

SENATE BILL 693

Q3

2lr2779
CF 2lr2775

By: **Senators West and Hester**

Introduced and read first time: February 4, 2022

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Expensing of Business Property – Recoupling With Federal Law**

3 FOR the purpose of repealing certain Maryland income tax modifications for certain
4 deductions for the cost of business property placed in service that is treated as an
5 expense for federal income tax purposes; and generally relating to Maryland income
6 tax modifications with respect to the federal income tax treatment of business
7 property.

8 BY repealing and reenacting, with amendments,

9 Article – Tax – General

10 Section 10–210.1

11 Annotated Code of Maryland

12 (2016 Replacement Volume and 2021 Supplement)

13 BY repealing and reenacting, without amendments,

14 Article – Tax – General

15 Section 10–310

16 Annotated Code of Maryland

17 (2016 Replacement Volume and 2021 Supplement)

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

19 That the Laws of Maryland read as follows:

20 **Article – Tax – General**

21 10–210.1.

22 (a) (1) In this section the following words have the meanings indicated.

23 (2) “Depreciation” includes any deduction allowed under § 179 of the
24 Internal Revenue Code.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (3) “Heavy duty SUV” means a 4-wheeled vehicle that:

2 (i) is manufactured primarily for use on public streets, roads, and
3 highways;

4 (ii) is rated at more than 6,000 but not more than 14,000 pounds
5 gross vehicle weight; and

6 (iii) would be a passenger automobile as defined in § 280F of the
7 Internal Revenue Code if it were rated at 6,000 pounds gross vehicle weight or less.

8 (4) (i) “Manufacturing entity” means a person conducting or operating
9 a trade or business that is primarily engaged in activities that, in accordance with the
10 North American Industrial Classification System (NAICS), United States Manual, United
11 States Office of Management and Budget, 2012 Edition, would be included in Sector 31, 32,
12 or 33.

13 (ii) “Manufacturing entity” does not include a refiner, as defined in
14 § 10–101 of the Business Regulation Article.

15 (b) In addition to the modifications under §§ 10–204 through 10–210 of this
16 subtitle, to determine Maryland adjusted gross income of an individual:

17 (1) (i) except as provided in item (ii) of this item, an amount is added to
18 or subtracted from federal adjusted gross income to reflect the determination of the
19 depreciation deduction provided under § 167(a) of the Internal Revenue Code and the
20 adjusted basis of property without regard to the additional allowance under § 168(k) of the
21 Internal Revenue Code; and

22 (ii) item (i) of this item does not apply to property placed in service
23 by a manufacturing entity on or after January 1, 2019;

24 (2) an amount is added to or subtracted from federal adjusted gross income
25 to determine the net operating loss deduction allowed under § 172 of the Internal Revenue
26 Code without regard to an election under § 172(b)(1)(H) of the Internal Revenue Code for a
27 carryback period of up to 5 years;

28 [(3) (i) except as provided in item (ii) of this item, an amount is added to
29 or subtracted from federal adjusted gross income to reflect the determination of the
30 maximum aggregate costs that the taxpayer may treat as an expense under § 179 of the
31 Internal Revenue Code for any taxable year without regard to any changes made to that
32 section after December 31, 2002:

33 1. increasing above \$25,000 the dollar limitation set forth in
34 § 179(b)(1) of the Internal Revenue Code; or

1 2. increasing above \$200,000 the phase-out threshold set
2 forth in § 179(b)(2) of the Internal Revenue Code; and

3 (ii) item (i) of this item does not apply to property that is placed in
4 service by a manufacturing entity on or after January 1, 2019;]

5 [(4)] (3) an amount is added to or subtracted from federal adjusted gross
6 income to reflect the recognition of income from discharge of indebtedness and the
7 allowance of any deduction with respect to original issue discount without regard to § 108(i)
8 of the Internal Revenue Code; and

9 [(5)] (4) an amount is added to or subtracted from federal adjusted gross
10 income to reflect the determination of the depreciation deduction with respect to any heavy
11 duty SUV as if the heavy duty SUV were subject to the limitations of § 280F of the Internal
12 Revenue Code in the same manner as it would be if the vehicle were rated at 6,000 pounds
13 gross vehicle weight or less.

14 10-310.

15 In addition to the modifications under §§ 10-305 through 10-309 of this subtitle, to
16 determine Maryland modified income the federal taxable income of a corporation shall be
17 adjusted as provided for an individual under § 10-210.1 of this title.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
19 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.