

SENATE BILL 170

Q3

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CF 9lr0151

By: **The President (By Request – Administration) and Senators Eckardt, Bailey, Carozza, Cassilly, Edwards, Gallion, Hershey, Hough, Jennings, Ready, Salling, Serafini, Simonaire, and West**
Introduced and read first time: January 21, 2019
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement Tax Fairness Act of 2019**

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 certain ages, are disabled or whose spouse is disabled,
6 or are retired correctional officers, law enforcement officers, or fire, rescue, or
7 emergency services personnel; providing that the cumulative or total amount of
8 certain subtractions may not exceed a certain benefit; and generally relating to a
9 subtraction modification under the Maryland income tax for retirement income.

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

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

17 **Article – Tax – General**

18 10–209.

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

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

21 (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 retirement system” means a plan:

15 [1.] (I) established and maintained by an employer for the
16 benefit of its employees; and

17 [2.] (II) qualified under § 401(a), § 403, or § 457(b) of the
18 Internal Revenue Code.

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

20 (5) “QUALIFIED RETIREMENT PLAN” MEANS:

21 [1.] (I) an individual retirement account or annuity under
22 § 408 of the Internal Revenue Code;

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

25 [3. a rollover individual retirement account;]

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

28 [5.] (IV) an ineligible deferred compensation plan under §
29 457(f) of the Internal Revenue Code.

30 (b) Subject to subsections [(d) and] (e) **THROUGH (G)** of this section, to determine

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

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

9 (2) the maximum annual benefit under the Social Security Act computed
10 under subsection [(c)] (D) of this section, less any payment received as old age, survivors,
11 or disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

12 (C) SUBJECT TO SUBSECTIONS (E) THROUGH (G) OF THIS SECTION, TO
13 DETERMINE MARYLAND ADJUSTED GROSS INCOME, IF, ON THE LAST DAY OF THE
14 TAXABLE YEAR, A RESIDENT IS AT LEAST 65 YEARS OLD OR IS TOTALLY DISABLED
15 OR THE RESIDENT'S SPOUSE IS TOTALLY DISABLED, OR THE RESIDENT IS AT LEAST
16 55 YEARS OLD AND IS A RETIRED CORRECTIONAL OFFICER, LAW ENFORCEMENT
17 OFFICER, OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED
18 STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE, AN AMOUNT IS
19 SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER OF:

20 (1) THE CUMULATIVE OR TOTAL INCOME FROM ONE OR MORE
21 QUALIFIED RETIREMENT PLANS INCLUDED IN FEDERAL ADJUSTED GROSS INCOME;
22 OR

23 (2) (I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
24 2018, BUT BEFORE JANUARY 1, 2020, 20% OF THE MAXIMUM ANNUAL BENEFIT
25 UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS
26 SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY
27 BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,
28 OR BOTH;

29 (II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
30 2019, BUT BEFORE JANUARY 1, 2021, 40% OF THE MAXIMUM ANNUAL BENEFIT
31 UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS
32 SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY
33 BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,
34 OR BOTH;

35 (III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
36 2020, BUT BEFORE JANUARY 1, 2022, 60% OF THE MAXIMUM ANNUAL BENEFIT
37 UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS

1 SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY
2 BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,
3 OR BOTH;

4 (IV) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
5 2021, BUT BEFORE JANUARY 1, 2023, 80% OF THE MAXIMUM ANNUAL BENEFIT
6 UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS
7 SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY
8 BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,
9 OR BOTH; AND

10 (V) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,
11 2022, 100% OF THE MAXIMUM ANNUAL BENEFIT UNDER THE SOCIAL SECURITY ACT
12 COMPUTED UNDER SUBSECTION (D) OF THIS SECTION, LESS ANY PAYMENT
13 RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL
14 SECURITY ACT, THE RAILROAD RETIREMENT ACT, OR BOTH.

15 [(c)] (D) For purposes of [subsection] SUBSECTIONS (b)(2) AND (C)(2) of this
16 section, the Comptroller:

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

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

20 (E) THE CUMULATIVE OR TOTAL AMOUNT OF THE SUBTRACTIONS UNDER
21 SUBSECTIONS (B) AND (C) OF THIS SECTION MAY NOT EXCEED THE MAXIMUM
22 ANNUAL BENEFIT UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER
23 SUBSECTION (D) OF THIS SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE,
24 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE
25 RAILROAD RETIREMENT ACT, OR BOTH.

26 [(d)] (F) Military retirement income that is included in the subtraction under §
27 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction
28 under this section.

29 [(e)] (G) In the case of a retired correctional officer, law enforcement officer, or
30 fire, rescue, or emergency services personnel of the United States, the State, or a political
31 subdivision of the State, the amount included under [subsection] SUBSECTIONS (b)(1) AND
32 (C)(1) of this section is limited to the first \$15,000 of retirement income that is attributable
33 to the resident's employment as a correctional officer, a law enforcement officer, or fire,
34 rescue, or emergency services personnel of the United States, the State, or a political
35 subdivision of the State unless:

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

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

2 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
3 1, 2019.