

SENATE BILL 233

Q3

4lr0301
CF 4lr2092

By: **Senators Kasemeyer, King, Currie, Manno, and Simonaire**
Introduced and read first time: January 16, 2014
Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

Income Tax – Subtraction Modification for Retirement Income

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

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

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

Article – Tax – General

10–209.

(a) In this section:

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

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

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(i) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION**, an individual retirement account or annuity under § 408 of the Internal Revenue Code;

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

(iii) [a rollover individual retirement account;

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

[(v)] **(IV)** an ineligible deferred compensation plan under § 457(f) of the Internal Revenue Code.

(b) Subject to [subsection (d)] **SUBSECTIONS (D) AND (E)** of this section, to determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years old or is totally disabled or the resident's spouse is totally disabled, an amount is subtracted from federal adjusted gross income equal to the lesser of:

(1) the cumulative or total annuity, pension, or endowment income from an employee retirement system included in federal adjusted gross income; or

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

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

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

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

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

(E) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM A ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY ESTABLISHED UNDER § 408 OF THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE

ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY OF THE TAX-FREE ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE RETIREMENT SYSTEM.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2014, and shall be applicable to all taxable years beginning after December 31, 2013.