

Approved May 2, 1994.

CHAPTER 265

(House Bill 426)

AN ACT concerning

Financial Institution Franchise Tax – Computation

FOR the purpose of codifying under the financial institution franchise tax a subtraction modification from the net earnings of financial institutions for certain interest expenses attributable to certain ~~tax-exempt~~ bonds.

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 8-204

Annotated Code of Maryland

(1988 Volume and 1993 Supplement)

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

Article – Tax – General

8-204.

(a) A financial institution shall compute its net earnings:

(1) based on the accounting period used as its fiscal year; and

(2) subject to the [additions] MODIFICATIONS required under [subsection

(b) of] this section, in the manner that a corporation computes, for purposes of the income tax, the Maryland modified income.

(b) A financial institution shall add to its net earnings computed under subsection (a) of this section the amounts that, even if otherwise allowed to be subtracted under § 10-307(b) and (g)(2) and (5) of this article, equal:

(1) profit realized from the sale or exchange of bonds issued by this State or a political subdivision of this State;

(2) dividends received from foreign corporations and included in federal gross income under § 78 of the Internal Revenue Code;

(3) interest derived from a United States obligation;

(4) state tax exempt interest received from a mutual fund and allowed to be subtracted under § 10-307(g)(5) of this article; and