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By: **Delegates Boutin, W. Baker, Boschert, DeCarlo, Dypski, Edwards,  
Greenip, Howard, Klausmeier, Klima, La Vay, Love, Minnick,  
Mohorovic, O'Donnell, Patterson, Ports, Redmer, Rzepkowski, Shank,  
Snodgrass, Stocksdale, Stull, Turner, Vallario, and Walkup**

Introduced and read first time: February 4, 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 the computation of the subtraction modification; altering the minimum  
7 age at which an individual is eligible for the subtraction modification; altering a  
8 certain definition; providing for the application of this Act; and generally  
9 relating to a subtraction modification under the income tax for certain  
10 individuals for certain retirement income.

11 BY repealing and reenacting, with amendments,  
12 Article - Tax - General  
13 Section 10-209  
14 Annotated Code of Maryland  
15 (1997 Replacement Volume and 2001 Supplement)

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

18 **Article - Tax - General**

19 10-209.

20 (a) In this section:

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

22 (I) a RETIREMENT plan [:

23 (i) established and maintained by an employer for the benefit of its

24 employees; and

1 (ii)] qualified under § 401(a), § 403, or § 457(b) of the Internal  
2 Revenue Code;

3 (II) AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY UNDER §  
4 408 OF THE INTERNAL REVENUE CODE;

5 (III) A ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT; OR

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

8 (2) "[employee] QUALIFIED retirement [system] PLAN" does not  
9 include:

10 (i) [an individual retirement account or annuity under § 408 of the  
11 Internal Revenue Code;

12 (ii)] a Roth individual retirement account under § 408A of the  
13 Internal Revenue Code; OR

14 [(iii) a rollover individual retirement account;

15 (iv) a simplified employee pension under Internal Revenue Code §  
16 408(k); or

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

19 (b) To determine Maryland adjusted gross income, if, on the last day of the  
20 taxable year, a resident is at least [65] 59 1/2 years old or is totally disabled or the  
21 resident's spouse is totally disabled, an amount is subtracted from federal adjusted  
22 gross income equal to the lesser of:

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

26 (2) [the maximum annual benefit under the Social Security Act  
27 computed under subsection (c) of this section, less any payment received as old age,  
28 survivors, or disability benefits under the Social Security Act, the Railroad  
29 Retirement Act, or both] \$35,000.

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

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

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

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