

(C) NONRESIDENT.

(1) A NONRESIDENT SHALL INCLUDE AS TAX PREFERENCE ITEMS ONLY THOSE ITEMS THAT ARE BASED ON INCOME TAXABLE IN THE STATE.

(2) IF THE TAX PREFERENCE ITEMS ARE BASED ON INCOME DERIVED BOTH IN AND OUT OF THE STATE, THE NONRESIDENT IS ALLOWED ONLY A FRACTION:

(I) THE NUMERATOR OF WHICH IS THE DOLLAR AMOUNT OF THE TAX PREFERENCE ITEMS BASED ON INCOME TAXABLE IN THE STATE; AND

(II) THE DENOMINATOR OF WHICH IS THE TOTAL DOLLAR AMOUNT OF THE TAX PREFERENCE ITEMS.

REVISOR'S NOTE: This section is new language derived without substantive change from former Art. 81, § 280B(a), (c), and the second sentence of (b).

In subsection (a)(4)(i) of this section, the cross-reference to "§ 613A of the Internal Revenue Code" is added for clarity.

In subsection (b) of this section, the former requirement to report the pro rata share "on his individual return in a manner consistent with federal requirements" is deleted as surplusage.

The first sentence of former Art. 81, § 280B(b), which required an S corporation to prorate its tax preference items among the shareholders of the corporation, is deleted as surplusage in light of the requirements of the Internal Revenue Code. This deletion also avoids a potential misconstruction that the S corporation uses tax preference items in determining its tax liability.

Former Art. 81, § 280B(d), which excluded "State and local income taxes" from tax preference items, is deleted as obsolete since, under the federal Income Tax Reform Act of 1986, those taxes are no longer included under the federal computations.

As to special treatment of income, see Subtitle 4 of this title.

Defined terms: "Internal Revenue Code" § 1-101
"Nonresident" § 10-101 "S corporation" § 10-101

SUBTITLE 3. MARYLAND TAXABLE INCOME
CALCULATIONS FOR CORPORATION.