

(9) (i) ~~{For}~~ EXCEPT AS PROVIDED IN ITEM (ii) OF THIS PARAGRAPH, ~~FOR~~ taxable years ending after December 31, 1975, small-business corporations, as defined by § ~~{1371}~~ 1361 of the Internal Revenue Code, as amended from time to time, which have elected to be taxed in accordance with the provisions of Subchapter "S" of the Internal Revenue Code.

(ii) A SMALL BUSINESS CORPORATION THAT HAS ELECTED TO BE TAXED IN ACCORDANCE WITH THE PROVISIONS OF SUBCHAPTER "S" OF THE INTERNAL REVENUE CODE IS LIABLE FOR THE TAX IMPOSED BY THIS SECTION IF ON THE LAST DAY OF THE CORPORATION'S TAXABLE YEAR THE CORPORATION HAS ANY SHAREHOLDERS WHO ARE NOT MARYLAND RESIDENTS, AS DEFINED IN § 279 (i) OF THIS ARTICLE.

(iii) THE PERCENTAGE OF THE INCOME OF A CORPORATION THAT IS SUBJECT TO THE TAX UNDER ITEM (ii) OF THIS PARAGRAPH SHALL EQUAL THE PERCENTAGE OF THE STOCK OF THE CORPORATION OWNED ON THE LAST DAY OF THE CORPORATION'S TAXABLE YEAR BY SHAREHOLDERS WHO ARE NOT MARYLAND RESIDENTS, AS DEFINED IN § 279 (i) OF THIS ARTICLE.

290-

(c) FOR THE PURPOSES OF SUBSECTION (A) OF THIS SECTION, THE STATE SHALL DEEM ANY INCOME OR FRANCHISE TAX PAID TO ANOTHER STATE BY A SMALL BUSINESS CORPORATION THAT HAS ELECTED TO BE TAXED IN ACCORDANCE WITH THE PROVISIONS OF SUBCHAPTER "S" OF THE INTERNAL REVENUE CODE AS PAID ON A PRO RATA BASIS BY THE SHAREHOLDERS OF THE CORPORATION.

Income Tax - "S" Corporations

FOR the purpose of providing for a certain credit to be included in federal adjusted gross income, providing that certain taxes paid by "S" corporations be deemed paid on a pro rata basis by shareholders, requiring that certain "S" corporations withhold and pay to the Comptroller certain taxes of nonresident shareholders, and generally relating to certain income tax credits for "S" corporation shareholders.

FOR the purpose of requiring that certain "S" corporations withhold and pay over to the Comptroller certain taxes of nonresident shareholders; providing for the rate of tax and basis for the tax to be withheld; providing for the time in which payment is to be made; providing that the taxes so withheld shall constitute payment on account of income taxes levied and imposed; providing for liability for failure to withhold; providing that certain taxes paid by "S" corporations be deemed paid on a pro rata basis by the shareholders of the corporation; and generally relating to a modification addition for certain tax credits.

BY repealing and reenacting, with amendments,