

# SENATE BILL 488

Q3

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By: **Senators Peters, Elfreth, Guzzone, King, McCray, Serafini, ~~and Zucker~~  
Zucker, Eckardt, Edwards, Griffith, Rosapepe, and Salling**

Introduced and read first time: January 29, 2020

Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 8, 2020

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Military and Public Safety Retirement**  
3 **Income**

4 FOR the purpose of increasing the amount of a subtraction modification under the  
5 Maryland income tax for certain military retirement income for individuals who are  
6 at least a certain age; increasing the amount of a subtraction modification under the  
7 Maryland income tax for certain retirement income attributable to a resident's  
8 employment as a correctional officer, a law enforcement officer, or a fire, rescue, or  
9 emergency services worker; altering a certain limitation on the amount of a  
10 subtraction modification under the Maryland income tax for certain retirement  
11 income attributable to a resident's employment as a correctional officer, a law  
12 enforcement officer, or a fire, rescue, or emergency services worker; defining certain  
13 terms; making conforming changes; providing for the application of this Act;  
14 providing for a delayed effective date for certain provisions of this Act; and generally  
15 relating to subtraction modifications under the Maryland income tax for certain  
16 retirement income.

17 BY repealing and reenacting, without amendments,  
18 Article – Tax – General  
19 Section 10–207(a)  
20 Annotated Code of Maryland  
21 (2016 Replacement Volume and 2019 Supplement)

22 BY repealing and reenacting, with amendments,

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### 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 Article – Tax – General  
 2 Section 10–207(q) and 10–209  
 3 Annotated Code of Maryland  
 4 (2016 Replacement Volume and 2019 Supplement)

5 BY adding to  
 6 Article – Tax – General  
 7 Section 10–207(hh)  
 8 Annotated Code of Maryland  
 9 (2016 Replacement Volume and 2019 Supplement)

10 BY repealing and reenacting, with amendments,  
 11 Article – Tax – General  
 12 Section 10–207(hh) and 10–209  
 13 Annotated Code of Maryland  
 14 (2016 Replacement Volume and 2019 Supplement)  
 15 (As enacted by Section 2 of this Act)

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 10–207.

20 (a) To the extent included in federal adjusted gross income, the amounts under  
 21 this section are subtracted from the federal adjusted gross income of a resident to determine  
 22 Maryland adjusted gross income.

23 (q) (1) (i) In this subsection the following words have the meanings  
 24 indicated.

25 (ii) “Military retirement income” means retirement income,  
 26 including death benefits, received as a result of military service.

27 (iii) “Military service” means:

28 1. induction into the armed forces of the United States for  
 29 training and service under the Selective Training and Service Act of 1940 or a subsequent  
 30 act of a similar nature;

31 2. membership in a reserve component of the armed forces of  
 32 the United States;

33 3. membership in an active component of the armed forces of  
 34 the United States;

1 4. membership in the Maryland National Guard; or

2 5. active duty with the commissioned corps of the Public  
3 Health Service, the National Oceanic and Atmospheric Administration, or the Coast and  
4 Geodetic Survey.

5 (2) The subtraction under subsection (a) of this section includes:

6 (i) if, on the last day of the taxable year, the individual is under the  
7 age of 55 years, the first \$5,000 of military retirement income received by an individual  
8 during the taxable year; and

9 (ii) if, on the last day of the taxable year, the individual is at least 55  
10 years old, the first ~~[\$15,000]~~ **\$20,000** of military retirement income received by an  
11 individual during the taxable year.

12 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read  
13 as follows:

14 Article – Tax – General

15 10–207.

16 (a) To the extent included in federal adjusted gross income, the amounts under  
17 this section are subtracted from the federal adjusted gross income of a resident to determine  
18 Maryland adjusted gross income.

19 (HH) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE  
20 MEANINGS INDICATED.

21 (II) “CORRECTIONAL OFFICER” MEANS AN INDIVIDUAL WHO:

22 1. WAS EMPLOYED IN:

23 A. A STATE CORRECTIONAL FACILITY, AS DEFINED IN §  
24 1–101 OF THE CORRECTIONAL SERVICES ARTICLE;

25 B. A LOCAL CORRECTIONAL FACILITY, AS DEFINED IN §  
26 1–101 OF THE CORRECTIONAL SERVICES ARTICLE;

27 C. A JUVENILE FACILITY INCLUDED IN § 9–226 OF THE  
28 HUMAN SERVICES ARTICLE; OR

29 D. A FACILITY OF THE UNITED STATES THAT IS  
30 EQUIVALENT TO A STATE OR LOCAL CORRECTIONAL FACILITY OR A JUVENILE  
31 FACILITY INCLUDED IN § 9–226 OF THE HUMAN SERVICES ARTICLE; AND

