

# HOUSE BILL 392

Q3  
HB 440/13 – W&M

5lr1732  
CF SB 209

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By: **Delegate K. Young**  
Introduced and read first time: February 6, 2015  
Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Retirement Income**

3 FOR the purpose of altering the maximum amount of a subtraction modification allowed  
4 under the State income tax for certain retirement income of an individual of a certain  
5 age or who is totally disabled or whose spouse is totally disabled; altering the  
6 maximum amount of a certain subtraction modification allowed for certain taxable  
7 years; and generally relating to an income tax subtraction modification for certain  
8 retirement income.

9 BY repealing and reenacting, with amendments,  
10 Article – Tax – General  
11 Section 10–209  
12 Annotated Code of Maryland  
13 (2010 Replacement Volume and 2014 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
15 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

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

6 (iii) a rollover individual retirement account;

7 (iv) a simplified employee pension under Internal Revenue Code §  
8 408(k); or

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

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

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

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

22 (2) (I) **SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO**  
23 **DETERMINE MARYLAND ADJUSTED GROSS INCOME, IF, ON THE LAST DAY OF THE**  
24 **TAXABLE YEAR, A RESIDENT IS AT LEAST 70 YEARS OLD OR IS TOTALLY DISABLED**  
25 **OR THE RESIDENT’S SPOUSE IS TOTALLY DISABLED, AN AMOUNT IS SUBTRACTED**  
26 **FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER OF:**

27 1. **THE CUMULATIVE OR TOTAL ANNUITY, PENSION, OR**  
28 **ENDOWMENT INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM INCLUDED IN**  
29 **FEDERAL ADJUSTED GROSS INCOME; OR**

30 2. **THE MAXIMUM AMOUNT SPECIFIED UNDER**  
31 **SUBPARAGRAPH (II) OF THIS PARAGRAPH, LESS ANY PAYMENT RECEIVED AS OLD**  
32 **AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE**  
33 **RAILROAD RETIREMENT ACT, OR BOTH.**

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

4                   **1.     \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER**  
5 **DECEMBER 31, 2014, BUT BEFORE JANUARY 1, 2016;**

6                   **2.     \$40,000 FOR A TAXABLE YEAR BEGINNING AFTER**  
7 **DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017;**

8                   **3.     \$47,000 FOR A TAXABLE YEAR BEGINNING AFTER**  
9 **DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018;**

10                   **4.     \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER**  
11 **DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019;**

12                   **5.     \$61,000 FOR A TAXABLE YEAR BEGINNING AFTER**  
13 **DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2020;**

14                   **6.     \$68,000 FOR A TAXABLE YEAR BEGINNING AFTER**  
15 **DECEMBER 31, 2019, BUT BEFORE JANUARY 1, 2021; AND**

16                   **7.     \$75,000 FOR ANY TAXABLE YEAR BEGINNING AFTER**  
17 **DECEMBER 31, 2020.**

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

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

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

22           (d)     Military retirement income that is included in the subtraction under §  
23 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction  
24 under this section.

25           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
26 1, 2015.