

to Maryland and to improve Maryland's reputation as a financial and commercial center. Therefore by enacting this legislation the General Assembly intends to permit financial institutions to establish facilities based in the State for the purpose of making loans to or accepting deposits from certain foreign customers free from either interest rate restrictions or reserve requirements, and the State franchise tax. Related foreign exchange transactions would also be eligible. To prevent favorable tax treatment on income from loans which should properly be made through domestic financial institutions, proceeds from loans to foreign branches of a domestic corporation or foreign affiliated corporation of a domestic corporation must be used outside of the United States or in an approved foreign trade zone. These provisions permit a domestic bank to make loans to and accept deposits from specified foreign customers through its Maryland-based international banking facility under essentially the same conditions which exist outside the United States where that business is now being conducted; now, therefore,

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That section(s) of the Annotated Code of Maryland be repealed, amended, or enacted to read as follows:

Article 81 - Revenue and Taxes

128A.

[(a) A franchise tax is hereby annually levied and imposed for each fiscal year of the State beginning after June 30, 1968, upon every domestic financial institution for the privilege of existing as a corporation during any part of the State's fiscal year, and upon every financial institution organized under the laws of the United States or another state or nation for the grant to it of the privilege in corporate or organized form of transacting or for the actual transaction by it of any business within this State during any part of the State's fiscal year. "Financial institution" as used in this section shall include all commercial banks, safe deposit and trust companies, and finance corporations as defined in § 2(9) of this article but shall not include domestic or foreign finance corporations which make loans exclusively to farmers for agricultural purposes or any corporation licensed under the Small Business Investment Act of 1958, as amended (15 USCA 661 et seq., as amended).

(b) The tax imposed by this section shall be measured by the net earnings of such financial institution for the taxpayer's annual accounting period, whether calendar year or fiscal year as defined in § 279(h) of this article, ending within the fiscal year of the State for which the tax is imposed. For the fiscal year of the State ending June 30,