
By: **The Speaker (By Request - Administration) and Delegates Love, Arnick, Aumann, Bartlett, Bates, Bohanan, Boschert, Boteler, Boutin, Cadden, Cluster, Conroy, Costa, Cryor, DeBoy, Donoghue, Doory, Dwyer, Eckardt, Edwards, Elliott, Elmore, Feldman, Frank, Fulton, Glassman, Goodwin, Hammen, Hennessy, Impallaria, Jameson, Jennings, Kach, Kelly, Krebs, Krysiak, Kullen, Leopold, Levy, McComas, McConkey, McDonough, McHale, McKee, McMillan, Miller, Minnick, Moe, Myers, Nathan-Pulliam, O'Donnell, Parrott, Ross, Rudolph, Shank, Shewell, Sossi, Stocksdale, Stull, Taylor, Trueschler, F. Turner, Walkup, Weir, Weldon, ~~and Wood~~ Wood, Bozman, Cardin, C. Davis, Gilleland, Healey, Hixson, Holmes, Howard, Hubbard, James, Kaiser, King, Mayer, Patterson, Petzold, Ramirez, and Smigiel**

Introduced and read first time: January 25, 2005

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 23, 2005

CHAPTER _____

1 AN ACT concerning

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

3 FOR the purpose of altering a certain subtraction modification under the Maryland
4 income tax for military retirement income over a certain period of time;
5 providing that retirement income that is included in a certain subtraction may
6 not be taken into account for purposes of a certain subtraction modification
7 allowed under the income tax for certain individuals who are at least a certain
8 age or who are disabled or have disabled spouses; defining certain terms;
9 providing for the application of this Act; and generally relating to a subtraction
10 modification for military retirement income.

11 BY repealing and reenacting, without amendments,
12 Article - Tax - General
13 Section 10-207(a)
14 Annotated Code of Maryland
15 (2004 Replacement Volume)

1 BY repealing and reenacting, with amendments,
 2 Article - Tax - General
 3 Section 10-207(q) and 10-209
 4 Annotated Code of Maryland
 5 (2004 Replacement Volume)

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

8 **Article - Tax - General**

9 10-207.

10 (a) To the extent included in federal adjusted gross income, the amounts under
 11 this section are subtracted from the federal adjusted gross income of a resident to
 12 determine Maryland adjusted gross income.

13 (q) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE
 14 MEANINGS INDICATED.

15 (II) "ACTIVE MILITARY SERVICE" MEANS MILITARY SERVICE AS
 16 DEFINED UNDER § 38-101(D) OF THE STATE PERSONNEL AND PENSIONS ARTICLE.

17 (III) "MILITARY RETIREMENT INCOME" MEANS RETIREMENT
 18 INCOME RECEIVED AS A RESULT OF ACTIVE MILITARY SERVICE.

19 (2) [The] EXCEPT AS PROVIDED IN PARAGRAPH ~~(2)~~ (3) OF THIS
 20 SUBSECTION, THE subtraction under subsection (a) of this section includes [the first
 21 \$2,500 of military retirement income received by an individual during the taxable
 22 year, if the individual:

23 (i) is at least 55 years old on the last day of the taxable year; and

24 (ii) was an enlisted member of the military at the time of
 25 retirement.

26 (2) The amount of the subtraction under paragraph (1) of this subsection:

27 (i) is reduced by 50% of the amount by which federal adjusted
 28 gross income exceeds \$17,500; and

29 (ii) is reduced to zero if federal adjusted gross income exceeds
 30 \$22,500] ~~100%~~ 50% OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL
 31 DURING THE TAXABLE YEAR, IF THE INDIVIDUAL;

32 (I) WAS IN ACTIVE MILITARY SERVICE OF ANY BRANCH OF THE
 33 ARMED FORCES FOR 20 YEARS OR MORE; AND

34 (II) WAS AN ENLISTED MEMBER AT THE TIME OF RETIREMENT.

1 (2) (3) FOR A TAXABLE YEAR BEGINNING BEFORE JANUARY 1, ~~2010~~
 2 2011, THE FOLLOWING PERCENTAGE OF MILITARY RETIREMENT INCOME RECEIVED
 3 BY AN INDIVIDUAL DURING A TAXABLE YEAR IS SUBTRACTED UNDER SUBSECTION
 4 (A) OF THIS SECTION:

5 (I) ~~20% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2005,~~
 6 ~~AND BEGINNING BEFORE JANUARY 1, 2007;~~

7 (II) ~~40% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2006,~~
 8 ~~AND BEGINNING BEFORE JANUARY 1, 2008;~~

9 (III) ~~60% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2007,~~
 10 ~~AND BEGINNING BEFORE JANUARY 1, 2009; AND~~

11 (IV) ~~80% FOR A TAXABLE YEAR ENDING AFTER DECEMBER 31, 2008,~~
 12 ~~AND BEGINNING BEFORE JANUARY 1, 2010~~ 10% FOR A TAXABLE YEAR BEGINNING
 13 AFTER DECEMBER 31, 2006, BUT BEFORE JANUARY 1, 2008;

14 (II) 20% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 15 2007, BUT BEFORE JANUARY 1, 2009;

16 (III) 30% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 17 2008, BUT BEFORE JANUARY 1, 2010; AND

18 (IV) 40% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 19 2009, BUT BEFORE JANUARY 1, 2011.

20 10-209.

21 (a) In this section:

22 (1) "employee retirement system" means a plan:

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

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

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

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

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

32 (iii) a rollover individual retirement account;

33 (iv) a simplified employee pension under Internal Revenue Code §
 34 408(k); or

1 (v) an ineligible deferred compensation plan under § 457(f) of the
2 Internal Revenue Code.

3 (b) [To] SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO determine
4 Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at
5 least 65 years old or is totally disabled or the resident's spouse is totally disabled, an
6 amount is subtracted from federal adjusted gross income equal to the lesser of:

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

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

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

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

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

17 (D) MILITARY RETIREMENT INCOME THAT IS INCLUDED IN THE
18 SUBTRACTION UNDER § 10-207(Q) OF THIS SUBTITLE MAY NOT BE TAKEN INTO
19 ACCOUNT FOR PURPOSES OF THE SUBTRACTION UNDER THIS SECTION.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 July 1, 2005, and shall be applicable to all taxable years beginning after December 31,
22 ~~2005~~ 2006.