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By: **Chairman, Ways and Means Committee (By Request - Departmental - Comptroller)**

Introduced and read first time: January 24, 2005

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Taxes - Electing Small Business Trusts - Federal Adjusted Gross Income**

3 FOR the purpose of modifying the definition of federal adjusted gross income as it  
 4 relates to certain fiduciaries to include certain income of an electing small  
 5 business trust; providing for the application of this Act; and generally relating to  
 6 the definition of federal adjusted gross income for certain trusts under the  
 7 Maryland income tax.

8 BY repealing and reenacting, with amendments,  
 9 Article - Tax - General  
 10 Section 10-101(e)  
 11 Annotated Code of Maryland  
 12 (2004 Replacement Volume)

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

15 **Article - Tax - General**

16 10-101.

17 (e) "Federal adjusted gross income" means:

18 (1) for an individual other than a fiduciary, the individual's adjusted  
 19 gross income as determined under the Internal Revenue Code;

20 (2) for a fiduciary other than one described in item (3) of this subsection,  
 21 the fiduciary's taxable income, as determined under the Internal Revenue Code,  
 22 increased by:

23 (I) the amount allowed to the fiduciary as a deduction for a  
 24 personal exemption under § 642(b) of the Internal Revenue Code; AND

25 (II) THE AMOUNT OF INCOME OF AN ELECTING SMALL BUSINESS  
 26 TRUST, AS DEFINED UNDER § 1361(E)(1) OF THE INTERNAL REVENUE CODE, THAT IS

1 SUBJECT TO THE SPECIAL TAXING RULES UNDER § 641(C) OF THE INTERNAL  
2 REVENUE CODE; or

3 (3) for a fiduciary exempt from taxation under § 408(e)(1) or § 501 of the  
4 Internal Revenue Code, the fiduciary's unrelated business taxable income as defined  
5 under § 512 of the Internal Revenue Code.

6 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take  
7 effect July 1, 2005, and shall be applicable to all taxable years beginning after  
8 December 31, 2004.