

HOUSE BILL 674

Q3
HB 125/23 – W&M

4lr0627

By: **Delegates Grammer, Arikan, Chisholm, Fisher, Kipke, M. Morgan, Nawrocki, and Szeliga**

Introduced and read first time: January 25, 2024

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 maximum amount of the subtraction modification for certain
7 taxable years; repealing a limitation on the maximum amount of the subtraction
8 modification; providing that income included in certain subtraction modifications
9 may not be taken into account for purposes of the subtraction modification for
10 retirement income; and generally relating to a subtraction modification under the
11 Maryland income tax for retirement income.

12 BY repealing and reenacting, with amendments,
13 Article – Tax – General
14 Section 10–209
15 Annotated Code of Maryland
16 (2022 Replacement Volume and 2023 Supplement)

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

19 **Article – Tax – General**

20 10–209.

21 (a) In this section:

22 (1) [“employee retirement system” means a plan:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) established and maintained by an employer for the benefit of its
2 employees; and

3 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
4 Revenue Code; and

5 (2) “employee retirement system” does not include:

6 (i) an individual retirement account or annuity under § 408 of the
7 Internal Revenue Code;

8 (ii) a Roth individual retirement account under § 408A of the
9 Internal Revenue Code;

10 (iii) a rollover individual retirement account;

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

13 (v) an ineligible deferred compensation plan under § 457(f) of the
14 Internal Revenue Code.] **“QUALIFIED RETIREMENT PLAN” MEANS:**

15 **(I) A RETIREMENT PLAN QUALIFIED UNDER § 401(A), § 403, OR**
16 **§ 457(B) OF THE INTERNAL REVENUE CODE;**

17 **(II) AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY UNDER**
18 **§ 408 OF THE INTERNAL REVENUE CODE;**

19 **(III) A ROTH INDIVIDUAL RETIREMENT ACCOUNT UNDER § 408A**
20 **OF THE INTERNAL REVENUE CODE;**

21 **(IV) A ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT; OR**

22 **(V) A SIMPLIFIED EMPLOYEE PENSION UNDER § 408(K) OF THE**
23 **INTERNAL REVENUE CODE; AND**

24 **(2) “QUALIFIED RETIREMENT PLAN” DOES NOT INCLUDE AN**
25 **INELIGIBLE DEFERRED COMPENSATION PLAN UNDER § 457(F) OF THE INTERNAL**
26 **REVENUE CODE.**

27 (b) Subject to subsections (C) AND (d) [and (e)] of this section, to determine
28 Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at least
29 65 years old or is totally disabled or the resident’s spouse is totally disabled, or the resident
30 is 55 years old and is a retired forest ranger, park ranger, or wildlife ranger of the United

1 States, the State, or a political subdivision of the State, an amount is subtracted from
2 federal adjusted gross income equal to [the lesser of]:

3 (1) [the cumulative or total annuity, pension, or endowment income from
4 an employee retirement system] **30% OF THE TOTAL INCOME FROM A QUALIFIED
5 RETIREMENT PLAN** included in federal adjusted gross income **FOR A TAXABLE YEAR
6 BEGINNING AFTER DECEMBER 31, 2023, BUT BEFORE JANUARY 1, 2025; [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 **(2) 60% OF THE TOTAL INCOME FROM A QUALIFIED RETIREMENT
11 PLAN INCLUDED IN FEDERAL ADJUSTED GROSS INCOME FOR A TAXABLE YEAR
12 BEGINNING AFTER DECEMBER 31, 2024, BUT BEFORE JANUARY 1, 2026; AND**

13 **(3) 100% OF THE TOTAL INCOME FROM A QUALIFIED RETIREMENT
14 PLAN INCLUDED IN FEDERAL ADJUSTED GROSS INCOME FOR A TAXABLE YEAR
15 BEGINNING AFTER DECEMBER 31, 2025.**

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

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

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

20 (d) (1) Military retirement income that is included in the subtraction under §
21 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
22 under this section.

23 (2) Public safety employee retirement income that is included in the
24 subtraction under § 10–207(mm) of this subtitle may not be taken into account for purposes
25 of the subtraction under this section.]

26 **(C) ANY INCOME THAT IS INCLUDED IN THE SUBTRACTIONS UNDER §
27 10–207 OF THIS SUBTITLE MAY NOT BE TAKEN INTO ACCOUNT FOR THE PURPOSES
28 OF THE SUBTRACTION UNDER THIS SECTION.**

29 [(e) (D) In the case of a retired forest ranger, park ranger, or wildlife ranger of
30 the United States, the State, or a political subdivision of the State, the amount included
31 under subsection [(b)(1)] (B) of this section is limited to the first \$15,000 of retirement
32 income that is attributable to the resident's employment as a forest ranger, park ranger, or
33 wildlife ranger of the United States, the State, or a political subdivision of the State unless:

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- 1 (1) the resident is at least 65 years old or is totally disabled; or
- 2 (2) the resident's spouse is totally disabled.

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

4 1, 2024, and shall be applicable to all taxable years beginning after December 31, 2023.