

federal adjusted gross income of an individual to determine Maryland adjusted gross income.

(G-1) (1) (I) IN THIS SUBSECTION, THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(II) "MUTUAL FUND" MEANS A REGULATED INVESTMENT COMPANY AS DEFINED UNDER § 851 OF THE INTERNAL REVENUE CODE.

(III) "STATE TAX EXEMPT INTEREST" MEANS INTEREST OR DIVIDENDS ATTRIBUTABLE TO A UNITED STATES GOVERNMENT OBLIGATION.

(IV) "UNITED STATES GOVERNMENT OBLIGATION" MEANS AN OBLIGATION OF THE UNITED STATES OR AN AUTHORITY, COMMISSION, INSTRUMENTALITY, POSSESSION, OR TERRITORY OF THE UNITED STATES.

(2) -- SUBJECT TO THE REQUIREMENTS OF PARAGRAPH (3) OF THIS SUBSECTION, THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES A DISTRIBUTION OR DIVIDEND THAT:

(i) -- IS RECEIVED BY A SHAREHOLDER FROM A MUTUAL FUND DURING THE SHAREHOLDER'S TAXABLE YEAR OR IS DEEMED UNDER § 852(B) OF THE INTERNAL REVENUE CODE TO HAVE BEEN RECEIVED BY THE SHAREHOLDER DURING THE TAXABLE YEAR; AND

(ii) -- IS ATTRIBUTABLE TO STATE TAX EXEMPT INTEREST RECEIVED BY THE MUTUAL FUND;

(3) -- A DISTRIBUTION OR DIVIDEND FROM A MUTUAL FUND QUALIFIES FOR THE SUBTRACTION UNDER THIS SUBSECTION IF THE DISTRIBUTION OR DIVIDEND:

(i) -- HAS BEEN DESIGNATED AS A STATE TAX EXEMPT INTEREST DIVIDEND IN A WRITTEN NOTICE MAILED TO THE SHAREHOLDER FROM THE MUTUAL FUND WITHIN 45 60 DAYS OF THE CLOSE OF THE MUTUAL FUND'S TAXABLE YEAR; AND

(ii) -- WAS RECEIVED FROM A MUTUAL FUND THAT IS QUALIFIED UNDER PARAGRAPH (4) OF THIS SUBSECTION TO PAY STATE TAX EXEMPT INTEREST DIVIDENDS FOR THE TAXABLE YEAR OF THE MUTUAL FUND IN WHICH THE DISTRIBUTION IS PAID OR IS DEEMED UNDER § 855 OF THE INTERNAL REVENUE CODE TO HAVE BEEN PAID;

(4) -- A MUTUAL FUND IS QUALIFIED TO PAY STATE TAX EXEMPT INTEREST DIVIDENDS FOR A TAXABLE YEAR OF THE MUTUAL FUND IF:

(i) -- AT THE END OF EACH QUARTER OF THE TAXABLE YEAR AT LEAST 50% OF THE VALUE, AS DEFINED UNDER § 851(C)(4) OF THE INTERNAL REVENUE CODE, OF THE MUTUAL FUND'S TOTAL ASSETS CONSISTS OF UNITED STATES GOVERNMENT OBLIGATIONS; AND