

## Senate Bill No. 914

AN ACT concerning

Franchise Tax - International Financial Industry -  
Tax Relief

FOR the purpose of providing incentive to financial institutions to conduct their international financing business in the State by providing tax relief to financial institutions from the franchise tax imposed on them by means of a deduction from their net earnings of an amount resulting from the conduct of international financial transactions from their branches that are established within the State.

BY repealing and reenacting, with amendments,

Article 81 - Revenue and Taxes  
Section 128A  
Annotated Code of Maryland  
(1980 Replacement Volume)

## Preamble

WHEREAS, The General Assembly hereby declares that it would be in the general welfare of the People of the State that the State become a center for international finance. Presently, there is little incentive for financial institutions to establish branches in Maryland because of the State franchise tax on net earnings of financial institutions and because of present regulations of the Board of Governors of the Federal Reserve System. The State franchise tax on financial institutions means that an institution engaged in international finance would pay higher income tax on foreign transactions conducted in Maryland than would be paid in London, in the Carribean, or in other off-shore locations. The regulations of the Board of Governors of the Federal Reserve System prohibit payment of interest on deposits of less than 30 days and require financial institutions to maintain a minimal amount as a reserve. Thus, the General Assembly finds that continuing this franchise tax on the income from international financial transactions is strong incentive for financial institutions to continue to locate in foreign locations and not in the State of Maryland; and

WHEREAS, This Act is being enacted to help attract the international banking business, and the attendant jobs and personal income back to the United States, and particularly