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By: **Delegate Gordon**

Introduced and read first time: February 11, 2005

Assigned to: Ways and Means

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A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax - Exemptions for Elderly or Totally Disabled Individuals**

3 FOR the purpose of allowing a deduction under the Maryland income tax for an  
4 additional exemption in a certain amount for certain individuals who as of the  
5 last day of the taxable year are at least a certain age or are totally disabled;  
6 reducing a certain additional exemption under certain circumstances based on  
7 the amount that certain income exceeds a certain amount; repealing a certain  
8 subtraction modification for certain retirement income of certain individuals;  
9 repealing certain obsolete provisions of law; providing for the application of this  
10 Act; and generally relating to certain deductions allowed under the Maryland  
11 income tax for certain individuals who as of the last day of the taxable year are  
12 at least a certain age or are totally disabled.

13 BY repealing

14 Article - Tax - General

15 Section 10-209

16 Annotated Code of Maryland

17 (2004 Replacement Volume)

18 BY repealing and reenacting, with amendments,

19 Article - Tax - General

20 Section 10-211

21 Annotated Code of Maryland

22 (2004 Replacement Volume)

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

25 **Article - Tax - General**

26 [10-209.

27 (a) In this section:

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

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

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

5 (2) "employee retirement system" does not 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;

10 (iii) a rollover individual retirement account;

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

13 (v) an ineligible deferred compensation plan under § 457(f) of the  
14 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 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 both.

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

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

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

29 10-211.

30 (A) Whether or not a federal return is filed, to determine Maryland taxable  
31 income, an individual other than a fiduciary may deduct as an exemption:

32 (1) AN AMOUNT EQUAL TO \$2,400 for each exemption that the individual  
33 may deduct in the taxable year to determine federal taxable income under § 151 of the  
34 Internal Revenue Code [:]

1                    (i)        \$1,750 for a taxable year beginning after December 31, 1997 but  
2 before January 1, 1999;

3                    (ii)        \$1,850 for a taxable year beginning after December 31, 1998 but  
4 before January 1, 2000;

5                    (iii)        \$1,850 for a taxable year beginning after December 31, 1999 but  
6 before January 1, 2001;

7                    (iv)        \$2,100 for a taxable year beginning after December 31, 2000 but  
8 before January 1, 2002; and

9                    (v)        \$2,400 for a taxable year beginning after December 31, 2001;]

10                    (2)        AN ADDITIONAL \$2,400 for each dependent, as defined in § 152 of the  
11 Internal Revenue Code, who is at least 65 years old on the last day of the taxable  
12 year[, an additional:];

13                    (i)        \$1,750 for a taxable year beginning after December 31, 1997 but  
14 before January 1, 1999;

15                    (ii)        \$1,850 for a taxable year beginning after December 31, 1998 but  
16 before January 1, 2000;

17                    (iii)        \$1,850 for a taxable year beginning after December 31, 1999 but  
18 before January 1, 2001;

19                    (iv)        \$2,100 for a taxable year beginning after December 31, 2000 but  
20 before January 1, 2002; and

21                    (v)        \$2,400 for a taxable year beginning after December 31, 2001;]

22                    (3)        an additional \$1,000 if the individual, on the last day of the taxable  
23 year, is at least 65 years old; and

24                    (4)        an additional \$1,000 if the individual, on the last day of the taxable  
25 year, is a blind individual, as described in § 10-208(c) of this subtitle.

26        (B)        (1)        IN ADDITION TO THE AMOUNTS ALLOWED UNDER SUBSECTION (A)  
27 OF THIS SECTION, SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AN INDIVIDUAL  
28 OTHER THAN A FIDUCIARY MAY DEDUCT AS AN EXEMPTION AN ADDITIONAL \$12,000  
29 IF ON THE LAST DAY OF THE TAXABLE YEAR THE INDIVIDUAL IS AT LEAST 65 YEARS  
30 OLD OR IS TOTALLY DISABLED.

31                    (2)        EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, THE  
32 AMOUNT ALLOWED UNDER PARAGRAPH (1) OF THIS SUBSECTION IS REDUCED BY \$1  
33 FOR EACH \$1 THAT THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME, LESS THE  
34 AMOUNT OF SOCIAL SECURITY BENEFITS INCLUDED IN FEDERAL ADJUSTED GROSS  
35 INCOME UNDER § 86 OF THE INTERNAL REVENUE CODE, EXCEEDS:

1 (I) \$75,000 FOR AN INDIVIDUAL OTHER THAN ONE DESCRIBED IN  
2 ITEM (II) OR (III) OF THIS PARAGRAPH;

3 (II) \$100,000 FOR A MARRIED COUPLE FILING A JOINT RETURN OR  
4 FOR AN INDIVIDUAL DESCRIBED IN § 2 OF THE INTERNAL REVENUE CODE AS A HEAD  
5 OF HOUSEHOLD OR AS A SURVIVING SPOUSE; OR

6 (III) FOR A MARRIED COUPLE FILING SEPARATELY, \$37,500 FOR  
7 EACH SPOUSE.

8 (3) THE REDUCTION UNDER PARAGRAPH (2) OF THIS SUBSECTION DOES  
9 NOT APPLY IF THE INDIVIDUAL ON DECEMBER 31, 2004 WAS AT LEAST 65 YEARS OLD  
10 OR WAS TOTALLY DISABLED.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 July 1, 2005, and shall be applicable to all taxable years beginning after December 31,  
13 2004.