
By: **Delegates Bromwell and Cardin**

Introduced and read first time: January 20, 2005

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction Modification for Retirement Income**

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

8 BY repealing and reenacting, with amendments,
9 Article - Tax - General
10 Section 10-209
11 Annotated Code of Maryland
12 (2004 Replacement Volume)

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

15 **Article - Tax - General**

16 10-209.

17 (a) In this section:

18 (1) ["employee retirement system"] "QUALIFIED RETIREMENT PLAN"
19 means:

20 (I) a plan[:

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

23 (ii)] qualified under § 401(a), § 403, or § 457(b) of the Internal
24 Revenue Code;

25 (II) AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY UNDER §
26 408 OF THE INTERNAL REVENUE CODE;

1 (III) A ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT; OR

2 (IV) A SIMPLIFIED EMPLOYEE PENSION UNDER § 408(K) OF THE
3 INTERNAL REVENUE CODE; and

4 (2) ["employee retirement system"] "QUALIFIED RETIREMENT PLAN"
5 does not include:

6 (i) [an individual retirement account or annuity under § 408 of the
7 Internal Revenue Code;

8 (ii)] a Roth individual retirement account under § 408A of the
9 Internal Revenue Code; OR

10 [(iii) a rollover individual retirement account;

11 (iv) a simplified employee pension under Internal Revenue Code §
12 408(k); or

13 (v)] (II) an ineligible deferred compensation plan under § 457(f) of
14 the Internal Revenue Code.

15 (b) To determine Maryland adjusted gross income, if, on the last day of the
16 taxable year, a resident is at least 65 years old or is totally disabled or the resident's
17 spouse is totally disabled, an amount is subtracted from federal adjusted gross
18 income equal to the lesser of:

19 (1) the [cumulative or] total [annuity, pension, or endowment] income
20 from [an employee retirement system] A QUALIFIED RETIREMENT PLAN included in
21 federal adjusted gross income FOR THE TAXABLE YEAR; or

22 (2) the maximum annual benefit under the Social Security Act computed
23 under subsection (c) of this section, less any payment received as old age, survivors, or
24 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

25 (c) For purposes of subsection (b)(2) of this section, the Comptroller:

26 (1) shall determine the maximum annual benefit under the Social
27 Security Act allowed for an individual who retired at age 65 for the prior calendar
28 year; and

29 (2) may allow the subtraction to the nearest \$100.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 July 1, 2005, and shall be applicable to all taxable years after December 31, 2004.