

MEDCHI, THE MARYLAND STATE MEDICAL SOCIETY
HOUSE OF DELEGATES

Resolution 20-19

INTRODUCED BY: Queen Anne's County Medical Society

SUBJECT: Taxation Exemption

Whereas, the "Tax Cuts and Jobs Act of 2017" (TCJA) imposed a new \$10,000 limitation on the deductible amount of state and local taxes paid by an individual; and

Whereas, this change results in individuals who are small business owners who are paying more than \$10,000 per year in combination of state income tax, property tax and other related taxes having a federal income tax payment higher than in prior years when these taxes were fully deductible on the federal return; and

Whereas, the TCJA did not change the fact that state and local taxes paid by a business entity (e.g., partnerships, limited liability companies and S-corporations) are still fully deductible for the entity's federal taxable income calculation; and

Whereas, by clarifying that Section 10-102.1 of the Tax General Article of the Maryland Annotated Code is a tax on the pass-through entity, individuals who are small business owners, can take the position that the tax is not subject to the new \$10,000 limitation, which only applies to individuals, therefore essentially restoring the federal tax deduction; and therefore be it

Resolved, that MedChi supports legislation to clarify Maryland's tax law that Section 10-102.1 tax is a tax on the pass-through entity itself, thus making the State income tax paid by the entity deductible for federal taxable income purposes.

As adopted by the House of Delegates at its meeting on November 2, 2019.