

JANUARY 1, 1974 BEARS TO THE NUMBER OF CALENDAR YEARS OF ACTIVE PARTICIPATION BY THE EMPLOYEE IN THE PLAN.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - Tax - General

10-205.

[(d) (1) In this subsection, "Internal Revenue Code" means the Internal Revenue Code of 1954, as amended through 1985.

(2) The addition under subsection (a) of this section includes from a lump sum distribution claimed as a deduction under § 402(e)(3) of the Internal Revenue Code and reduced by the minimum distribution allowance under § 402(e)(1)(D) of the Internal Revenue Code:

(i) the ordinary income portion as defined under § 402(e)(4)(E) of the Internal Revenue Code; and

(ii) 40% of the capital gains portion, as defined in § 402(a)(2) of the Internal Revenue Code, to the extent that the portion is treated as ordinary income.]

~~{B}--THE--ADDITION--UNDER--SUBSECTION--(A)--OF--THIS--SECTION INCLUDES, TO THE EXTENT NOT INCLUDED IN FEDERAL ADJUSTED GROSS INCOME, 40% OF THE CAPITAL GAINS PORTION OF A LUMP-SUM DISTRIBUTION AS DEFINED IN § 402(A)(2) OF THE INTERNAL REVENUE CODE EFFECTIVE AS OF DECEMBER 31, 1986, AND THE BALANCE OF THE LUMP-SUM DISTRIBUTION AS DEFINED UNDER THE INTERNAL REVENUE CODE REDUCED BY THE MINIMUM DISTRIBUTION ALLOWANCE UNDER § 402(E)(1)(E) OF THE INTERNAL REVENUE CODE.~~

(D) (1) IN THIS SUBSECTION, "LUMP-SUM DISTRIBUTION", "MINIMUM DISTRIBUTION ALLOWANCE", AND "TOTAL TAXABLE AMOUNT" HAVE THE MEANINGS STATED IN § 402(E) OF THE INTERNAL REVENUE CODE.

(2) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE AMOUNT BY WHICH THE TOTAL TAXABLE AMOUNT OF A LUMP-SUM DISTRIBUTION EXCEEDS THE SUM OF:

(I) 60% OF THE CAPITAL GAINS PORTION OF THE TOTAL TAXABLE AMOUNT; AND

(II) THE MINIMUM DISTRIBUTION ALLOWANCE.

(3) FOR PURPOSES OF THIS SUBSECTION, THE CAPITAL GAINS PORTION OF THE TOTAL TAXABLE AMOUNT IS DETERMINED BY MULTIPLYING THE TOTAL TAXABLE AMOUNT BY A FRACTION: