

Chapter 648

(House Bill 1148)

AN ACT concerning

~~Income Tax – Subtraction Modification – Retirement Income~~
Income Tax – Retirement Income – Collection of Information

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

~~BY repealing and reenacting, with amendments,
Article – Tax – General
Section 10 – 209
Annotated Code of Maryland
(2010 Replacement Volume and 2015 Supplement)~~

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

~~Article – Tax – General~~

~~10 – 209.~~

~~(a) In this section:~~

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

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

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

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

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

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

~~(iii) [a rollover individual retirement account;~~

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

~~[(v)] (IV) an ineligible deferred compensation plan under § 457(f) of the Internal Revenue Code.~~

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

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

~~(2) (I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017, \$28,900, LESS ANY PAYMENT RECEIVED AS OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT, OR BOTH; AND~~

~~(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2016, \$28,900, INCREASED BY THE PERCENTAGE OF THE INCREASE IN the maximum annual benefit under the Social Security Act computed under subsection (c) of this section, less any payment received as old age, survivors, or disability benefits under the Social Security Act, the Railroad Retirement Act, or both.~~

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

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

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

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

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

FOR the purpose of requiring the Comptroller to collect certain information on State income tax forms; requiring the Comptroller to produce a certain report; authorizing the Comptroller to adopt certain regulations; and generally relating to the collection of information pertaining to retirement income.

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That:

(a) On or before January 1, 2017, the Comptroller shall alter the State personal income tax form as necessary to collect information on the amount of retirement income reported by an individual, and each spouse in case of a joint return from the following sources:

(1) a retirement plan that is part of an employee retirement system, as defined by § 10–209 of the Tax – General Article;

(2) an individual retirement account or annuity under § 408 of the Internal Revenue Code, including accounts consisting entirely of contributions rolled over from a defined benefit plan;

(3) a simplified employee pension under § 408(k) of the Internal Revenue Code; and

(4) other retirement income, including a Roth individual retirement account under § 408(a) of the Internal Revenue Code and an ineligible deferred compensation plan under § 457(f) of the Internal Revenue Code.

(b) Additionally, the Comptroller shall alter the personal income tax form as necessary to collect information on the total benefits received from Social Security and the subtraction modification under § 10–209 of the Tax – General Article claimed by an individual, and each spouse in the case of a joint return.

(c) The Comptroller may adopt regulations to carry out the provisions of this section.

SECTION 2. AND BE IT FURTHER ENACTED, That, on or before January 1, 2018, the Comptroller shall report to the General Assembly, in accordance with § 2–1246 of the State Government Article, on the information collected under Section 1 of this Act.

SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2016.

Approved by the Governor, May 19, 2016.