

HOUSE BILL 1148

Q3

6lr2252

By: **Delegates Gilchrist, Barkley, Kipke, and Simonaire**

Introduced and read first time: February 11, 2016

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of altering the calculation of the maximum subtraction modification
4 allowed under the Maryland income tax for certain retirement income for certain
5 taxable years; including income from certain retirement plans within a certain
6 subtraction modification for certain retirement income under certain circumstances;
7 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 2015 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

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) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION,**
3 an individual retirement account or annuity under § 408 of the 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)] **(IV)** an ineligible deferred compensation plan under § 457(f) of
10 the Internal Revenue Code.

11 (b) Subject to subsection (d) of this section, to determine Maryland adjusted gross
12 income, if, on the last day of the taxable year, a resident is at least 65 years old or is totally
13 disabled or the resident’s spouse is totally disabled, an amount is subtracted from federal
14 adjusted gross income equal to the lesser of:

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

17 (2) **(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
18 **2015, BUT BEFORE JANUARY 1, 2017, \$28,900, LESS ANY PAYMENT RECEIVED AS**
19 **OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT,**
20 **THE RAILROAD RETIREMENT ACT, OR BOTH; AND**

21 **(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
22 **2016, \$28,900, INCREASED BY THE PERCENTAGE OF THE INCREASE IN** the maximum
23 annual benefit under the Social Security Act computed under subsection (c) of this section,
24 less any payment received as old age, survivors, or disability benefits under the Social
25 Security Act, the Railroad Retirement Act, or both.

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

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

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

30 (d) Military retirement income that is included in the subtraction under
31 § 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
32 under this section.

1 **(E) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM A ROLLOVER**
2 **INDIVIDUAL RETIREMENT ACCOUNT OR AN ANNUITY ESTABLISHED UNDER § 408 OF**
3 **THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME FROM AN**
4 **EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE ROLLOVER**
5 **INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY OF THE**
6 **TAX-FREE ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE RETIREMENT**
7 **SYSTEM.**

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
9 1, 2016.