANIZED UNDER THE LAWS OF THE STATE;

(2) IS ORGANIZED UNDER THE LAWS OF ANOTHER STATE AND IS ADMITTED TO DO BUSINESS IN THIS STATE; OR

(3) IS ORGANIZED UNDER THE LAWS OF THE UNITED STATES AND HAS AN OFFICE IN THIS STATE.

(C) Except as provided in subsection (c) of this section, personal property is not subject to valuation or to property tax, if the personal property:

(1) is owned by a bank or trust company OR A SAVINGS AND LOAN ASSOCIATION and is used in connection with the processing of deposits or loans of the bank or trust company OR SAVINGS AND LOAN ASSOCIATION;

(2) is a computer program, as defined in § 11-225(a) of the Tax - General Article,

or computer hardware; and

(3) is not used in connection with word processing.

[(c)] (D) The exemption under this section does not apply to any personal property that is leased, loaned, or made available by a bank or trust company OR A SAVINGS AND LOAN ASSOCIATION for the use of a person that is not a bank or trust company OR SAVINGS AND LOAN ASSOCIATION.”.

AMENDMENT NO. 5

On page 3, in line 18, after “A” insert “FEDERAL OR STATE CHARTERED”; and strike beginning with “ORGANIZED” in line 18 through “STOCK” in line 20.

AMENDMENT NO. 6

On page 4, after line 11, insert:

“SECTION 4. AND BE IT FURTHER ENACTED, That notwithstanding the termination of the savings and loan association franchise tax as provided in Section 1 of this Act, the Comptroller shall retain full authority to audit, administer, and enforce the tax for taxable years beginning before January 1, 2001.”;

in lines 12, 25, and 28, strike “4.”, “5.”, and “6.”, respectively, and substitute “5.”, “6.”, and “7.”, respectively; and in line 29, strike “5” and substitute “6”.

AMENDMENT NO. 7

On page 4, in line 13, strike “2001” and substitute “2002”.