

HOUSE BILL 1394

Q3

2lr3257

By: **Delegate Summers**

Introduced and read first time: February 24, 2012

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Retirement Income**

3 FOR the purpose of altering the maximum amount of a subtraction modification
4 allowed under the State income tax for certain retirement income of an
5 individual of a certain age or who is totally disabled or whose spouse is totally
6 disabled; altering the maximum amount of a certain subtraction modification
7 allowed for certain taxable years; providing for the application of this Act; and
8 generally relating to an income tax subtraction modification for certain
9 retirement income.

10 BY repealing and reenacting, with amendments,
11 Article – Tax – General
12 Section 10–209
13 Annotated Code of Maryland
14 (2010 Replacement Volume and 2011 Supplement)

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

17 **Article – Tax – General**

18 10–209.

19 (a) In this section:

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 (2) “employee retirement system” does not include:

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

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

8 (iii) a rollover individual retirement account;

9 (iv) a simplified employee pension under Internal Revenue Code
10 § 408(k); or

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

13 (b) **(1)** Subject to **PARAGRAPH (2) OF THIS SUBSECTION AND** subsection
14 (d) of this section, to determine Maryland adjusted gross income, if, on the last day of
15 the taxable year, a resident is at least 65 years old [or is totally disabled or the
16 resident’s spouse is totally disabled] **BUT IS LESS THAN 70 YEARS OLD**, an amount is
17 subtracted from federal adjusted gross income equal to the lesser of:

18 **[(1)] (I)** the cumulative or total annuity, pension, or endowment
19 income from an employee retirement system included in federal adjusted gross income;
20 or

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

25 **(2) (I) SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO**
26 **DETERMINE MARYLAND ADJUSTED GROSS INCOME, IF, ON THE LAST DAY OF**
27 **THE TAXABLE YEAR, A RESIDENT IS AT LEAST 70 YEARS OLD OR IS TOTALLY**
28 **DISABLED OR THE RESIDENT’S SPOUSE IS TOTALLY DISABLED, AN AMOUNT IS**
29 **SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER**
30 **OF:**

31 **1. THE CUMULATIVE OR TOTAL ANNUITY, PENSION,**
32 **OR ENDOWMENT INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM INCLUDED**
33 **IN FEDERAL ADJUSTED GROSS INCOME; OR**

1 **2. THE MAXIMUM AMOUNT SPECIFIED UNDER**
2 **SUBPARAGRAPH (II) OF THIS PARAGRAPH, LESS ANY PAYMENT RECEIVED AS**
3 **OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY**
4 **ACT, THE RAILROAD RETIREMENT ACT, OR BOTH.**

5 **(II) SUBJECT TO THE REDUCTION PROVIDED UNDER**
6 **SUBPARAGRAPH (I)2 OF THIS PARAGRAPH, THE MAXIMUM AMOUNT FOR**
7 **PURPOSES OF THE SUBTRACTION ALLOWED UNDER THIS PARAGRAPH IS:**

8 **1. \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER**
9 **DECEMBER 31, 2011, BUT BEFORE JANUARY 1, 2013;**

10 **2. \$40,000 FOR A TAXABLE YEAR BEGINNING AFTER**
11 **DECEMBER 31, 2012, BUT BEFORE JANUARY 1, 2014;**

12 **3. \$47,000 FOR A TAXABLE YEAR BEGINNING AFTER**
13 **DECEMBER 31, 2013, BUT BEFORE JANUARY 1, 2015;**

14 **4. \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER**
15 **DECEMBER 31, 2014, BUT BEFORE JANUARY 1, 2016;**

16 **5. \$61,000 FOR A TAXABLE YEAR BEGINNING AFTER**
17 **DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017;**

18 **6. \$68,000 FOR A TAXABLE YEAR BEGINNING AFTER**
19 **DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018; AND**

20 **7. \$75,000 FOR ANY TAXABLE YEAR BEGINNING**
21 **AFTER DECEMBER 31, 2017.**

22 (c) For purposes of subsection [(b)(2)] **(B)(1)(II)** of this section, the
23 Comptroller:

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

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

28 (d) Military retirement income that is included in the subtraction under §
29 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
30 under this section.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 July 1, 2012, and shall be applicable to all taxable years beginning after December 31,
3 2011.