By: The President (By Request – Administration) and Senators Bailey, Carozza, Cassily, Eckardt, Edwards, Gallion, Hershey, Hough, Jennings, Peters, Ready, Salling, Serafini, Simonaire, and West

Introduced and read first time: January 21, 2019
Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

Income Tax Subtraction Modification – Qualified Retired Public Safety Employee
(Hometown Heroes Act of 2019)

FOR the purpose of altering the subtraction modification under the Maryland income tax under certain circumstances for a certain amount of retirement income attributable to a resident’s employment as a correctional officer, a law enforcement officer, or a fire, rescue, or emergency services worker; defining a certain term; and generally relating to a subtraction modification under the Maryland income tax on retirement income.

BY repealing and reenacting, with amendments,

Article – Tax – General
Section 10–209
Annotated Code of Maryland
(2016 Replacement Volume and 2018 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) (1) In this section the following words have the meanings indicated.

(2) “Correctional officer” means an individual who:

(i) was employed in:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
1. a State correctional facility, as defined in § 1–101 of the Correctional Services Article;

2. a local correctional facility, as defined in § 1–101 of the Correctional Services Article;

3. a juvenile facility included in § 9–226 of the Human Services Article; or

4. a facility of the United States that is equivalent to a State or local correctional facility or a juvenile facility included in § 9–226 of the Human Services Article; and

(ii) is eligible to receive retirement income attributable to the individual’s employment under item (i) of this paragraph.

(3) “Emergency services personnel” means emergency medical technicians or paramedics.

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

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

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

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

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

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

3. a rollover individual retirement account;

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

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

(5) “QUALIFIED RETIRED PUBLIC SAFETY EMPLOYEE” MEANS AN INDIVIDUAL WHO:
1. For a taxable year beginning after December 31, 2018, but before January 1, 2020, is at least 55 years old; or

2. For a taxable year beginning after December 31, 2019, is at least 50 years old; and

(b) Subject to 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, or the resident is at least 55 years old and is a retired correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State [A QUALIFIED RETIRED PUBLIC SAFETY EMPLOYEE], 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) (1) [In] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IN the case of a [retired correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State] QUALIFIED RETIRED PUBLIC SAFETY EMPLOYEE, the amount included under subsection (b)(1) of this section is limited to [the first $15,000 of] retirement income that is attributable to the resident’s employment as a correctional officer, a law enforcement officer, or a fire, rescue, or emergency services [personnel] WORKER of the United States, the State, or a political subdivision of the State unless:
[(1)] (I) the resident is at least 65 years old or is totally disabled; or

[(2)] (II) the resident’s spouse is totally disabled.

(2) The amount included under subsection (b)(1) of this section is limited to an amount not exceeding:

(I) for a taxable year beginning after December 31, 2018, but before January 1, 2020, the first $15,000 of income that is eligible under paragraph (1) of this subsection;

(II) for a taxable year beginning after December 31, 2019, but before January 1, 2021, 50% of the amount of income that is eligible under paragraph (1) of this subsection; and

(III) for a taxable year beginning after December 31, 2020, 100% of the amount of income that is eligible under paragraph (1) of this subsection.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2019.