

HOUSE BILL 682

Q3
HB 14/19 – W&M

01r0908

By: **Delegates Brooks, Bagnall, D. Barnes, Bartlett, Cardin, Carey, Charkoudian, Fennell, Guyton, Harrison, Haynes, Hettleman, Holmes, Ivey, C. Jackson, Krebs, Lisanti, Mautz, McComas, Metzgar, Proctor, Qi, Valderrama, Walker, and P. Young**

Introduced and read first time: January 30, 2020

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 an individual retirement account or a certain
4 annuity within a certain subtraction modification for certain retirement income
5 under certain circumstances; repealing a certain obsolete provision relating to a
6 certain retirement plan; providing for the application of this Act; and generally
7 relating to a subtraction modification under the Maryland income tax 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 (2016 Replacement Volume and 2019 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) (1) In this section the following words have the meanings indicated.

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

20 (i) was employed in:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 1. a State correctional facility, as defined in § 1–101 of the
2 Correctional Services Article;
- 3 2. a local correctional facility, as defined in § 1–101 of the
4 Correctional Services Article;
- 5 3. a juvenile facility included in § 9–226 of the Human
6 Services Article; or
- 7 4. a facility of the United States that is equivalent to a State
8 or local correctional facility or a juvenile facility included in § 9–226 of the Human Services
9 Article; and

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

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

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

- 15 1. established and maintained by an employer for the benefit
16 of its employees; and
- 17 2. qualified under § 401(a), § 403, or § 457(b) of the Internal
18 Revenue Code.

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

- 20 1. **EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS**
21 **SECTION**, an individual retirement account or annuity under § 408 of the Internal Revenue
22 Code;
- 23 2. a Roth individual retirement account under § 408A of the
24 Internal Revenue Code;
- 25 3. [a rollover individual retirement account;
- 26 4.] a simplified employee pension under Internal Revenue
27 Code § 408(k); or

28 [5.] 4. an ineligible deferred compensation plan under § 457(f) of
29 the Internal Revenue Code.

30 (b) Subject to subsections (d) and (e) of this section, to determine Maryland
31 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years
32 old or is totally disabled or the resident’s spouse is totally disabled, or the resident is at

1 least 55 years old and is a retired correctional officer, law enforcement officer, or fire,
2 rescue, or emergency services personnel of the United States, the State, or a political
3 subdivision of the State, an amount is subtracted from federal adjusted gross income equal
4 to the lesser of:

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

7 (2) the maximum annual benefit under the Social Security Act computed
8 under subsection (c) of this section, less any payment received as old age, survivors, or
9 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

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

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

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

14 (d) Military retirement income that is included in the subtraction under §
15 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
16 under this section.

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

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

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

26 **(F) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM AN**
27 **INDIVIDUAL RETIREMENT ACCOUNT OR AN ANNUITY ESTABLISHED UNDER § 408 OF**
28 **THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME FROM AN**
29 **EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE INDIVIDUAL**
30 **RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY OF THE TAX-FREE**
31 **ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE RETIREMENT SYSTEM.**

32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
33 1, 2020, and shall be applicable to all taxable years beginning after December 31, 2019.