
By: **Delegates Costa, Bartlett, Boschert, Dwyer, Elmore, Frank, Gilleland,
McConkey, McKee, Smigiel, Sossi, and Weldon**

Introduced and read first time: January 26, 2005

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction Modification for Contributions to Health Savings**
3 **Account**

4 FOR the purpose of allowing a subtraction modification under the Maryland
5 individual and corporate income tax for certain contributions by an employer to
6 an employee health savings account under certain circumstances; defining a
7 certain term; providing for the application of this Act; and generally relating to
8 an income tax subtraction modification for certain contributions to an employee
9 health savings account.

10 BY repealing and reenacting, without amendments,

11 Article - Tax - General
12 Section 10-208(a) and 10-308(a)
13 Annotated Code of Maryland
14 (2004 Replacement Volume)

15 BY adding to

16 Article - Tax - General
17 Section 10-208(q)
18 Annotated Code of Maryland
19 (2004 Replacement Volume)

20 BY repealing and reenacting, with amendments,

21 Article - Tax - General
22 Section 10-308(b)
23 Annotated Code of Maryland
24 (2004 Replacement Volume)

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

1 **Article - Tax - General**

2 10-208.

3 (a) In addition to the modification under § 10-207 of this subtitle, the
4 amounts under this section are subtracted from the federal adjusted gross income of
5 a resident to determine Maryland adjusted gross income.

6 (Q) (1) IN THIS SUBSECTION, "HEALTH SAVINGS ACCOUNT" HAS THE
7 MEANING STATED IN § 223 OF THE INTERNAL REVENUE CODE.

8 (2) FOR AN EMPLOYER, THE SUBTRACTION UNDER SUBSECTION (A) OF
9 THIS SECTION INCLUDES AN AMOUNT EQUAL TO 40% OF THE AMOUNT
10 CONTRIBUTED BY THE EMPLOYER FOR THE TAXABLE YEAR ON BEHALF OF AN
11 EMPLOYEE TO A HEALTH SAVINGS ACCOUNT IF:

12 (I) THE CONTRIBUTION IS AT LEAST \$500; AND

13 (II) THE EMPLOYER COMPLIES WITH THE APPLICABLE
14 CONTRIBUTION RULES UNDER §§ 125 AND 4980G OF THE INTERNAL REVENUE CODE.

15 10-308.

16 (a) In addition to the modification under § 10-307 of this subtitle, the
17 amounts under this section are subtracted from the federal taxable income of a
18 corporation to determine Maryland modified income.

19 (b) The subtraction under subsection (a) of this section includes the amounts
20 allowed to be subtracted for an individual under:

21 (1) § 10-208(d) of this title (Conservation tillage equipment expenses);

22 (2) § 10-208(i) of this title (Reforestation or timber stand expenses);

23 (3) § 10-208(k) of this title (Wage expenses for targeted jobs);

24 (4) § 10-208(m) of this title (Poultry or livestock manure spreading
25 equipment); [and]

26 (5) § 10-208(p) of this title (Elevator handrails in health care facilities);
27 AND

28 (6) § 10-208(Q) OF THIS TITLE (EMPLOYER CONTRIBUTIONS TO HEALTH
29 SAVINGS ACCOUNT).

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 July 1, 2005, and shall be applicable to all taxable years beginning after December 31,
32 2004.