

## CHAPTER 438

(Senate Bill 495)

AN ACT to repeal and re-enact, with amendments, Section 280 (c) of Article 81 of the Annotated Code of Maryland (1967 Supplement), title "Revenue and Taxes," subtitle "Income Tax," to provide that there shall be subtracted from federal adjusted gross income to arrive at the taxable net income of an individual taxpayer for Maryland income tax purposes payments received by persons retired prior to a certain date which represent unrecovered contributions to a retirement system and relating generally to the amount of such payments to be subtracted on such State income tax return.

SECTION 1. *Be it enacted by the General Assembly of Maryland,* That Section 280 (c) of Article 81 of the Annotated Code of Maryland (1967 Supplement), title "Revenue and Taxes," subtitle "Income Tax," be and it is hereby repealed and re-enacted, with amendments, to read as follows:

280.

(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; [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) *in the case of persons retired prior to January 1, 1967, payments received which represent unrecovered contributions to a retirement system over and above any amount of such contributions remaining to be recovered tax-free on the Federal return, limited to an amount which together with the amount of any tax-free exclusion in the Federal return does not exceed the exclusion which was permitted under the laws and regulations of this State prior to the year 1967.*

SEC. 2. *And be it further enacted,* That this Act is hereby declared to be an emergency measure and necessary for the immediate preservation of the public health and safety and having been passed by a ye and nay vote supported by three-fifths of all the members elected to each of the two houses of the General Assembly, the same shall take effect from the date of its passage.

Approved April 19, 1968.