

SENATE BILL 869

Q3, N1

71r3107

By: **Senator Gladden**

Introduced and read first time: February 21, 2007

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **State Income Tax – Credit for Release of Ground Rent**

3 FOR the purpose of allowing a credit against the State income tax for a certain
4 individual or corporation holding a reversionary interest in a ground lease on
5 residential real property as a landlord who releases a ground rent in accordance
6 with this Act; requiring a landlord of certain property subject to a ground lease
7 to provide a tenant, without the payment of certain consideration by the tenant,
8 with a certain deed of redemption of ground rent and the original deed
9 establishing the ground lease in order to claim a credit; providing that
10 submission of the deed of redemption of ground rent and the original deed are
11 conclusive proof of the release of a certain reversionary interest of the landlord
12 and the vesting of a certain fee simple title in the property in the tenant;
13 limiting the amount of the credit; requiring the Comptroller to adopt
14 regulations, to carry out this Act; providing for the application of this Act; and
15 generally relating to a credit against the State income tax for the release of a
16 ground rent by a landlord.

17 BY adding to

18 Article – Tax – General

19 Section 10–726

20 Annotated Code of Maryland

21 (2004 Replacement Volume and 2006 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article - Tax - General**10-726.**

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

(2) "GROUND LEASE" MEANS A RESIDENTIAL LEASE OR SUBLEASE IN EFFECT ON OR AFTER JULY 1, 2007, THAT HAS AN INITIAL TERM OF 99 YEARS RENEWABLE FOREVER AND IS SUBJECT TO THE PAYMENT OF AN ANNUAL GROUND RENT.

(3) "GROUND RENT" MEANS A RENT ISSUING OUT OF, OR COLLECTIBLE IN CONNECTION WITH, THE REVERSION IN FEE SIMPLE RESERVED IN A GROUND LEASE.

(4) "LANDLORD" MEANS THE HOLDER OF THE REVERSIONARY INTEREST UNDER A GROUND LEASE.

(5) "TENANT" MEANS THE HOLDER OF THE LEASEHOLD INTEREST UNDER A GROUND LEASE.

(B) THIS SECTION DOES NOT APPLY TO A GROUND LEASE THAT HAS BEEN REDEEMED OR EXTINGUISHED UNDER PROCEDURES SET FORTH IN TITLE 8, SUBTITLE 1 OF THE REAL PROPERTY ARTICLE.

(C) (1) SUBJECT TO SUBSECTIONS (D) AND (E) OF THIS SECTION, AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IF THE INDIVIDUAL OR CORPORATION AS LANDLORD, WITHOUT REQUIRING THE PAYMENT OF CONSIDERATION, PROVIDES THE TENANT WITH:

(I) A DEED OF REDEMPTION OF GROUND RENT FOR PROPERTY SUBJECT TO A GROUND LEASE; AND

(II) THE ORIGINAL DEED FOR THE PROPERTY THAT ESTABLISHED THE GROUND LEASE.

(2) SUBMISSION OF THE DEED OF REDEMPTION OF GROUND RENT AND THE ORIGINAL DEED ARE CONCLUSIVE PROOF THAT:

1 **(I) THE LANDLORD'S REVERSIONARY INTEREST IN THE**
2 **PROPERTY IS RELEASED; AND**

3 **(II) FEE SIMPLE TITLE IN THE PROPERTY VESTS IN THE**
4 **TENANT, FREE AND CLEAR OF ANY AND ALL RIGHT, TITLE, OR INTEREST OF THE**
5 **LANDLORD, ANY LIEN OF A CREDITOR OF THE LANDLORD, AND ANY PERSON**
6 **CLAIMING BY, THROUGH, OR UNDER THE LANDLORD.**

7 **(D) THE CREDIT ALLOWED UNDER THIS SECTION:**

8 **(1) MAY NOT EXCEED THE LESSER OF:**

9 **(I) AN AMOUNT EQUAL TO 33% OF THE AVERAGE GROUND**
10 **RENT FOR THE PROPERTY FOR 3 YEARS; OR**

11 **(II) \$100; AND**

12 **(2) MAY BE CLAIMED FOR ONLY 1 TAXABLE YEAR.**

13 **(E) THE COMPTROLLER SHALL ADOPT REGULATIONS TO CARRY OUT**
14 **THIS SECTION.**

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 July 1, 2007, and shall be applicable to all taxable years beginning after December 31,
17 2006.