

Chapter 545

(House Bill 600)

AN ACT concerning

Income Tax – Subtraction Modification – Mortgage Forgiveness Debt Relief

FOR the purpose of allowing a subtraction modification under the Maryland income tax for income from the discharge of certain indebtedness related to certain costs incurred with respect to a principal residence; providing that the amount of the subtraction may not exceed a certain amount for certain taxpayers; providing for an addition modification if a property is sold or exchanged under certain circumstances; providing for the application ~~and termination~~ of this Act; providing for the termination of certain provisions of this Act; and generally relating to an income tax subtraction modification for income from the discharge of certain indebtedness.

BY repealing and reenacting, without amendments,

Article – Tax – General

Section 10–205(a) and ~~10–208(a)~~ 10–207(a)

Annotated Code of Maryland

(2010 Replacement Volume and 2011 Supplement)

BY adding to

Article – Tax – General

Section 10–205(k) and ~~10–208(e)~~ 10–207(y)

Annotated Code of Maryland

(2010 Replacement Volume and 2011 Supplement)

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

Article – Tax – General

10–205.

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

(K) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES, IF A TAXPAYER SOLD OR EXCHANGED A PROPERTY ~~IN THE CURRENT TAXABLE YEAR~~ FOR WHICH A SUBTRACTION MODIFICATION UNDER § ~~10–208(e)~~ 10–207(y) OF THIS SUBTITLE HAS BEEN CLAIMED, THE DIFFERENCE BETWEEN:

(1) THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME AS REPORTABLE UNDER THE FEDERAL MORTGAGE FORGIVENESS DEBT RELIEF ACT OF 2007, AS AMENDED, PRIOR TO ITS EXPIRATION ON DECEMBER 31, 2012, AND WITHOUT REGARD TO THE DATE LIMITATION IN § 108(A)(1)(E) OF THE INTERNAL REVENUE CODE; AND

(2) THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME AS CLAIMED IN THE TAXABLE YEAR.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – General

~~10-208.~~

~~(a) In addition to the modification under § 10-207 of this subtitle, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.~~

10-207.

(a) To the extent included in federal adjusted gross income, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

~~(B)~~ (Y) (1) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR INDEBTEDNESS DISCHARGED FOR QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS UNDER THE FEDERAL MORTGAGE FORGIVENESS DEBT RELIEF ACT OF 2007, AS AMENDED, PRIOR TO ITS EXPIRATION ON DECEMBER 31, 2012, AND WITHOUT REGARD TO THE DATE LIMITATION IN § 108(A)(1)(E) OF THE INTERNAL REVENUE CODE.

(2) THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS SUBSECTION APPLIES ONLY TO AN OWNER-OCCUPIED PRINCIPAL RESIDENCE.

(3) THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS SUBSECTION MAY NOT EXCEED:

(I) \$1,000,000 FOR AN INDIVIDUAL; OR

(II) \$2,000,000 FOR A MARRIED COUPLE FILING A JOINT RETURN OR AN INDIVIDUAL DESCRIBED IN § 2 OF THE INTERNAL REVENUE CODE AS A HEAD OF HOUSEHOLD OR AS A SURVIVING SPOUSE.

SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That *Section 2* of this Act shall take effect July 1, 2012, and shall be applicable to all taxable years beginning after December 31, 2012, but before January 1, 2014. It shall remain effective for a period of 2 years and, at the end of June 30, 2014, with no further action required by the General Assembly, this Act shall be abrogated and of no further force and effect.

SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2012, and, except as provided in Section 3 of this Act, shall be applicable to all taxable years beginning after December 31, 2012.

Approved by the Governor, May 22, 2012.