

SENATE BILL 908

Q3

4lr3346

By: **Senator Augustine**

Introduced and read first time: February 2, 2024

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Addition Modification – Interest for and Depreciation of**
3 **Residential Rental Property**

4 FOR the purpose of providing, under certain circumstances, an addition modification under
5 the Maryland income tax for interest paid or accrued by a certain disqualified
6 single-family property owner in connection with certain single-family residential
7 real property and for any amount deducted by a certain disqualified single-family
8 property owner for the depreciation of certain single-family residential real
9 property; and generally relating to an addition modification under the Maryland
10 income tax for the depreciation of single-family residential rental property.

11 BY repealing and reenacting, without amendments,
12 Article – Tax – General
13 Section 10–204(a) and 10–305(a)
14 Annotated Code of Maryland
15 (2022 Replacement Volume and 2023 Supplement)

16 BY adding to
17 Article – Tax – General
18 Section 10–204(m) and (n) and 10–305(d)(7) and (8)
19 Annotated Code of Maryland
20 (2022 Replacement Volume and 2023 Supplement)

21 BY repealing and reenacting, with amendments,
22 Article – Tax – General
23 Section 10–305(d)(5) and (6)
24 Annotated Code of Maryland
25 (2022 Replacement Volume and 2023 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Tax – General

10–204.

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

(M) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(II) “COMMUNITY LAND TRUST” MEANS A NONPROFIT ORGANIZATION OR STATE OR LOCAL GOVERNMENT INSTRUMENTALITY THAT:

1. USES A GROUND LEASE OR DEED COVENANT WITH AN AFFORDABILITY PERIOD OF AT LEAST 30 YEARS TO:

A. MAKE RENTAL AND HOMEOWNERSHIP UNITS AFFORDABLE TO HOUSEHOLDS; AND

B. STIPULATE A PREEMPTIVE OPTION TO PURCHASE THE AFFORDABLE RENTALS OR HOMEOWNERSHIP UNITS SO THAT AFFORDABILITY OF THE UNITS IS PRESERVED FOR SUCCESSIVE INCOME–ELIGIBLE HOUSEHOLDS; AND

2. MONITORS PROPERTIES TO ENSURE AFFORDABILITY IS PRESERVED.

(III) “DISQUALIFIED SINGLE–FAMILY PROPERTY OWNER” MEANS A TAXPAYER WHO OWNS, DIRECTLY OR INDIRECTLY, AT LEAST 25 SINGLE–FAMILY RESIDENTIAL RENTAL PROPERTIES IN THE STATE.

(IV) “DWELLING UNIT” HAS THE MEANING STATED IN § 168 OF THE INTERNAL REVENUE CODE.

(V) “LAND BANK” MEANS A GOVERNMENTAL ENTITY, AGENCY, OR PROGRAM OR A SPECIAL PURPOSE NONPROFIT ENTITY FORMED BY ONE OR MORE UNITS OF GOVERNMENT IN ACCORDANCE WITH STATE OR LOCAL LAW THAT HAS BEEN DESIGNATED BY THE STATE OR A LOCAL GOVERNMENT TO ACQUIRE, STEWARD, AND DISPOSE OF VACANT, ABANDONED, OR OTHER PROBLEM PROPERTIES IN ACCORDANCE WITH LOCALLY DETERMINED PRIORITIES AND GOALS.

(VI) 1. “QUALIFIED NONPROFIT ORGANIZATION” MEANS AN

1 ORGANIZATION THAT IS NOT ORGANIZED FOR PROFIT AND HAS AS ITS PRINCIPAL
2 PURPOSE THE CREATION, DEVELOPMENT, OR PRESERVATION OF AFFORDABLE
3 HOUSING.

