

Annotated Code of Maryland
(1988 Volume and 1995 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 requirements under 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

(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 SUM OF: