

HOUSE BILL 405

Q3

8lr2650
CF SB 11

By: **Delegate Chang**

Introduced and read first time: January 24, 2018

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – 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 who are at least a certain age or who are disabled or whose spouse is
6 disabled; altering the calculation of the subtraction modification; altering the
7 maximum amount of the subtraction modification for certain taxable years;
8 prohibiting an individual from qualifying for the subtraction modification under
9 certain circumstances; and generally relating to a subtraction modification under the
10 Maryland income tax for certain retirement income.

11 BY repealing and reenacting, with amendments,
12 Article – Tax – General
13 Section 10–209
14 Annotated Code of Maryland
15 (2016 Replacement Volume and 2017 Supplement)

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

18 **Article – Tax – General**

19 10–209.

20 (a) (1) In this section the following words have the meanings indicated.

21 (2) “Emergency services personnel” means emergency medical technicians
22 or paramedics.

23 (3) (i) [“Employee] **“QUALIFIED** retirement [system”] **PLAN”** means

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [a plan]:

2 1. [established and maintained by an employer for the
3 benefit of its employees; and

4 2.] A RETIREMENT PLAN qualified under § 401(a), § 403, or
5 § 457(b) of the Internal Revenue Code[.];

6 [(ii) “Employee retirement system” does not include:

7 1.] 2. an individual retirement account or annuity under § 408
8 of the Internal Revenue Code;

9 [2.] 3. a Roth individual retirement account under § 408A of the
10 Internal Revenue Code;

11 [3.] 4. a rollover individual retirement account; OR

12 [4.] 5. a simplified employee pension under Internal Revenue
13 Code § 408(k)[; or].

14 [5.] (II) “QUALIFIED RETIREMENT PLAN” DOES NOT
15 INCLUDE an ineligible deferred compensation plan under § 457(f) of the Internal Revenue
16 Code.

17 (b) (1) Subject to subsections [(d) and] (C) THROUGH (e) of this section, to
18 determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident
19 is at least 65 years old or is totally disabled or the resident’s spouse is totally disabled, or
20 the resident is at least 55 years old and is a retired law enforcement officer or fire, rescue,
21 or emergency services personnel of the United States, the State, or a political subdivision
22 of the State, an amount is subtracted from federal adjusted gross income equal to the lesser
23 of:

24 [(1)] (I) the [cumulative or total annuity, pension, or endowment] TOTAL
25 income from [an employee] A QUALIFIED retirement [system] PLAN included in federal
26 adjusted gross income FOR THE TAXABLE YEAR; or

27 [(2)] (II) the maximum [annual benefit under the Social Security Act
28 computed under subsection (c) of this section] AMOUNT SPECIFIED UNDER PARAGRAPH
29 (2) OF THIS SUBSECTION, less any payment received as old age, survivors, or disability
30 benefits under the Social Security Act, the Railroad Retirement Act, or both.

31 (2) SUBJECT TO THE REDUCTION PROVIDED UNDER PARAGRAPH
32 (1)(II) OF THIS SUBSECTION, THE MAXIMUM AMOUNT FOR PURPOSES OF THE
33 SUBTRACTION ALLOWED UNDER THIS SUBSECTION IS:

1 (I) **\$33,000** FOR A TAXABLE YEAR BEGINNING AFTER
2 **DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019;**

3 (II) **\$43,500** FOR A TAXABLE YEAR BEGINNING AFTER
4 **DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2020;**

5 (III) **\$54,000** FOR A TAXABLE YEAR BEGINNING AFTER
6 **DECEMBER 31, 2019, BUT BEFORE JANUARY 1, 2021;**

7 (IV) **\$64,500** FOR A TAXABLE YEAR BEGINNING AFTER
8 **DECEMBER 31, 2020, BUT BEFORE JANUARY 1, 2022; AND**

9 (V) **\$75,000** FOR ANY TAXABLE YEAR BEGINNING AFTER
10 **DECEMBER 31, 2021.**

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

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

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

15 **(C) AN INDIVIDUAL MAY NOT QUALIFY FOR THE SUBTRACTION UNDER**
16 **SUBSECTION (B) OF THIS SECTION IF THE TOTAL INCOME FROM ALL QUALIFIED**
17 **RETIREMENT PLANS FOR THE TAXABLE YEAR EXCEEDS \$100,000.**

18 (d) Military retirement income that is included in the subtraction under §
19 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
20 under this section.

21 (e) In the case of a retired law enforcement officer or fire, rescue, or emergency
22 services personnel of the United States, the State, or a political subdivision of the State,
23 the amount included under subsection [(b)(1)] **(B)(1)(I)** of this section is limited to the first
24 \$15,000 of retirement income that is attributable to the resident’s employment as a law
25 enforcement officer or fire, rescue, or emergency services personnel of the United States,
26 the State, or a political subdivision of the State unless:

27 (1) the resident is at least 65 years old or is totally disabled; or

28 (2) the resident’s spouse is totally disabled.

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
30 1, 2018.