

SENATE BILL 65

Q3
SB 11/18 – B&T

(PRE-FILED)

9lr0375

By: **Senators Young, Nathan-Pulliam, Benson, and Carter**

Requested: July 13, 2018

Introduced and read first time: January 9, 2019

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of including income from certain retirement plans within a certain
4 subtraction modification allowed under the Maryland income tax for certain
5 individuals who are at least a certain age or who are disabled or whose spouse is
6 disabled; altering the calculation of the subtraction modification; altering the
7 maximum amount of the subtraction modification for certain taxable years;
8 prohibiting an individual from qualifying for the subtraction modification under
9 certain circumstances; and generally relating to a subtraction modification under the
10 Maryland income tax for retirement income.

11 BY repealing and reenacting, with amendments,
12 Article – Tax – General
13 Section 10–209
14 Annotated Code of Maryland
15 (2016 Replacement Volume and 2018 Supplement)

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

18 **Article – Tax – General**

19 10–209.

20 (a) (1) In this section the following words have the meanings indicated.

21 (2) “Correctional officer” means an individual who:

22 (i) was employed in:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 1. a State correctional facility, as defined in § 1–101 of the
2 Correctional Services Article;

3 2. a local correctional facility, as defined in § 1–101 of the
4 Correctional Services Article;

5 3. a juvenile facility included in § 9–226 of the Human
6 Services Article; or

7 4. a facility of the United States that is equivalent to a State
8 or local correctional facility or a juvenile facility included in § 9–226 of the Human Services
9 Article; and

10 (ii) is eligible to receive retirement income attributable to the
11 individual’s employment under item (i) of this paragraph.

12 (3) “Emergency services personnel” means emergency medical technicians
13 or paramedics.

14 (4) (i) [“Employee] **“QUALIFIED** retirement [system”] **PLAN”** means
15 [a plan]:

16 1. [established and maintained by an employer for the
17 benefit of its employees; and

18 2.] **A RETIREMENT PLAN** qualified under § 401(a), § 403, or
19 § 457(b) of the Internal Revenue Code[.];

20 [(ii) “Employee retirement system” does not include:

21 1.] **2.** an individual retirement account or annuity under § 408
22 of the Internal Revenue Code;

23 [2.] **3.** a Roth individual retirement account under § 408A of the
24 Internal Revenue Code;

25 [3.] **4.** a rollover individual retirement account; **OR**

26 [4.] **5.** a simplified employee pension under Internal Revenue
27 Code § 408(k)[; or].

28 [5.] **(II) “QUALIFIED RETIREMENT PLAN” DOES NOT**
29 **INCLUDE** an ineligible deferred compensation plan under § 457(f) of the Internal Revenue
30 Code.

31 (b) **(1)** Subject to subsections [(d) and] **(C) THROUGH** (e) of this section, to

1 determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident
2 is at least 65 years old or is totally disabled or the resident's spouse is totally disabled, or
3 the resident is at least 55 years old and is a retired correctional officer, law enforcement
4 officer, or fire, rescue, or emergency services personnel of the United States, the State, or a
5 political subdivision of the State, an amount is subtracted from federal adjusted gross
6 income equal to the lesser of:

7 **[(1)] (I)** the [cumulative or total annuity, pension, or endowment] **TOTAL**
8 income from [an employee] **A QUALIFIED** retirement [system] **PLAN** included in federal
9 adjusted gross income **FOR THE TAXABLE YEAR**; or

10 **[(2)] (II)** the maximum [annual benefit under the Social Security Act
11 computed under subsection (c) of this section] **AMOUNT SPECIFIED UNDER PARAGRAPH**
12 **(2) OF THIS SUBSECTION**, less any payment received as old age, survivors, or disability
13 benefits under the Social Security Act, the Railroad Retirement Act, or both.

14 **(2) SUBJECT TO THE REDUCTION PROVIDED UNDER PARAGRAPH**
15 **(1)(II) OF THIS SUBSECTION, THE MAXIMUM AMOUNT FOR PURPOSES OF THE**
16 **SUBTRACTION ALLOWED UNDER THIS SUBSECTION IS:**

17 **(I) \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER**
18 **DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2020;**

19 **(II) \$43,500 FOR A TAXABLE YEAR BEGINNING AFTER**
20 **DECEMBER 31, 2019, BUT BEFORE JANUARY 1, 2021;**

21 **(III) \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER**
22 **DECEMBER 31, 2020, BUT BEFORE JANUARY 1, 2022;**

23 **(IV) \$64,500 FOR A TAXABLE YEAR BEGINNING AFTER**
24 **DECEMBER 31, 2021, BUT BEFORE JANUARY 1, 2023; AND**

25 **(V) \$75,000 FOR ANY TAXABLE YEAR BEGINNING AFTER**
26 **DECEMBER 31, 2022.**

27 **[(c)** For purposes of subsection (b)(2) of this section, the Comptroller:

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

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

31 **(C) AN INDIVIDUAL MAY NOT QUALIFY FOR THE SUBTRACTION UNDER**
32 **SUBSECTION (B) OF THIS SECTION IF THE TOTAL INCOME FROM ALL QUALIFIED**

1 **RETIREMENT PLANS FOR THE TAXABLE YEAR EXCEEDS \$100,000.**

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) In the case of a retired correctional officer, law enforcement officer, or fire,
6 rescue, or emergency services personnel of the United States, the State, or a political
7 subdivision of the State, the amount included under subsection [(b)(1)] **(B)(1)(I)** of this
8 section is limited to the first \$15,000 of retirement income that is attributable to the
9 resident's employment as a correctional officer, a law enforcement officer, or fire, rescue, or
10 emergency services personnel of the United States, the State, or a political subdivision of
11 the State unless:

12 (1) the resident is at least 65 years old or is totally disabled; or

13 (2) the resident's spouse is totally disabled.

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
15 1, 2019.