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By: **Delegate Howard**

Introduced and read first time: January 30, 2002

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Subtraction Modification 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 whose spouse is disabled;  
6 altering the computation of the subtraction modification; providing for the  
7 application of this Act; and generally relating to a subtraction modification  
8 under the income tax for certain 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, SUBJECT TO SUBSECTION (C) OF THIS SECTION an amount  
18 is subtracted from federal adjusted gross income equal to [the lesser of:

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

21 (2) the maximum annual benefit under the Social Security Act computed  
22 under subsection (c) of this section, less any payment received as old age, survivors, or  
23 disability benefits under the Social Security Act, the Railroad Retirement Act, or  
24 both] THE TOTAL INCOME FROM A QUALIFIED RETIREMENT PLAN INCLUDED IN  
25 FEDERAL ADJUSTED GROSS INCOME FOR THE TAXABLE YEAR.

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

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

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

31 (C) FOR A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, 2011, THE AMOUNT  
32 THAT MAY BE SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME UNDER THIS  
33 SECTION MAY NOT EXCEED:

34 (1) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2001, BUT  
35 BEFORE JANUARY 1, 2003, \$18,000 LESS 90% OF ANY PAYMENT RECEIVED AS OLD AGE,

1 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
2 RAILROAD RETIREMENT ACT, OR BOTH;

3 (2) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2002, BUT  
4 BEFORE JANUARY 1, 2004, \$20,000 LESS 80% OF ANY PAYMENT RECEIVED AS OLD AGE,  
5 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
6 RAILROAD RETIREMENT ACT, OR BOTH;

7 (3) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2003, BUT  
8 BEFORE JANUARY 1, 2005, \$22,000 LESS 70% OF ANY PAYMENT RECEIVED AS OLD AGE,  
9 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
10 RAILROAD RETIREMENT ACT, OR BOTH;

11 (4) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2004, BUT  
12 BEFORE JANUARY 1, 2006, \$24,000 LESS 60% OF ANY PAYMENT RECEIVED AS OLD AGE,  
13 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
14 RAILROAD RETIREMENT ACT, OR BOTH;

15 (5) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2005, BUT  
16 BEFORE JANUARY 1, 2007, \$26,000 LESS 50% OF ANY PAYMENT RECEIVED AS OLD AGE,  
17 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
18 RAILROAD RETIREMENT ACT, OR BOTH;

19 (6) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2006, BUT  
20 BEFORE JANUARY 1, 2008, \$28,000 LESS 40% OF ANY PAYMENT RECEIVED AS OLD AGE,  
21 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
22 RAILROAD RETIREMENT ACT, OR BOTH;

23 (7) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2007, BUT  
24 BEFORE JANUARY 1, 2009, \$30,000 LESS 30% OF ANY PAYMENT RECEIVED AS OLD AGE,  
25 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
26 RAILROAD RETIREMENT ACT, OR BOTH;

27 (8) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2008, BUT  
28 BEFORE JANUARY 1, 2010, \$32,000 LESS 20% OF ANY PAYMENT RECEIVED AS OLD AGE,  
29 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
30 RAILROAD RETIREMENT ACT, OR BOTH; AND

31 (9) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2009, BUT  
32 BEFORE JANUARY 1, 2011, \$34,000 LESS 10% OF ANY PAYMENT RECEIVED AS OLD AGE,  
33 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE  
34 RAILROAD RETIREMENT ACT, OR BOTH.

35 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
36 July 1, 2002, and shall be applicable to all taxable years beginning after December 31,  
37 2001.