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By: **Delegates King, Barkley, Bozman, G. Clagett, Dumais, Feldman,  
Gordon, Levy, Murray, Patterson, and Ramirez**

Introduced and read first time: February 10, 2006

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Corporations - Payments to Related Entities**

3 FOR the purpose of altering a certain exception to a requirement that certain interest  
4 expenses and certain intangible expenses be added to the federal taxable income  
5 of a corporation to determine Maryland modified income under certain  
6 circumstances; providing for the application of this Act; and generally relating to  
7 a requirement that certain interest expenses and certain intangible expenses be  
8 added to the federal taxable income of a corporation to determine Maryland  
9 modified income under certain circumstances.

10 BY repealing and reenacting, with amendments,

11 Article - Tax - General

12 Section 10-306.1(c)

13 Annotated Code of Maryland

14 (2004 Replacement Volume and 2005 Supplement)

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

17 **Article - Tax - General**

18 10-306.1.

19 (c) The addition required under subsection (b) of this section does not apply to  
20 any portion of the interest expense or intangible expense to the extent that the  
21 corporation establishes, as determined by the Comptroller, that:

22 (1) the transaction giving rise to the payment of the interest expense or  
23 intangible expense between the corporation and the related member did not have as a  
24 principal purpose the avoidance of any portion of the tax due under this title;

25 (2) the interest expense or intangible expense was paid pursuant to  
26 arm's-length contracts at an arm's-length rate of interest or price; and

27 (3) (i) during the same taxable year[.];

