

HOUSE BILL 868

Q3
HB 440/13 – W&M

4lr3079
CF SB 451

By: **Delegate Hogan**

Introduced and read first time: February 5, 2014

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Retirement Income and Task Force**
3 **to Study Senior Emigration**

4 FOR the purpose of altering the maximum amount of a subtraction modification
5 allowed under the State income tax for certain retirement income of an
6 individual of a certain age or who is totally disabled or whose spouse is totally
7 disabled; altering the maximum amount of a certain subtraction modification
8 allowed for certain taxable years; establishing a task force to study certain
9 impacts of senior emigration; providing for the composition, chair, and staffing
10 of the Task Force; prohibiting a member of the Task Force from receiving
11 certain compensation, but authorizing the reimbursement of certain expenses;
12 requiring the Task Force to study and make recommendations regarding certain
13 matters; requiring the Task Force to report its findings and recommendations to
14 the Governor and the General Assembly on or before a certain date; providing
15 for the termination of certain provisions of this Act; providing for the
16 application of certain provisions of this Act; and generally relating to an income
17 tax subtraction modification for certain retirement income and a task force to
18 study senior emigration.

19 BY repealing and reenacting, with amendments,
20 Article – Tax – General
21 Section 10–209
22 Annotated Code of Maryland
23 (2010 Replacement Volume and 2013 Supplement)

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

26 **Article – Tax – General**

27 10–209.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) In this section:

2 (1) “employee retirement system” means a plan:

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

5 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
6 Revenue Code; and

7 (2) “employee retirement system” does not include:

8 (i) an individual retirement account or annuity under § 408 of
9 the Internal Revenue Code;

10 (ii) a Roth individual retirement account under § 408A of the
11 Internal Revenue Code;

12 (iii) a rollover individual retirement account;

13 (iv) a simplified employee pension under Internal Revenue Code
14 § 408(k); or

15 (v) an ineligible deferred compensation plan under § 457(f) of
16 the Internal Revenue Code.

17 (b) **(1)** Subject to **PARAGRAPH (2) OF THIS SUBSECTION AND** subsection
18 (d) of this section, to determine Maryland adjusted gross income, if, on the last day of
19 the taxable year, a resident is at least 65 years old [or is totally disabled or the
20 resident’s spouse is totally disabled] **BUT IS LESS THAN 70 YEARS OLD**, an amount is
21 subtracted from federal adjusted gross income equal to the lesser of:

22 **[(1)] (I)** the cumulative or total annuity, pension, or endowment
23 income from an employee retirement system included in federal adjusted gross income;
24 or

25 **[(2)] (II)** the maximum annual benefit under the Social Security Act
26 computed under subsection (c) of this section, less any payment received as old age,
27 survivors, or disability benefits under the Social Security Act, the Railroad Retirement
28 Act, or both.

29 **(2) (I) SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO**
30 **DETERMINE MARYLAND ADJUSTED GROSS INCOME, IF, ON THE LAST DAY OF**
31 **THE TAXABLE YEAR, A RESIDENT IS AT LEAST 70 YEARS OLD OR IS TOTALLY**
32 **DISABLED OR THE RESIDENT’S SPOUSE IS TOTALLY DISABLED, AN AMOUNT IS**

1 SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER
2 OF:

3 1. THE CUMULATIVE OR TOTAL ANNUITY, PENSION,
4 OR ENDOWMENT INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM INCLUDED
5 IN FEDERAL ADJUSTED GROSS INCOME; OR

6 2. THE MAXIMUM AMOUNT SPECIFIED UNDER
7 SUBPARAGRAPH (II) OF THIS PARAGRAPH, LESS ANY PAYMENT RECEIVED AS
8 OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY
9 ACT, THE RAILROAD RETIREMENT ACT, OR BOTH.

10 (II) SUBJECT TO THE REDUCTION PROVIDED UNDER
11 SUBPARAGRAPH (I)2 OF THIS PARAGRAPH, THE MAXIMUM AMOUNT FOR
12 PURPOSES OF THE SUBTRACTION ALLOWED UNDER THIS PARAGRAPH IS:

13 1. \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER
14 DECEMBER 31, 2013, BUT BEFORE JANUARY 1, 2015;

15 2. \$40,000 FOR A TAXABLE YEAR BEGINNING AFTER
16 DECEMBER 31, 2014, BUT BEFORE JANUARY 1, 2016;

17 3. \$47,000 FOR A TAXABLE YEAR BEGINNING AFTER
18 DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017;

19 4. \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER
20 DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018;

21 5. \$61,000 FOR A TAXABLE YEAR BEGINNING AFTER
22 DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019;

23 6. \$68,000 FOR A TAXABLE YEAR BEGINNING AFTER
24 DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2020; AND

25 7. \$75,000 FOR ANY TAXABLE YEAR BEGINNING
26 AFTER DECEMBER 31, 2019.

27 (c) For purposes of subsection [(b)(2)] (B)(1)(II) of this section, the
28 Comptroller:

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

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

2 (d) Military retirement income that is included in the subtraction under §
3 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
4 under this section.

5 SECTION 2. AND BE IT FURTHER ENACTED, That:

6 (a) There is a Task Force to Study the Effects of Senior Emigration on State
7 and Local Tax Revenues.

8 (b) The Task Force consists of the following members:

9 (1) one member of the Senate of Maryland, appointed by the President
10 of the Senate;

11 (2) one member of the House of Delegates, appointed by the Speaker of
12 the House;

13 (3) two members from the Comptroller's Office, appointed by the
14 Comptroller;

15 (4) two members from the Department of Budget and Management,
16 appointed by the Secretary of Budget and Management; and

17 (5) the following members, appointed by the Governor:

18 (i) one representative of the American Association of Retired
19 Persons;

20 (ii) one representative of the Maryland Chamber of Commerce;
21 and

22 (iii) one representative of the National Association of Retired
23 Federal Employees.

24 (c) The Governor shall designate the chair of the Task Force.

25 (d) The Department of Aging shall provide staff for the Task Force.

26 (e) A member of the Task Force:

27 (1) may not receive compensation as a member of the Task Force; but

28 (2) is entitled to reimbursement for expenses under the Standard
29 State Travel Regulations, as provided in the State budget.

1 (f) The Task Force shall:

2 (1) study the net effects of senior emigration on State and local tax
3 revenue; and

4 (2) make recommendations regarding changes to State and local tax
5 policies affecting seniors.

6 (g) On or before December 1, 2014, the Task Force shall report its findings
7 and recommendations to the Governor and, in accordance with § 2-1246 of the State
8 Government Article, the General Assembly.

9 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
10 take effect July 1, 2014. It shall remain effective for a period of 1 year and, at the end
11 of June 30, 2015, with no further action required by the General Assembly, Section 2
12 of this Act shall be abrogated and of no further force and effect.

13 SECTION 4. AND BE IT FURTHER ENACTED, That, subject to the provisions
14 of Section 3 of this Act, this Act shall take effect July 1, 2014, and shall be applicable
15 to all taxable years beginning after December 31, 2013.