

(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

(5) interest excluded from federal gross income under § 103 of the Internal Revenue Code and derived from a bond:

(i) issued by a state or a public corporation, special district, political subdivision of a state or their instrumentalities; or

(ii) under § 150 of the Internal Revenue Code, treated as a bond issued by a state or a public corporation, special district, or political subdivision of a state or their instrumentalities.

(c) A financial institution shall subtract from its net earnings computed under subsection (a) of this section interest expense incurred to purchase or carry a bond as defined in subsection (b)(5) of this section.

(D) IN COMPUTING TAXABLE NET EARNINGS, A FINANCIAL INSTITUTION THAT IS A COMMERCIAL BANK, A SAVINGS BANK, A TRUST COMPANY, OR A COMPANY THAT SUBSTANTIALLY COMPETES WITH NATIONAL BANKS IN THE STATE SHALL SUBTRACT FROM ITS NET EARNINGS COMPUTED UNDER SUBSECTION (A) OF THIS SECTION:

(1) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 1995 BUT BEFORE JANUARY 1, 1997, 50% OF THE AMOUNT REQUIRED TO BE ADDED UNDER SUBSECTION (B)(1), (3), (4), AND (5) OF THIS SECTION; AND

(2) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 1996 BUT BEFORE JANUARY 1, 1998, 75% OF THE AMOUNT REQUIRED TO BE ADDED UNDER SUBSECTION (B)(1), (3), (4), AND (5) OF THIS SECTION.

SECTION 5. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

**Article - Tax - General**

8-101.

(c) (1) "Financial institution" means:

(i) [a commercial bank;

(ii)] a credit company;

[(iii)] (II) except as provided in paragraph (2)(i) of this subsection, a finance company;

[(iv)] (III) an international banking facility;

[(v)] (IV) a loan company;

[(vi)] (V) a mortgage company;