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By: **Delegate Edwards**

Introduced and read first time: January 23, 2002

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction for Retirement Income**

3 FOR the purpose of including income from certain retirement plans within a certain  
4 subtraction modification allowed under the income tax for certain individuals  
5 who are at least a certain age or who are disabled or have disabled spouses;  
6 altering a certain definition; providing for the application of this Act; and  
7 generally relating to a subtraction modification under the income tax for certain  
8 individuals for certain retirement income.

9 BY repealing and reenacting, with amendments,  
10 Article - Tax - General  
11 Section 10-209  
12 Annotated Code of Maryland  
13 (1997 Replacement Volume and 2001 Supplement)

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

16 **Article - Tax - General**

17 10-209.

18 (a) In this section:

19 (1) "[employee] QUALIFIED retirement [system] PLAN" means:

20 (I) a RETIREMENT plan [:

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

23 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal  
24 Revenue Code;

25 (II) AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY UNDER §  
26 408 OF THE INTERNAL REVENUE CODE;

1 (III) A ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT; OR

2 (IV) A SIMPLIFIED EMPLOYEE PENSION UNDER INTERNAL  
3 REVENUE CODE § 408(K); and

4 (2) "[employee] QUALIFIED retirement [system] PLAN" does not  
5 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; OR

10 [(iii) a rollover individual retirement account;

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

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

15 (b) To determine Maryland adjusted gross income, if, on the last day of the  
16 taxable year, a resident is at least 65 years old or is totally disabled or the resident's  
17 spouse is totally disabled, an amount is subtracted from federal adjusted gross  
18 income equal to the lesser of:

19 (1) the [cumulative or] total [annuity, pension, or endowment] income  
20 from [an employee retirement system] A QUALIFIED RETIREMENT PLAN included in  
21 federal adjusted gross income FOR THE TAXABLE YEAR; or

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

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

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

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

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
31 July 1, 2002, and shall be applicable to all taxable years beginning after December 31,  
32 2001.