

SENATE BILL 877

Q3
SB 466/06 – B&T

71r3145

By: **Senator Stone**
Introduced and read first time: February 21, 2007
Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification for Retirement Income – Rollovers to**
3 **Individual Retirement Accounts**

4 FOR the purpose of including income from certain retirement plans within a certain
5 subtraction modification allowed under the Maryland income tax for certain
6 retirement income under certain circumstances; providing for the application of
7 this Act; and generally relating to an income tax subtraction modification for
8 certain retirement income.

9 BY repealing and reenacting, with amendments,
10 Article – Tax – General
11 Section 10–209
12 Annotated Code of Maryland
13 (2004 Replacement Volume and 2006 Supplement)

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

16 **Article – Tax – General**

17 10–209.

18 (a) In this section:

19 (1) “employee retirement system” means a plan:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) established and maintained by an employer for the benefit of
2 its 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
7 the Internal Revenue Code;

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

10 (iii) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS**
11 **SECTION**, a rollover individual retirement account;

12 (iv) a simplified employee pension under Internal Revenue Code
13 § 408(k); or

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

16 (b) Subject to subsection (d) of this section, to determine Maryland adjusted
17 gross income, if, on the last day of the taxable year, a resident is at least 65 years old
18 or is totally disabled or the resident’s spouse is totally disabled, an amount is
19 subtracted from federal adjusted gross income equal to the lesser of:

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

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

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

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

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

2 (d) Military retirement income that is included in the subtraction under §
3 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
4 under this section.

5 **(E) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM A**
6 **ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY ESTABLISHED**
7 **UNDER § 408 OF THE INTERNAL REVENUE CODE SHALL BE TREATED AS**
8 **INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE**
9 **ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY**
10 **OF THE TAX-FREE ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE**
11 **RETIREMENT SYSTEM RESULTING FROM A MANDATORY WITHDRAWAL OF**
12 **AMOUNTS IN THE EMPLOYEE RETIREMENT SYSTEM.**

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2007, and shall be applicable to all taxable years beginning after December 31,
15 2006.