

HOUSE BILL 1645

Q3

8lr3371

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

Introduced and read first time: February 9, 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 altering the calculation of the maximum subtraction modification
4 allowed under the Maryland income tax for certain retirement income for certain
5 taxable years; repealing a certain obsolete provision relating to a certain retirement
6 plan; including income from an individual retirement account or a certain annuity
7 within a certain subtraction modification for certain retirement income under
8 certain circumstances; and generally relating to a subtraction modification under the
9 Maryland income tax for certain retirement income.

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

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

17 **Article – Tax – General**

18 10–209.

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

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

22 (3) (i) “Employee retirement system” means a plan:

23 1. established and maintained by an employer for the benefit

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 of its employees; and

2 2. qualified under § 401(a), § 403, or § 457(b) of the Internal
3 Revenue Code.

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

5 1. **EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS**
6 **SECTION**, an individual retirement account or annuity under § 408 of the Internal Revenue
7 Code;

8 2. a Roth individual retirement account under § 408A of the
9 Internal Revenue Code;

10 3. [a rollover individual retirement account;

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

13 [5.] 4. an ineligible deferred compensation plan under §
14 457(f) of the Internal Revenue Code.

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

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

23 (2) **(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
24 **2017, BUT BEFORE JANUARY 1, 2019, \$29,700, LESS ANY PAYMENT RECEIVED AS**
25 **OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT,**
26 **THE RAILROAD RETIREMENT ACT, OR BOTH; AND**

27 **(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
28 **2018, \$29,700, INCREASED BY THE PERCENTAGE OF THE INCREASE IN** the maximum
29 annual benefit under the Social Security Act computed under subsection (c) of this section,
30 less any payment received as old age, survivors, or disability benefits under the Social
31 Security Act, the Railroad Retirement Act, or both.

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

33 (1) shall determine the maximum annual benefit under the Social Security

1 Act allowed for an individual who retired at age 65 for the prior calendar year; and

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

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

6 (e) In the case of a retired law enforcement officer or fire, rescue, or emergency
7 services personnel of the United States, the State, or a political subdivision of the State,
8 the amount included under subsection (b)(1) of this section is limited to the first \$15,000 of
9 retirement income that is attributable to the resident's employment as a law enforcement
10 officer or fire, rescue, or emergency services personnel of the United States, the State, or a
11 political subdivision of the State unless:

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

13 (2) the resident's spouse is totally disabled.

14 **(F) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM AN**
15 **INDIVIDUAL RETIREMENT ACCOUNT OR AN ANNUITY ESTABLISHED UNDER § 408 OF**
16 **THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME FROM AN**
17 **EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE INDIVIDUAL**
18 **RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY OF THE TAX-FREE**
19 **ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE RETIREMENT SYSTEM.**

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
21 1, 2018.