

WILLIAM DONALD SCHAEFER, Governor

Governor

House Bill No. 1389

AN ACT concerning

Income Tax - Tax Preference

FOR the purpose of altering certain references and deleting certain obsolete references to the Internal Revenue Code to account for changes in federal law relating to items of tax preference; specifying a certain amount to be exempt from taxation as tax preference items; and providing for application of this Act.

BY repealing and reenacting, with amendments,

Article 81 - Revenue and Taxes
Section 280B
Annotated Code of Maryland
(1980 Replacement Volume and 1986 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

Article 81 - Revenue and Taxes

280B.

(a) For purposes of this subtitle, items of tax preference are determined and defined in §§ 57 and [58] 59 of the Internal Revenue Code, as amended from time to time, excluding the oil percentage depletion allowance as claimed and allowed under § 613 of the Internal Revenue Code, as amended from time to time, the sum total of which is in excess of [the amount specified in § 56 (a) (1) of the Internal Revenue Code, as amended from time to time,] \$10,000 IN THE CASE OF A INDIVIDUAL RETURN OR \$20,000 IN THE CASE OF A JOINT RETURN, as modified and apportioned under the provisions of § [58] 59 of the Internal Revenue Code, as amended from time to time.

(b) A "tax option" corporation which has elected to file its federal income tax return under the provisions of § 1371 of Subchapter "S" of the Internal Revenue Code and for purposes of subsection (a) of this section, shall account for its tax preference items as belonging to the individual shareholders of the corporation. A pro rata apportionment of the items of tax preference is reportable by each shareholder on his individual return in a manner consistent with federal requirements.