

SENATE BILL 572

Q3
SB 278/20 – B&T

1r0123
CF 1r0124

By: **The President (By Request – Administration)**

Introduced and read first time: January 26, 2021

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement Tax Reduction Act of 2021**

3 FOR the purpose of allowing certain individuals a subtraction modification under the
4 Maryland income tax for a certain amount of income; limiting the amount of the
5 subtraction modification for certain taxable years; providing that the subtraction
6 modification may not include income that is included under a certain other
7 subtraction modification; prohibiting an individual that includes income under the
8 subtraction modification from including income under a certain subtraction
9 modification for certain retirement income; requiring the Comptroller to adopt
10 certain regulations; and generally relating to a subtraction modification under the
11 Maryland income tax.

12 BY repealing and reenacting, without amendments,
13 Article – Tax – General
14 Section 10–207(a)
15 Annotated Code of Maryland
16 (2016 Replacement Volume and 2020 Supplement)

17 BY adding to
18 Article – Tax – General
19 Section 10–207(jj)
20 Annotated Code of Maryland
21 (2016 Replacement Volume and 2020 Supplement)

22 BY repealing and reenacting, with amendments,
23 Article – Tax – General
24 Section 10–209
25 Annotated Code of Maryland
26 (2016 Replacement Volume and 2020 Supplement)

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 That the Laws of Maryland read as follows:

2 **Article – Tax – General**

3 10–207.

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

7 **(JJ) (1) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, THE**
8 **SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY INCOME OF**
9 **AN INDIVIDUAL IF, ON THE LAST DAY OF THE TAXABLE YEAR, THE INDIVIDUAL:**

10 **(I) HAS A FEDERAL ADJUSTED GROSS INCOME OF \$100,000 OR**
11 **LESS; AND**

12 **(II) 1. IS RECEIVING OLD AGE OR SURVIVOR BENEFITS**
13 **UNDER THE SOCIAL SECURITY ACT; OR**

14 **2. A. IS AT LEAST 65 YEARS OLD; AND**

15 **B. IS NOT EMPLOYED FULL TIME.**

16 **(2) INCOME THAT IS OTHERWISE INCLUDED IN A SUBTRACTION**
17 **AUTHORIZED UNDER THIS SUBTITLE MAY NOT BE INCLUDED IN THE SUBTRACTION**
18 **AUTHORIZED UNDER THIS SUBSECTION.**

19 **(3) THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS SUBSECTION**
20 **MAY NOT EXCEED:**

21 **(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
22 **2021, BUT BEFORE JANUARY 1, 2023, \$10,000;**

23 **(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
24 **2022, BUT BEFORE JANUARY 1, 2024, \$20,000;**

25 **(III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
26 **2023, BUT BEFORE JANUARY 1, 2025, \$30,000;**

27 **(IV) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
28 **2024, BUT BEFORE JANUARY 1, 2026, \$40,000; AND**

29 **(V) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**

1 **2025, \$50,000.**

2 **(4) THE COMPTROLLER SHALL ADOPT REGULATIONS TO IMPLEMENT**
3 **THE PROVISIONS OF THIS SUBSECTION.**

4 10–209.

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

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

7 (i) was employed in:

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

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

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

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

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

19 (3) “Emergency services personnel” means emergency medical technicians
20 or paramedics.

21 (4) (i) “Employee retirement system” means a plan:

22 1. established and maintained by an employer for the benefit
23 of its employees; and

24 2. qualified under § 401(a), § 403, or § 457(b) of the Internal
25 Revenue Code.

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

27 1. an individual retirement account or annuity under § 408
28 of the Internal Revenue Code;

29 2. a Roth individual retirement account under § 408A of the
30 Internal Revenue Code;

- 1 3. a rollover individual retirement account;
- 2 4. a simplified employee pension under Internal Revenue
3 Code § 408(k); or
- 4 5. an ineligible deferred compensation plan under § 457(f) of
5 the Internal Revenue Code.

6 (b) Subject to subsections (d) and (e) of this section, to determine Maryland
7 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years
8 old or is totally disabled or the resident's spouse is totally disabled, or the resident is at
9 least 55 years old and is 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, an amount is subtracted from federal adjusted gross income equal
12 to the lesser of:

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

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

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

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

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

22 (d) **(1)** Military retirement income that is included in the subtraction under §
23 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
24 under this section.

25 **(2) AN INDIVIDUAL WITH INCOME THAT IS INCLUDED IN THE**
26 **SUBTRACTION UNDER § 10–207(JJ) OF THIS SUBTITLE MAY NOT INCLUDE INCOME**
27 **IN THE SUBTRACTION UNDER THIS SECTION.**

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

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

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

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
4 1, 2021.