

SENATE BILL 152

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Q3
SB 319/00 - B&T

2001 Regular Session
1r1191

By: **Senator Stone**
Introduced and read first time: January 18, 2001
Assigned to: Budget and Taxation

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: February 28, 2001

CHAPTER _____

1 AN ACT concerning

2 **Income Tax - Subtraction Modification for Retirement Income - Rollovers to**
3 **~~Qualified Retirement Plans~~ Individual Retirement Accounts**

4 FOR the purpose of including income from certain retirement plans within a certain
5 subtraction modification allowed under the Maryland income tax for certain
6 retirement income under certain circumstances; providing for the application of
7 this Act; and generally relating to an income tax subtraction modification for
8 certain retirement income.

9 BY repealing and reenacting, with amendments,
10 Article - Tax - General
11 Section 10-209
12 Annotated Code of Maryland
13 (1997 Replacement Volume and 2000 Supplement)

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

16 **Article - Tax - General**

17 10-209.

18 (a) In this section:

19 (1) "employee retirement system" means a plan:

20 (i) established and maintained by an employer for the benefit of its
21 employees; and

- 1 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
2 Revenue Code; and
- 3 (2) "employee retirement system" does not include:
- 4 (i) an individual retirement account or annuity under § 408 of the
5 Internal Revenue Code;
- 6 (ii) a Roth individual retirement account under § 408(a) of the
7 Internal Revenue Code;
- 8 (iii) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, a
9 rollover individual retirement account;
- 10 (iv) a simplified employee pension under Internal Revenue Code §
11 408(k); or
- 12 (v) an ineligible deferred compensation plan under § 457(f) of the
13 Internal Revenue Code.
- 14 (b) To determine Maryland adjusted gross income, if, on the last day of the
15 taxable year, a resident is at least 65 years old or is totally disabled or the resident's
16 spouse is totally disabled, an amount is subtracted from federal adjusted gross
17 income equal to the lesser of:
- 18 (1) the cumulative or total annuity, pension, or endowment income from
19 an employee retirement system included in federal adjusted gross income; or
- 20 (2) the maximum annual benefit under the Social Security Act computed
21 under subsection (c) of this section, less any payment received as old age, survivors, or
22 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.
- 23 (c) For purposes of subsection (b)(2) of this section, the Comptroller:
- 24 (1) shall determine the maximum annual benefit under the Social
25 Security Act allowed for an individual who retired at age 65 for the prior calendar
26 year; and
- 27 (2) may allow the subtraction to the nearest \$100.
- 28 (D) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM A QUALIFIED
29 RETIREMENT PLAN, AS DEFINED IN § 4974(C) OF THE INTERNAL REVENUE CODE,
30 SHALL ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY ESTABLISHED
31 UNDER § 408 OF THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME
32 FROM AN EMPLOYEE RETIREMENT SYSTEM TO THE EXTENT THAT CONTRIBUTIONS
33 TO THE QUALIFIED RETIREMENT PLAN CONSISTED OF THE TAX-FREE ROLLOVER OF
34 A DISTRIBUTION FROM THE EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO
35 THE ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY CONSIST
36 ENTIRELY OF THE TAX-FREE ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE

1 RETIREMENT SYSTEM RESULTING FROM A MANDATORY WITHDRAWAL OF AMOUNTS
2 IN THE EMPLOYEE RETIREMENT SYSTEM.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 July 1, 2001, and shall be applicable to all taxable years beginning after December 31,
5 2000.