4 2. "QUALIFIED NONPROFIT ORGANIZATION" INCLUDES:

5 A. A COMMUNITY DEVELOPMENT CORPORATION, AS
6 DEFINED UNDER 12 U.S.C. § 1715Z-11A(B);

7 B. A COMMUNITY HOUSING DEVELOPMENT
8 ORGANIZATION, AS DEFINED UNDER 42 U.S.C. § 12704;

9 C. A COMMUNITY-BASED DEVELOPMENT ORGANIZATION
10 QUALIFIED UNDER § 570.204 OF TITLE 24 OF THE CODE OF FEDERAL
11 REGULATIONS;

12 D. A LAND BANK;

13 E. A RESIDENT-OWNED COOPERATIVE OR COMMUNITY
14 LAND TRUST; AND

15 F. A SUBSIDIARY OF A PUBLIC HOUSING AGENCY.

16 (VII) "RESIDENTIAL RENTAL PROPERTY" HAS THE MEANING
17 STATED IN § 168 OF THE INTERNAL REVENUE CODE.

18 (VIII) 1. "SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY"
19 MEANS RESIDENTIAL RENTAL PROPERTY THAT CONTAINS FOUR OR FEWER
20 DWELLING UNITS AND IMPROVEMENTS TO REAL PROPERTY DIRECTLY RELATED TO
21 THE DWELLING UNITS LOCATED ON THE SITE OF THOSE DWELLING UNITS.

22 2. "SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY"
23 DOES NOT INCLUDE RESIDENTIAL REAL PROPERTY:

24 A. WITH RESPECT TO WHICH A CREDIT IS ALLOWED
25 UNDER § 42 OF THE INTERNAL REVENUE CODE FOR THAT TAXABLE YEAR;

26 B. THAT WAS CONSTRUCTED BY THE TAXPAYER; OR

27 C. THAT WAS ACQUIRED BY THE TAXPAYER AFTER THE
28 RESIDENTIAL RENTAL PROPERTY'S CONSTRUCTION BUT BEFORE THE FIRST DATE
29 ON WHICH ANY DWELLING UNIT IN THE PROPERTY WAS ACQUIRED BY A RESIDENT.

(2) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY AMOUNT DEDUCTED UNDER § 163 OF THE INTERNAL REVENUE CODE BY A DISQUALIFIED SINGLE-FAMILY PROPERTY OWNER FOR INTEREST PAID OR ACCRUED IN CONNECTION WITH SINGLE-FAMILY RESIDENTIAL REAL PROPERTY, UNLESS THE SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY IS SOLD TO:

(I) AN INDIVIDUAL FOR USE AS THE PRINCIPAL RESIDENCE OF THE INDIVIDUAL; OR

(II) A QUALIFIED NONPROFIT ORGANIZATION.

(N) (1) IN THIS SUBSECTION, “DISQUALIFIED SINGLE-FAMILY PROPERTY OWNER”, “QUALIFIED NONPROFIT ORGANIZATION”, AND “SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY” HAVE THE MEANINGS STATED IN SUBSECTION (M) OF THIS SECTION.

(2) THE ADDITION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY AMOUNT DEDUCTED UNDER § 167 OF THE INTERNAL REVENUE CODE FOR THE DEPRECIATION OF SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY, UNLESS THE SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY IS SOLD TO:

(I) AN INDIVIDUAL FOR USE AS THE PRINCIPAL RESIDENCE OF THE INDIVIDUAL; OR

(II) A QUALIFIED NONPROFIT ORGANIZATION.

10–305.

(a) To the extent excluded from federal taxable income, the amounts under this section are added to the federal taxable income of a corporation to determine Maryland modified income.

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

(5) § 10–204(j) of this title (Deduction for costs for security clearance administrative expenses and construction and equipment costs incurred to construct or renovate a sensitive compartmented information facility); [and]

(6) § 10–204(l) of this title (Deduction for donations to qualified permanent endowment funds);

(7) § 10–204(m) OF THIS TITLE (DEDUCTION FOR INTEREST PAID OR

1 ACCRUED IN CONNECTION WITH SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY);
2 AND

3 (8) § 10-204(N) OF THIS TITLE (DEDUCTION FOR DEPRECIATION OF
4 SINGLE-FAMILY RESIDENTIAL RENTAL PROPERTY).

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
6 1, 2024, and shall be applicable to all taxable years beginning after December 31, 2023.