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By: ~~Delegate Taylor~~ **Delegates Taylor, Finifter, and McKee**

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Re-referred to: Ways and Means, March 5, 2001

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Committee Report: Favorable with amendments  
House action: Adopted  
Read second time: April 2, 2001

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Income Tax Credit for Charitable Contributions to Community Foundations**

3 FOR the purpose of providing an individual a credit against the State income tax in a  
4 certain amount for certain charitable contributions made to certain tax-exempt  
5 organizations, subject to a certain limitation; providing for a certain reduction of  
6 itemized deductions for Maryland income tax purposes if a certain credit is  
7 claimed under certain circumstances; defining certain terms; providing for the  
8 application of this Act; and generally relating to a credit against the State  
9 income tax for certain charitable contributions made by individuals to certain  
10 tax-exempt organizations.

11 BY repealing and reenacting, with amendments,  
12 Article - Tax - General  
13 Section 10-218  
14 Annotated Code of Maryland  
15 (1997 Replacement Volume and 2000 Supplement)

16 BY adding to  
17 Article - Tax - General  
18 Section 10-722  
19 Annotated Code of Maryland  
20 (1997 Replacement Volume and 2000 Supplement)

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

1 **Article - Tax - General**2 10-218.3 (a) Only an individual who itemizes deductions on the individual's federal  
4 income tax return may elect to itemize deductions on the individual's income tax  
5 return.6 (b) An individual who elects to itemize deductions is allowed as a deduction  
7 the sum of the individual's federal itemized deductions:8 (1) limited and reduced as required under the Internal Revenue Code;  
9 [and]10 (2) FURTHER REDUCED BY ANY AMOUNT DEDUCTED UNDER § 170 OF  
11 THE INTERNAL REVENUE CODE FOR CONTRIBUTIONS TO A COMMUNITY  
12 FOUNDATION'S ENDOWMENT FOR WHICH A CREDIT IS CLAIMED UNDER § 10-722 OF  
13 THIS TITLE; AND14 [(2)] (3) further reduced by the amount claimed as taxes on income paid  
15 to a state or political subdivision of a state, after subtracting a pro rata portion of the  
16 reduction to itemized deductions required under § 68 of the Internal Revenue Code.17 10-722.18 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
19 INDICATED.20 (2) "COMMUNITY FOUNDATION" MEANS AN ORGANIZATION LOCATED IN  
21 THE STATE THAT:22 (I) IS EXEMPT FROM TAXATION UNDER § 501(C)(3) OF THE  
23 INTERNAL REVENUE CODE;24 (II) IS COMMONLY ~~KNOW~~ KNOWN AS A COMMUNITY TRUST, FUND,  
25 OR FOUNDATION OR BY ANOTHER SIMILAR NAME ~~CONVEYING THE CONCEPT OF;~~26 (III) MAINTAINS A CAPITAL OR PERMANENT ENDOWMENT FUND TO  
27 SUPPORT CHARITABLE ACTIVITIES IN THE COMMUNITY OR AREA THAT IT SERVES;  
28 AND29 ~~(III)~~ (IV) SATISFIES THE PUBLIC SUPPORT TEST OF § 170(B)(1)(A)(VI)  
30 OF THE INTERNAL REVENUE CODE AND REGULATIONS ADOPTED UNDER THAT  
31 SECTION.32 (3) "QUALIFIED CAPITAL GAIN" MEANS THE NET CAPITAL GAIN, WITHIN  
33 THE MEANING OF § 1222(11) OF THE INTERNAL REVENUE CODE, THAT IS INCLUDED IN  
34 THE MARYLAND ADJUSTED GROSS INCOME OF AN INDIVIDUAL.35 (4) "UNRESTRICTED CHARITABLE CONTRIBUTION" MEANS A  
36 CHARITABLE CONTRIBUTION TO A COMMUNITY FOUNDATION THAT IS

1 UNRESTRICTED, WITHIN THE MEANING OF § 170(B)(1)(A)(VI) OF THE INTERNAL  
2 REVENUE CODE AND REGULATIONS ADOPTED UNDER THAT SECTION, WITH RESPECT  
3 TO ITS AVAILABILITY FOR DISTRIBUTION BY THE GOVERNING BODY OF THE  
4 COMMUNITY FOUNDATION.

5 (B) (1) SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS  
6 SUBSECTION, AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE INCOME  
7 TAX IN AN AMOUNT EQUAL TO 100% OF THE AMOUNT OF ANY UNRESTRICTED  
8 CHARITABLE CONTRIBUTION MADE BY THE INDIVIDUAL TO A COMMUNITY  
9 FOUNDATION'S ENDOWMENT DURING THE TAXABLE YEAR.

10 (2) FOR ANY TAXABLE YEAR, THE CREDIT ALLOWED UNDER THIS  
11 SECTION MAY NOT EXCEED THE DIFFERENCE BETWEEN:

12 (I) THE STATE INCOME TAX FOR THE TAXABLE YEAR ON THE  
13 INDIVIDUAL'S MARYLAND TAXABLE INCOME; AND

14 (II) THE STATE INCOME TAX THAT WOULD BE PAYABLE FOR THE  
15 TAXABLE YEAR ON THE INDIVIDUAL'S MARYLAND TAXABLE INCOME REDUCED BY  
16 THE AMOUNT OF THE INDIVIDUAL'S QUALIFIED CAPITAL GAIN.

17 (3) THE CREDIT MAY ONLY BE ALLOWED IF THE INDIVIDUAL'S  
18 QUALIFIED CAPITAL GAIN FOR THE TAXABLE YEAR FOR WHICH THE CREDIT IS  
19 RECEIVED IS AT LEAST \$10,000,000.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 July 1, 2001 and shall be applicable to all taxable years beginning after December 31,  
22 2000.