

SENATE BILL 578

Q3

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By: **Senator McCray**

Introduced and read first time: January 29, 2021

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Retroactive Changes Under the Federal CARES Act – Addition**
3 **Modification**

4 FOR the purpose of providing an addition modification under the Maryland income tax for
5 certain amounts related to certain net operating loss deductions, certain excess
6 business losses, and certain business interest expense deductions; making
7 conforming changes; and generally relating to the Maryland income tax.

8 BY repealing and reenacting, without amendments,

9 Article – Tax – General

10 Section 10–205(a) and 10–306(a)

11 Annotated Code of Maryland

12 (2016 Replacement Volume and 2020 Supplement)

13 BY adding to

14 Article – Tax – General

15 Section 10–205(m) and (n)

16 Annotated Code of Maryland

17 (2016 Replacement Volume and 2020 Supplement)

18 BY repealing and reenacting, with amendments,

19 Article – Tax – General

20 Section 10–306(b)

21 Annotated Code of Maryland

22 (2016 Replacement Volume and 2020 Supplement)

23 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

24 That the Laws of Maryland read as follows:

25 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 10–205.

2 (a) In addition to the modification under § 10–204 of this subtitle, the amounts
3 under this section are added to the federal adjusted gross income of a resident to determine
4 Maryland adjusted gross income.

5 **(M) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2020, BUT**
6 **BEFORE JANUARY 1, 2022, THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION**
7 **INCLUDES:**

8 **(1) THE AGGREGATE OF THE AMOUNTS FOR EACH TAXABLE YEAR**
9 **BEGINNING AFTER DECEMBER 31, 2013, BUT BEFORE JANUARY 1, 2021, EQUAL TO**
10 **THE DIFFERENCE BETWEEN THE TAXPAYER’S NET OPERATING LOSS DEDUCTION AS**
11 **DETERMINED UNDER § 172(A) OF THE INTERNAL REVENUE CODE BEFORE THE**
12 **AMENDMENTS MADE BY § 2303 OF THE FEDERAL CORONAVIRUS AID, RELIEF, AND**
13 **ECONOMIC SECURITY ACT AND THE TAXPAYER’S NET OPERATING LOSS DEDUCTION**
14 **AS DETERMINED UNDER § 172(A) OF THE INTERNAL REVENUE CODE AFTER THE**
15 **AMENDMENTS MADE BY § 2303 OF THE FEDERAL CORONAVIRUS AID, RELIEF, AND**
16 **ECONOMIC SECURITY ACT;**

17 **(2) THE AGGREGATE OF THE AMOUNTS FOR EACH TAXABLE YEAR**
18 **BEGINNING AFTER DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2021, EQUAL TO**
19 **THE AMOUNT BY WHICH THE TAXPAYER’S EXCESS BUSINESS LOSS EXCEEDS THE**
20 **EXCESS BUSINESS LOSS LIMITATION AS DETERMINED UNDER § 461(L) OF THE**
21 **INTERNAL REVENUE CODE WITHOUT REGARD TO THE AMENDMENTS MADE BY §**
22 **2304 OF THE FEDERAL CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY**
23 **ACT, BUT WITH REGARD TO THE TECHNICAL AMENDMENT MADE BY § 2304(B)(2)(B)**
24 **OF THE FEDERAL CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT; AND**

25 **(3) THE AGGREGATE OF THE AMOUNTS FOR EACH TAXABLE YEAR**
26 **BEGINNING AFTER DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2021, EQUAL TO**
27 **THE AMOUNT BY WHICH THE TAXPAYER’S INTEREST EXPENSE DEDUCTION EXCEEDS**
28 **THE LIMITATION ON BUSINESS INTEREST UNDER § 163(J) OF THE INTERNAL**
29 **REVENUE CODE WITHOUT REGARD TO THE AMENDMENTS MADE BY § 2306 OF THE**
30 **FEDERAL CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT, AND AS**
31 **CALCULATED ON A SEPARATE ENTITY BASIS.**

32 **(N) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2020, BUT**
33 **BEFORE JANUARY 1, 2026, THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION**
34 **INCLUDES THE AMOUNT EQUAL TO THE TAXPAYER’S EXCESS BUSINESS LOSS AS**
35 **DETERMINED UNDER § 461(L) OF THE INTERNAL REVENUE CODE WITHOUT REGARD**
36 **TO THE AMENDMENTS MADE BY § 2304 OF THE FEDERAL CORONAVIRUS AID,**
37 **RELIEF, AND ECONOMIC SECURITY ACT, BUT WITH REGARD TO THE TECHNICAL**
38 **AMENDMENT MADE BY § 2304(B)(2)(B) OF THE FEDERAL CORONAVIRUS AID,**

1 **RELIEF, AND ECONOMIC SECURITY ACT, IF THE LOSS INCLUDES EXCESS FARM LOSS**
2 **AS DEFINED UNDER § 461(J) OF THE INTERNAL REVENUE CODE.**

3 10–306.

4 (a) In addition to the modification under § 10–305 of this subtitle, the amounts
5 under this section are added to the federal taxable income of a corporation to determine
6 Maryland modified income.

7 (b) The addition under subsection (a) of this section includes the additions
8 required for an individual under:

9 (1) § 10–205(b) of this title (Enterprise zone wage credit, employment
10 opportunity credit, disability credit, and qualified ex–felon employee credit);

11 (2) § 10–205(c) of this title (Reforestation and timber stand modification);

12 (3) § 10–205(e) of this title (Net operating loss modification);

13 (4) § 10–205(g) of this title (Unlicensed child care facility operating
14 expenses); [and]

15 (5) § 10–205(i) of this title (Maryland research and development tax credit);

16 **(6) § 10–205(M) OF THIS TITLE (NET OPERATING LOSS DEDUCTION,**
17 **EXCESS BUSINESS LOSS, INTEREST EXPENSE DEDUCTION); AND**

18 **(7) § 10–205(N) OF THIS TITLE (EXCESS BUSINESS LOSS).**

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
20 1, 2021.