

and in effect for the corresponding taxable year, with the modifications and less the deductions and personal exemptions provided in this subtitle.

(b) There shall be added to federal adjusted gross income: (1) interest or dividends, (LESS RELATED EXPENSES), on obligations or securities of any state or of a political subdivision or authority thereof (other than this State and its political subdivisions and authorities); (2) salaries and wages and interest or dividends on obligations of any authority, commission, instrumentality, territory or possession of the United States or of any foreign government, which by the laws or treaties of the United States are exempt from federal income tax but not from State Income taxes; (3) *the net operating loss [carry-overs] deduction as defined in Section 172 of the Internal Revenue Code, AS AMENDED FROM TIME TO TIME;* (4) dividends received by individuals excluded from federal adjusted gross income pursuant to Section 116 of the Internal Revenue Code; and (5) **[distributions not previously taxed in Maryland to individuals and losses claimed during the taxable year by individuals from electing small business corporations, as defined in Section 1371 of the Internal Revenue Code, which have complied with the provisions of subchapter "S" of the Internal Revenue Code]** *distributions of corporate prior years' earnings not previously taxed in Maryland to individuals and current year losses of corporations claimed for the taxable year by individuals, resulting from an election of a small business corporation, as defined by Section 1371 of the Internal Revenue Code as amended from time to time, to be taxed in accordance with the provisions of subchapter "S" of the Internal Revenue Code.*

(c) There shall be subtracted from federal adjusted gross income: (1) interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission or instrumentality of the United States to the extent includable in gross income for federal income tax purposes but exempt from State income taxes under the laws of the United States; (2) dividends received upon stock of national banks located within or without the State and also domestic corporations the shares of which are subject to ordinary taxes; (3) **[undistributed income received by individuals from electing small business corporations, as defined in Section 1371 of the Internal Revenue Code, which have complied with the provisions of subchapter "S" of the Internal Revenue Code]** *to the extent included, undistributed corporate income attributed to individuals from small business corporations, as defined by Section 1371 of the Internal Revenue Code, as amended from time to time, which elected to be taxed in accordance with the provisions of subchapter "S" of the Internal Revenue Code;* **[and]** (4) payments received by policemen and firemen from pension systems for injuries or disabilities arising out of and in the course of their employment as policemen or firemen; and (5) *to the extent included, the amount of any refunds of income taxes paid to the State of Maryland, any other state, the District of Columbia, and any political subdivision of the State of Maryland and of any other state;* AND (6) **FOR TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 1968, THE AMOUNT OF CAPITAL GAINS INCLUDED THEREIN WHICH WAS REALIZED FROM THE SALE, EXCHANGE OR OTHER DISPOSITION OF PROPERTY**