

ENROLLED BILL

-- Budget and Taxation/Ways and Means --

Introduced by Senators Astle, Kittleman, Green, Colburn, DeGrange, Dyson, Garagiola, Giannetti, ~~Green~~, Greenip, Hafer, Hogan, Hollinger, Klausmeier, ~~and Schrader~~ Schrader, Currie, Brinkley, Jones, Kasemeyer, Kramer, Lawlah, McFadden, Munson, Ruben, ~~and Stoltzfus~~ Stoltzfus, and Stone

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this ____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 ~~**Income Tax Subtraction Modification - Military Retirement Income**~~
3 ~~**Retired Military and Senior Citizen Tax Reduction Act of 2006**~~
4 ~~**Income Tax - Subtraction Modification - Military Retirement Income**~~

5 FOR the purpose of altering a certain subtraction modification under the Maryland
6 income tax for military retirement income ~~over a certain period of time~~;
7 providing that retirement income that is included in a certain subtraction
8 modification may not be taken into account for purposes of a certain subtraction
9 modification allowed under the income tax for certain individuals who are at
10 least a certain age or who are disabled or have disabled spouses; ~~altering the~~
11 ~~amount allowed as a deduction under the Maryland income tax for additional~~
12 ~~exemptions under the Maryland income tax for certain individuals who as of the~~
13 ~~last day of the taxable year are blind or at least a certain age; reducing a certain~~

1 ~~amount allowed as a deduction under certain circumstances based on the~~
 2 ~~amount that certain income exceeds a certain amount; repealing certain~~
 3 ~~obsolete provisions of law;~~ defining certain terms; providing for the application
 4 of this Act; and generally relating to ~~a subtraction modification for the Maryland~~
 5 ~~income taxation of certain blind and elderly individuals and~~ military retirement
 6 income.

7 BY repealing and reenacting, without amendments,
 8 Article - Tax - General
 9 Section 10-207(a)
 10 Annotated Code of Maryland
 11 (2004 Replacement Volume and 2005 Supplement)

12 BY repealing and reenacting, with amendments,
 13 Article - Tax - General
 14 Section 10-207(q) ~~and, and 10-209, and 10-211~~
 15 Annotated Code of Maryland
 16 (2004 Replacement Volume and 2005 Supplement)

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

19 **Article - Tax - General**

20 10-207.

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

24 (q) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE
 25 MEANINGS INDICATED.

26 (II) "MILITARY SERVICE" MEANS:

27 1. INDUCTION INTO THE ARMED FORCES OF THE UNITED
 28 STATES FOR TRAINING AND SERVICE UNDER THE SELECTIVE TRAINING AND
 29 SERVICE ACT OF 1940 OR A SUBSEQUENT ACT OF A SIMILAR NATURE;

30 2. MEMBERSHIP IN A RESERVE COMPONENT OF THE ARMED
 31 FORCES OF THE UNITED STATES;

32 3. MEMBERSHIP IN AN ACTIVE COMPONENT OF THE ARMED
 33 FORCES OF THE UNITED STATES;

34 4. MEMBERSHIP IN THE MARYLAND NATIONAL GUARD; OR

1 5. WITH RESPECT TO A PERSON SEPARATED FROM
 2 EMPLOYMENT ON OR AFTER JULY 1, 1991, ACTIVE DUTY WITH THE COMMISSIONED
 3 CORPS OF THE PUBLIC HEALTH SERVICE, THE NATIONAL OCEANIC AND
 4 ATMOSPHERIC ADMINISTRATION, OR THE COAST AND GEODETIC SURVEY.

5 (III) "MILITARY RETIREMENT INCOME" MEANS RETIREMENT
 6 INCOME RECEIVED AS A RESULT OF MILITARY SERVICE.

7 (2) ~~{The} EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS~~
 8 ~~SUBSECTION, THE~~ subtraction under subsection (a) of this section includes ~~f~~

9 ~~(I)~~ the first \$~~2,500~~ \$5,000 of military retirement income received by
 10 an individual during the taxable year, ~~if the individual:~~

11 ~~(i)~~ is at least ~~55~~ 60 years old on the last day of the taxable year; and
 12 OR

13 ~~(ii)~~ was an enlisted member of the military at the time of
 14 retirement.

15 ~~(II)~~ THE FIRST \$2,500 OF MILITARY RETIREMENT INCOME
 16 RECEIVED BY AN INDIVIDUAL DURING THE TAXABLE YEAR, IF THE INDIVIDUAL IS
 17 UNDER THE AGE OF 60 YEARS ON THE LAST DAY OF THE TAXABLE YEAR.

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

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

21 ~~(ii)~~ is reduced to zero if federal adjusted gross income exceeds
 22 ~~\$22,500~~ 100% OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL
 23 DURING THE TAXABLE YEAR.

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

28 (I) 20% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 29 2006, BUT BEFORE JANUARY 1, 2008;

30 (II) 40% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 31 2007, BUT BEFORE JANUARY 1, 2009;

32 (III) 60% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 33 2008, BUT BEFORE JANUARY 1, 2010; AND

34 (IV) 80% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
 35 2009, BUT BEFORE JANUARY 1, 2011.

1 10-209.

2 (a) In this section:

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

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

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

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

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

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

13 (iii) a rollover individual retirement account;

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

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

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

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

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

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

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

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

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

1 ~~10-211.~~

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

4 ~~(1) AN AMOUNT EQUAL TO \$2,400 for each exemption that the individual~~
 5 ~~may deduct in the taxable year to determine federal taxable income under § 151 of the~~
 6 ~~Internal Revenue Code[;] AND~~

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

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

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

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

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

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

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

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

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

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

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

28 ~~[(3)] (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IN~~
 29 ~~ADDITION TO THE AMOUNTS ALLOWED UNDER SUBSECTION (A) OF THIS SECTION, AN~~
 30 ~~INDIVIDUAL OTHER THAN A FIDUCIARY MAY DEDUCT AS AN EXEMPTION:~~

31 ~~(1) an additional [\$1,000] \$2,400 if the individual, on the last day of~~
 32 ~~the taxable year, is at least 65 years old; and~~

33 ~~[(4)] (H) an additional [\$1,000] \$2,400 if the individual, on the last day of~~
 34 ~~the taxable year, is a blind individual, as described in § 10-208(e) of this subtitle.~~

1 ~~(2) THE AMOUNT ALLOWED AS A DEDUCTION UNDER PARAGRAPH (1) OF~~
2 ~~THIS SUBSECTION IS REDUCED, BUT NOT BELOW ZERO, BY THE AMOUNT BY WHICH~~
3 ~~THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME, LESS THE AMOUNT OF SOCIAL~~
4 ~~SECURITY BENEFITS INCLUDED IN FEDERAL ADJUSTED GROSS INCOME UNDER § 86~~
5 ~~OF THE INTERNAL REVENUE CODE, EXCEEDS:~~

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

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

11 ~~(III) FOR A MARRIED COUPLE FILING SEPARATELY, \$50,000 FOR~~
12 ~~EACH SPOUSE.~~

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2006, and shall be applicable to all taxable years beginning after December 31,
15 ~~2006~~ 2005.