

HOUSE BILL 743

Q3
HB 917/12 – W&M

3lr2485
CF SB 659

By: **Delegates Gilchrist, Afzali, Barkley, Ivey, A. Miller, Schuh, and Serafini**

Introduced and read first time: February 6, 2013

Assigned to: Ways and Means

Committee Report: Favorable

House action: Adopted

Read second time: March 19, 2013

CHAPTER _____

1 AN ACT concerning

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

3 FOR the purpose of altering the calculation of the maximum subtraction modification
4 allowed under the Maryland income tax for certain retirement income for
5 certain taxable years; including income from certain retirement plans within a
6 certain subtraction modification for certain retirement income under certain
7 circumstances; and generally relating to an income tax subtraction modification
8 for certain retirement income.

9 BY repealing and reenacting, with amendments,
10 Article – Tax – General
11 Section 10–209
12 Annotated Code of Maryland
13 (2010 Replacement Volume and 2012 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.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



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) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS**
7 **SECTION**, an individual retirement account or annuity under § 408 of the Internal
8 Revenue Code;

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

11 (iii) [a rollover individual retirement account;

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

14 [(v)] **(IV)** an ineligible deferred compensation plan under §
15 457(f) of 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) **(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
23 **2012, BUT BEFORE JANUARY 1, 2014, \$26,900, LESS ANY PAYMENT RECEIVED**
24 **AS OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL**
25 **SECURITY ACT, THE RAILROAD RETIREMENT ACT, OR BOTH; AND**

26 **(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
27 **2013, \$26,900, INCREASED BY THE PERCENTAGE OF THE INCREASE IN** the
28 maximum annual benefit under the Social Security Act computed under subsection (c)
29 of this section, less any payment received as old age, survivors, or disability benefits
30 under the Social Security Act, the Railroad Retirement Act, or both.

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

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

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

5 (d) Military retirement income that is included in the subtraction under §
6 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction
7 under this section.

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

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 July 1, 2013.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.