1                                   **2. IS ELIGIBLE TO RECEIVE RETIREMENT INCOME**  
 2 **ATTRIBUTABLE TO THE INDIVIDUAL'S EMPLOYMENT UNDER ITEM 1 OF THIS**  
 3 **SUBPARAGRAPH.**

4                                   **(III) "EMERGENCY SERVICES PERSONNEL" MEANS EMERGENCY**  
 5 **MEDICAL TECHNICIANS OR PARAMEDICS.**

6                                   **(IV) "EMPLOYEE RETIREMENT SYSTEM" HAS THE MEANING**  
 7 **STATED UNDER § 10-209(A) OF THIS SUBTITLE.**

8                                   **(V) "PUBLIC SAFETY EMPLOYEE" MEANS AN INDIVIDUAL WHO**  
 9 **IS A RETIRED CORRECTIONAL OFFICER, LAW ENFORCEMENT OFFICER, OR FIRE,**  
 10 **RESCUE, OR EMERGENCY SERVICES WORKER OF THE UNITED STATES, THE STATE,**  
 11 **OR A POLITICAL SUBDIVISION OF THE STATE.**

12                                   **(2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**  
 13 **INCLUDES THE FIRST ~~\$20,000~~ \$10,000 OF INCOME FROM AN EMPLOYEE**  
 14 **RETIREMENT SYSTEM THAT IS ATTRIBUTABLE TO SERVICE AS A PUBLIC SAFETY**  
 15 **EMPLOYEE, IF THE INCOME IS RECEIVED BY AN INDIVIDUAL WHO IS AT LEAST 55**  
 16 **YEARS OLD ON THE LAST DAY OF THE TAXABLE YEAR.**

17 10-209.

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

19                           (2)   "Correctional officer" means an individual who:

20                                   (i)   was employed in:

21   1.   a State correctional facility, as defined in § 1-101 of the  
 22 Correctional Services Article;

23   2.   a local correctional facility, as defined in § 1-101 of the  
 24 Correctional Services Article;

25   3.   a juvenile facility included in § 9-226 of the Human  
 26 Services Article; or

27   4.   a facility of the United States that is equivalent to a State  
 28 or local correctional facility or a juvenile facility included in § 9-226 of the Human Services  
 29 Article; and

30   (ii) is eligible to receive retirement income attributable to the  
 31 individual's employment under item (i) of this paragraph.

1           (3)    “Emergency services personnel” means emergency medical technicians  
2 or paramedics.

3           (4)    (i)    “Employee retirement system” means a plan:  
4                    1.    established and maintained by an employer for the benefit  
5 of its employees; and  
6                    2.    qualified under § 401(a), § 403, or § 457(b) of the Internal  
7 Revenue Code.

8                   (ii) “Employee retirement system” does not include:  
9                        1.    an individual retirement account or annuity under § 408  
10 of the Internal Revenue Code;  
11                       2.    a Roth individual retirement account under § 408A of the  
12 Internal Revenue Code;  
13                       3.    a rollover individual retirement account;  
14                       4.    a simplified employee pension under Internal Revenue  
15 Code § 408(k); or  
16                       5.    an ineligible deferred compensation plan under § 457(f) of  
17 the Internal Revenue Code.

18           (b)    Subject to subsections (d) and (e) of this section, to determine Maryland  
19 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years  
20 old or is totally disabled or the resident’s spouse is totally disabled, or the resident is at  
21 least 55 years old and is a retired correctional officer, law enforcement officer, or fire,  
22 rescue, or emergency services personnel of the United States, the State, or a political  
23 subdivision of the State, an amount is subtracted from federal adjusted gross income equal  
24 to the lesser of:

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

27                   (2)    the maximum annual benefit under the Social Security Act computed  
28 under subsection (c) of this section, less any payment received as old age, survivors, or  
29 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

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

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

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

2           (d)    (1)    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                   (2)    PUBLIC SAFETY EMPLOYEE RETIREMENT INCOME THAT IS  
 6 INCLUDED IN THE SUBTRACTION UNDER § 10-207(HH) OF THIS SUBTITLE MAY NOT  
 7 BE TAKEN INTO ACCOUNT FOR PURPOSES OF THE SUBTRACTION UNDER THIS  
 8 SECTION.

9           (e)    In the case of a retired correctional officer, law enforcement officer, or fire,  
 10 rescue, or emergency services personnel of the United States, the State, or a political  
 11 subdivision of the State, the amount included under subsection (b)(1) of this section is  
 12 limited to the first [\$15,000] \$7,500 of retirement income that is attributable to the  
 13 resident's employment as a correctional officer, a law enforcement officer, or fire, rescue, or  
 14 emergency services personnel of the United States, the State, or a political subdivision of  
 15 the State unless:

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

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

18           SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read  
 19 as follows:

20                                   Article – Tax – General

21   10-207.

