

(iii) a corporation or a party related to the corporation in a manner that would require an attribution of stock from the corporation to the party or from the party to the corporation under the attribution rules of § 318 of the Internal Revenue Code, if the taxpayer owns directly, indirectly, beneficially, or constructively, at least 50% of the value of the corporation's outstanding stock.

(9) "Related member" means a person that, with respect to the taxpayer during all or any portion of the taxable year, is:

(i) a related entity;

(ii) a component member, as defined in § 1563(b) of the Internal Revenue Code; or

(iii) a person to or from whom there is attribution of stock ownership in accordance with § 1563(e) of the Internal Revenue Code.

(b) (1) Except as otherwise provided in this section, in addition to the modifications under §§ 10-305 and 10-306 of this subtitle, the amounts under paragraph (2) of this subsection are added to the federal taxable income of a corporation to determine Maryland modified income.

(2) The addition under this subsection includes any otherwise deductible interest expense or intangible expense if the interest expense or intangible expense is directly or indirectly paid, accrued, or incurred to, or in connection directly or indirectly with one or more direct or indirect transactions with, one or more related members.

(c) The addition required under subsection (b) of this section does not apply to any portion of the interest expense or intangible expense to the extent that the corporation establishes, as determined by the Comptroller, that:

(1) the transaction giving rise to the payment of the interest expense or intangible expense between the corporation and the related member did not have as a principal purpose the avoidance of any portion of the tax due under this title;

(2) the interest expense or intangible expense was paid pursuant to arm's-length contracts at an arm's-length rate of interest or price; and

(3) (i) during the same taxable year, the related member directly or indirectly paid, accrued, or incurred the interest expense or intangible expense to a person who is not a related member;

(ii) 1. the related member was subject to a tax measured by its net income or receipts in this State [or], another state or possession of the United States, OR A FOREIGN NATION THAT HAS ENTERED INTO A COMPREHENSIVE TAX TREATY WITH THE UNITED STATES GOVERNMENT;

2. a measure of the tax imposed by this State [or], another state or possession of the United States, OR A FOREIGN NATION THAT HAS ENTERED