modified income" is substituted for the former reference to a computation "determined under § 280A(a) of this article". Therefore, former Art. 81, § 128(b)(5)(ii), which specifically excluded "[a]ny allowance of any dividend or interest paid or credited on savings accounts and investment certificates or other apportionment of profits; or ... allowance for reserves", is omitted as surplusage.

In the introductory language of subsection (b) of this section, the reference to amounts "otherwise allowed to be subtracted under § 10-307(b) and (g)(3) of this article" is substituted for the former phrases "§ 280A(c)(4) ... notwithstanding" and "§ 280A(c)(6) ... notwithstanding", for clarity.

In subsection (b)(2) of this section, the reference to "federal gross income under ... the Internal Revenue Code" is substituted for the former reference to dividends "to the extent included in its taxable income as defined in the laws of the United States, as amended from time to time and in effect for the corresponding year", for clarity.

In subsection (b)(4) of this section, the inclusion of any interest that is "excluded from federal gross income under § 103(a) of the Internal Revenue Code" is added to reflect the apparent intent of the General Assembly that all federally tax exempt interest be included in the net earnings of a financial institution and to conform to the practice of the Department. When the General Assembly enacted former Art. 81, § 128A, the only securities that qualified for federal income tax exempt status were state, county, and municipal bonds. Since then, Congress has amended I.R.C. § 103 extensively. E.g., P.L. 97-34, § 812(a) recently added an exemption for interest on bonds for financing volunteer fire departments. In recognition of the federal changes, the policy of the Department has been to require the inclusion of all interest that is exempt under I.R.C. § 103.

Defined terms: "Financial institution" § 8-101
"Financial institution franchise tax" § 1-101
"Internal Revenue Code" § 1-101 "State" § 1-101

8-205. SAME -- INTERNATIONAL BANKING FACILITIES.

(A) DEFINITIONS.

(1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) (I) "FOREIGN PERSON" MEANS: