

SENATE BILL 372

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Q3

2002 Regular Session
2lr0964
CF 2lr1064

By: **Senator Green (By Request)**

Introduced and read first time: January 29, 2002

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of altering the computation for State income tax purposes of a
4 certain subtraction modification for certain retirement income allowed for
5 certain individuals who are at least a certain age or who are disabled or whose
6 spouse is disabled; altering the computation of the county income tax; providing
7 for the application of this Act; and generally relating to a subtraction
8 modification under the State income tax for certain individuals for certain
9 retirement income.

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

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

17 **Article - Tax - General**

18 10-209.

19 (a) In this section:

20 (1) "employee retirement system" means a 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; and

25 (2) "employee retirement system" does not include:

- 1 (i) an individual retirement account or annuity under § 408 of the
2 Internal Revenue Code;
- 3 (ii) a Roth individual retirement account under § 408A of the
4 Internal Revenue Code;
- 5 (iii) a rollover individual retirement account;
- 6 (iv) a simplified employee pension under Internal Revenue Code §
7 408(k); or
- 8 (v) an ineligible deferred compensation plan under § 457(f) of the
9 Internal Revenue Code.

10 (b) (1) [To] SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS
11 SUBSECTION, TO determine Maryland adjusted gross income, if, on the last day of the
12 taxable year, a resident is at least 65 years old or is totally disabled or the resident's
13 spouse is totally disabled, an amount is subtracted from federal adjusted gross
14 income equal to [the lesser of:

15 (1)] the cumulative or total annuity, pension, or endowment income from
16 an employee retirement system included in federal adjusted gross income[; or].

17 (2) (I) FOR PURPOSES OF THE STATE INCOME TAX, THE SUBTRACTION
18 UNDER THIS SECTION MAY NOT EXCEED AN AMOUNT EQUAL TO THE MAXIMUM
19 STATE INCOME TAX PENSION EXCLUSION AMOUNT DETERMINED UNDER
20 SUBPARAGRAPH (II) OF THIS PARAGRAPH, LESS ANY PAYMENT RECEIVED AS OLD
21 AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE
22 RAILROAD RETIREMENT ACT, OR BOTH.

23 (II) THE MAXIMUM STATE INCOME TAX PENSION EXCLUSION
24 AMOUNT IS:

25 1. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
26 2002 BUT BEFORE JANUARY 1, 2004, 105% OF THE MAXIMUM ANNUAL BENEFIT UNDER
27 THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (C) OF THIS SECTION;

28 2. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
29 2003 BUT BEFORE JANUARY 1, 2005, 115% OF THE MAXIMUM ANNUAL BENEFIT UNDER
30 THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (C) OF THIS SECTION;

31 3. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
32 2004 BUT BEFORE JANUARY 1, 2006, 130% OF THE MAXIMUM ANNUAL BENEFIT UNDER
33 THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (C) OF THIS SECTION;
34 AND

35 4. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
36 2005, 150% OF THE MAXIMUM ANNUAL BENEFIT UNDER THE SOCIAL SECURITY ACT
37 COMPUTED UNDER SUBSECTION (C) OF THIS SECTION.

1 (III) FOR PURPOSES OF THE COUNTY INCOME TAX, THE
2 SUBTRACTION UNDER THIS SECTION MAY NOT EXCEED the maximum annual benefit
3 under the Social Security Act computed under subsection (c) of this section, less any
4 payment received as old age, survivors, or disability benefits under the Social
5 Security Act, the Railroad Retirement Act, or both.

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

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

10 (2) [may allow the] SHALL SET THE MAXIMUM subtraction to the
11 nearest \$100.

12 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 July 1, 2002 and shall be applicable to all taxable years beginning after December 31,
14 2002.