

(PRE-FILED)

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By: **Senators Astle, 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**

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Committee Report: Favorable with amendments  
Senate action: Adopted with floor amendments  
Read second time: March 24, 2006

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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 FOR the purpose of altering a certain subtraction modification under the Maryland  
5 income tax for military retirement income ~~over a certain period of time~~;  
6 providing that retirement income that is included in a certain subtraction may  
7 not be taken into account for purposes of a certain subtraction modification  
8 allowed under the income tax for certain individuals who are at least a certain  
9 age or who are disabled or have disabled spouses; altering the amount allowed  
10 as a deduction under the Maryland income tax for additional exemptions under  
11 the Maryland income tax for certain individuals who as of the last day of the  
12 taxable year are blind or at least a certain age; reducing a certain amount  
13 allowed as a deduction under certain circumstances based on the amount that  
14 certain income exceeds a certain amount; repealing certain obsolete provisions  
15 of law; defining certain terms; providing for the application of this Act; and  
16 generally relating to a subtraction modification for the Maryland income  
17 taxation of certain blind and elderly individuals and military retirement income.

18 BY repealing and reenacting, without amendments,  
19 Article - Tax - General  
20 Section 10-207(a)  
21 Annotated Code of Maryland  
22 (2004 Replacement Volume and 2005 Supplement)

1 BY repealing and reenacting, with amendments,  
 2 Article - Tax - General  
 3 Section 10-207(q) ~~and~~ 10-209, and 10-211  
 4 Annotated Code of Maryland  
 5 (2004 Replacement Volume and 2005 Supplement)

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) "MILITARY SERVICE" MEANS:

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

19 2. MEMBERSHIP IN A RESERVE COMPONENT OF THE ARMED  
 20 FORCES OF THE UNITED STATES;

21 3. MEMBERSHIP IN AN ACTIVE COMPONENT OF THE ARMED  
 22 FORCES OF THE UNITED STATES;

23 4. MEMBERSHIP IN THE MARYLAND NATIONAL GUARD; OR

24 5. ACTIVE DUTY WITH THE COMMISSIONED CORPS OF THE  
 25 PUBLIC HEALTH SERVICE, THE NATIONAL OCEANIC AND ATMOSPHERIC  
 26 ADMINISTRATION, OR THE COAST AND GEODETIC SURVEY.

27 (III) "MILITARY RETIREMENT INCOME" MEANS RETIREMENT  
 28 INCOME RECEIVED AS A RESULT OF MILITARY SERVICE.

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

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

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

34 OR

1 (ii) was an enlisted member of the military at the time of  
2 retirement.

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

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

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

9 (ii) ~~is reduced to zero if federal adjusted gross income exceeds~~  
10 ~~\$22,500; 100% OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL~~  
11 ~~DURING THE TAXABLE YEAR.~~

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

16 (I) ~~20% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,~~  
17 ~~2006, BUT BEFORE JANUARY 1, 2008;~~

18 (II) ~~40% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,~~  
19 ~~2007, BUT BEFORE JANUARY 1, 2009;~~

20 (III) ~~60% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,~~  
21 ~~2008, BUT BEFORE JANUARY 1, 2010; AND~~

22 (IV) ~~80% FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,~~  
23 ~~2009, BUT BEFORE JANUARY 1, 2011.~~

24 10-209.

25 (a) In this section:

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

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

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

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

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

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

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

- 12 (1) the cumulative or total annuity, pension, or endowment income from  
 13 an employee retirement system included in federal adjusted gross income; or
- 14 (2) the maximum annual benefit under the Social Security Act computed  
 15 under subsection (c) of this section, less any payment received as old age, survivors, or  
 16 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

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

- 18 (1) shall determine the maximum annual benefit under the Social  
 19 Security Act allowed for an individual who retired at age 65 for the prior calendar  
 20 year; and
- 21 (2) may allow the subtraction to the nearest \$100.

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

25 10-211.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (III) FOR A MARRIED COUPLE FILING SEPARATELY, \$50,000 FOR  
 36 EACH SPOUSE.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
2 July 1, 2006, and shall be applicable to all taxable years beginning after December 31,  
3 2006.