22           (a)    To the extent included in federal adjusted gross income, the amounts under  
 23 this section are subtracted from the federal adjusted gross income of a resident to determine  
 24 Maryland adjusted gross income.

25           (hh) (1) (i)    In this subsection the following words have the meanings  
 26 indicated.

27                                   (ii)    “Correctional officer” means an individual who:

28   1.    was employed in:

29   A.    a State correctional facility, as defined in § 1-101 of the  
 30 Correctional Services Article;

31   B.    a local correctional facility, as defined in § 1-101 of the  
 32 Correctional Services Article;

1 C. a juvenile facility included in § 9–226 of the Human  
2 Services Article; or

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

6 2. is eligible to receive retirement income attributable to the  
7 individual’s employment under item 1 of this subparagraph.

8 (iii) “Emergency services personnel” means emergency medical  
9 technicians or paramedics.

10 (iv) “Employee retirement system” has the meaning stated under §  
11 10–209(a) of this subtitle.

12 (v) “Public safety employee” means an individual who is a retired  
13 correctional officer, law enforcement officer, or fire, rescue, or emergency services worker  
14 of the United States, the State, or a political subdivision of the State.

15 (2) The subtraction under subsection (a) of this section includes the first  
16 [\$10,000] **\$20,000** of income from an employee retirement system that is attributable to  
17 service as a public safety employee, if the income is received by an individual who is at least  
18 55 years old on the last day of the taxable year.

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:

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

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

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

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

1 (ii) is eligible to receive retirement income attributable to the  
2 individual's employment under item (i) of this paragraph.

3 (3) "Emergency services personnel" means emergency medical technicians  
4 or paramedics.

5 (4) (i) "Employee]:

6 (1) "EMPLOYEE retirement system" means a plan:

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

9 [2.] (II) qualified under § 401(a), § 403, or § 457(b) of the  
10 Internal Revenue Code[.]; AND

11 [(ii)] (2) ["Employee] "EMPLOYEE retirement system" does not  
12 include:

13 [1.] (I) an individual retirement account or annuity under  
14 § 408 of the Internal Revenue Code;

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

17 [3.] (III) a rollover individual retirement account;

18 [4.] (IV) a simplified employee pension under Internal  
19 Revenue Code § 408(k); or

20 [5.] (V) an ineligible deferred compensation plan under §  
21 457(f) of the Internal Revenue Code.

22 (b) Subject to subsections (d) ~~and (e)~~ of this section, to determine Maryland  
23 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years  
24 old or is totally disabled or the resident's spouse is totally disabled, [or the resident is at  
25 least 55 years old and is a retired correctional officer, law enforcement officer, or fire,  
26 rescue, or emergency services personnel of the United States, the State, or a political  
27 subdivision of the State,] an amount is subtracted from federal adjusted gross income equal  
28 to the lesser of:

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



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

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

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

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

8 (d) ~~(1)~~ (1) Military retirement income that is included in the subtraction under §  
9 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction  
10 under this section.

11 ~~(2) PUBLIC SAFETY EMPLOYEE RETIREMENT INCOME THAT IS~~  
12 ~~INCLUDED IN THE SUBTRACTION UNDER § 10-207(HH) OF THIS SUBTITLE MAY NOT~~  
13 ~~BE TAKEN INTO ACCOUNT FOR PURPOSES OF THE SUBTRACTION UNDER THIS~~  
14 ~~SECTION.~~

15 (2) Public safety employee retirement income that is included in the  
16 subtraction under § 10-207(hh) of this subtitle may not be taken into account for purposes  
17 of the subtraction under this section.

18 [(e) In the case of a retired correctional officer, law enforcement officer, or fire,  
19 rescue, or emergency services personnel of the United States, the State, or a political  
20 subdivision of the State, the amount included under subsection (b)(1) of this section is  
21 limited to the first ~~\$15,000~~ \$7,500 of retirement income that is attributable to the resident's  
22 employment as a correctional officer, a law enforcement officer, or fire, rescue, or emergency  
23 services personnel of the United States, the State, or a political subdivision of the State  
24 unless:

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

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

27 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take  
28 effect July 1, 2021, and shall be applicable to all taxable years beginning after December  
29 31, 2020, but before January 1, 2022.

30 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take  
31 effect July 1, 2022, and shall be applicable to all taxable years beginning after December  
32 31, 2021.

1           SECTION ~~2~~ 6. AND BE IT FURTHER ENACTED, That, except as provided in  
2 Sections 4 and 5 of this Act, this Act shall take effect July 1, 2020, and shall be applicable  
3 to all taxable years beginning after December 31, 2019.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.