

of a political subdivision or authority thereof (other than this State and its political subdivisions and authorities); (2) salaries and wages and interest or dividends on obligations of any authority, commission, instrumentality, territory or possession of the United States or of any foreign government, which by the laws or treaties of the United States are exempt from federal income tax but not from State Income taxes; (3) operating loss carry-overs; (4) dividends received by individuals excluded from federal adjusted gross income pursuant to Section 116 of the Internal Revenue Code; and (5) distributions not previously taxed in Maryland to individuals and losses claimed during the taxable year by individuals from electing small business corporations, as defined in Section 1371 of the Internal Revenue Code, which have complied with the provisions of subchapter "S" of the Internal Revenue Code.

(c) There shall be subtracted from federal adjusted gross income: (1) interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission or instrumentality of the United States to the extent includable in gross income for federal income tax purposes but exempt from State income taxes under the laws of the United States; (2) dividends received upon stock of national banks located within or without the State and also domestic corporations the shares of which are subject to ordinary taxes; (3) ~~operating revenue subject to gross receipts taxes imposed by this Article (less related expenses) of railroads, other public utilities and contract carriers;~~ ~~(4)~~ undistributed income received by individuals from electing small business corporations, as defined in Section 1371 of the Internal Revenue Code, which have complied with the provisions of Sub-chapter, "S" of the Internal Revenue Code; and ~~(5)~~ (4) payments received by policemen and firemen from pension systems ~~and~~ FOR injuries or disabilities arising out of and in the course of their employment as policemen or firemen.

(d) In the event a husband and wife who have filed a joint federal income tax return elect to file separate State income tax returns, such taxpayers shall complete a Schedule reconciling the separate income and deductions of each to the federal adjusted gross income and deductions shown on their Federal income tax return.

280A.

(A) THE NET INCOME OF A CORPORATION SHALL BE THE TAXABLE INCOME OF SUCH TAXPAYER AS DEFINED IN THE LAWS OF THE UNITED STATES OR IN THE CASE OF A REGULATED INVESTMENT COMPANY, INVESTMENT COMPANY TAXABLE INCOME AS DEFINED IN THE LAWS OF THE UNITED STATES, EXCEPT AS HEREINAFTER MODIFIED.

(B) THERE SHALL BE ADDED TO THE TAXABLE INCOME OF SUCH TAXPAYER: (1) OPERATING LOSS CARRY-OVERS AND (2) INCOME TAXES IMPOSED BY THE STATE OF MARYLAND, ANY OTHER STATE, THE DISTRICT OF COLUMBIA AND ANY POLITICAL SUBDIVISION OF THE STATE OF MARYLAND OR ANY OTHER STATE.

(C) THERE SHALL BE SUBTRACTED FROM TAXABLE INCOME OF SUCH TAXPAYER: (1) OPERATING REVENUE SUB-