

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 759 (Senator Kagan)
Budget and Taxation

Income Tax - Subtraction Modification - Public Safety Employee Retirement
Income

This bill expands eligibility for the public safety employee retirement income subtraction modification to include specified retirement income attributable to service as a 9-1-1 specialist. **The bill takes effect July 1, 2025, and applies to tax year 2025 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by an indeterminate amount annually beginning in FY 2026. The Comptroller’s Office can implement the bill’s change with existing budgeted resources.

Local Effect: Local income tax revenues decrease by an indeterminate amount annually beginning in FY 2026. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: “9-1-1 specialist,” as it applies to the bill, has the meaning stated in § 9-262 of the Tax-Property Article (9-1-1 specialist local property tax credit). Specifically, a 9-1-1 specialist is an employee of a county public safety answering point, or an employee working in a county safety answering point, whose duties and responsibilities include (1) receiving and processing 9-1-1 requests for emergency assistance; (2) other support functions directly related to 9-1-1 requests for emergency assistance; or (3) dispatching

law enforcement officers, fire rescue services, emergency medical services, and other public safety services to the scene of an emergency.

Current Law: As authorized by Chapters 3 and 4 of 2022, an individual who is at least 55 years old on the last day of the tax year may claim a subtraction modification against the personal income tax for the first \$15,000 of income received from an employee retirement system (within the meaning of the State’s standard pension exclusion, as discussed below) that is attributable to service as a public safety employee. “Public safety employee” means an individual who 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. “Emergency services personnel” means emergency medical technicians or paramedics. (*Under the bill*, this definition is expanded to include 9-1-1 specialists.) As discussed below, an individual who is at least age 65, is totally disabled, or whose spouse is totally disabled may qualify for and claim the standard State pension exclusion for retirement income that is not excluded under the public safety employee retirement income subtraction.

Maryland Pension Exclusion

Under Maryland’s standard pension exclusion, an individual who is at least age 65, who is totally disabled, or whose spouse is totally disabled may subtract certain taxable pension and retirement annuity income from federal adjusted gross income for purposes of determining Maryland adjusted gross income. The maximum value of the subtraction is indexed to the maximum annual benefit payable under the Social Security Act (\$39,500 for 2024) and is reduced by the amount of any benefit payments received under the Social Security Act or Railroad Retirement Act (“Social Security offset”).

The pension exclusion is limited to income received from an “employee retirement system,” which is defined as 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. This includes defined benefit and defined contribution pension plans, 401(k) plans, 403(b) plans, and 457(b) plans. Public safety employee retirement income that is excluded under the public safety employee retirement income subtraction modification is not taken into account for purposes of the standard pension exclusion.

Other Tax Relief for Retirees and Seniors

Social Security benefits and benefits received under the federal Railroad Retirement Act are totally exempt from Maryland income tax, though they may be partly taxable for federal income tax purposes. Other income tax relief provided to seniors include an additional exemption of \$1,000 for individuals age 65 and older (in addition to the regular personal exemption) as well as the senior tax credit for qualifying taxpayers age 65 and older.

State/Local Revenues: State general fund revenues and local income tax revenues decrease by an indeterminate amount annually beginning in fiscal 2026 due to increased subtraction modifications claimed against the personal income tax. Due to data limitations, the precise effect on State and local revenues cannot be reliably estimated at this time. It is unknown how many taxpayers may become eligible for the subtraction modification as a result of the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 590 (Delegates Vogel and Griffith) - Ways and Means.

Information Source(s): Maryland Institute for Emergency Medical Services Systems; Comptroller's Office; Howard and Prince George's counties; Department of Legislative Services

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js/hlb

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