

Department of Legislative Services  
Maryland General Assembly  
2023 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 207

(Senator Watson)

Budget and Taxation

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Income Tax - Octogenarian Credit

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This bill authorizes a nonrefundable credit against the State income tax for taxpayers who are at least 80 years of age at the close of the taxable year and whose federal adjusted gross income does not exceed \$175,000 (\$250,000 for surviving spouses, heads of household, and joint filers). For eligible taxpayers who are at least 80 years of age at the close of the tax year, the value of the credit is 20% of the taxpayer's State income tax liability. The value of the credit increases by 20 percentage points for each additional year of age over 80 until it reaches 100% of State income tax liability for eligible taxpayers who are at least 84 years old at the close of the tax year. For joint filers, the credit is available if both spouses have attained the applicable minimum age by the close of the tax year. Any unused amount of the credit may not be carried over to any other taxable year. **The bill takes effect July 1, 2023, and applies to tax year 2023 and beyond.**

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Fiscal Summary

**State Effect:** General fund expenditures for the Comptroller's Office increase by \$63,000 in FY 2024 only for one-time changes to the Comptroller's tax systems. **However, sufficient information was not available in time to analyze the effect of this legislation on State revenues.**

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** Exhibit 1 shows the value of the octogenarian credit for eligible taxpayers by age. As noted above, for joint filers, the value of the credit is calculated based on the age of both spouses at the close of the tax year; thus, for joint filers who meet the bill's income requirement, the credit becomes available once both spouses are at least 80 years of age.

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### Exhibit 1 Value of the Octogenarian Credit by Age of Taxpayer

<u>Age at Close of Tax Year (If Filing Jointly, Minimum Age of Both Spouses)</u>	<u>Value of Credit as Percentage of State Income Tax Liability</u>
80	20%
81	40%
82	60%
83	80%
84 and older	100%

Source: Department of Legislative Services

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**Current Law:** State law does not provide for a tax credit for octogenarians, specifically, as proposed under the bill. However, State law provides for various other tax relief for seniors, as discussed below.

#### *Senior Tax Credit*

Chapters 3 and 4 of 2022 established a nonrefundable tax credit against the State income tax for a resident who is age 65 or older and whose federal adjusted gross income does not exceed \$100,000 (\$150,000 if filing jointly or as a surviving spouse or head of household). The amount of the tax credit is equal to (1) \$1,000 or (2) \$1,750 for surviving spouses, heads of household, and joint filers if both spouses are at least age 65. The credit is available beginning in tax year 2022.

#### *Maryland Pension Exclusion*

Under the Maryland pension exclusion, an individual who is at least age 65, who is totally disabled, or whose spouse is totally disabled may subtract certain taxable pension and retirement annuity income from federal adjusted gross income for purposes of determining

Maryland adjusted gross income. The maximum value of the subtraction is indexed to the maximum annual benefit payable under the Social Security Act (\$34,300 for 2022) and is reduced by the amount of any benefit payments received under the Social Security Act or Railroad Retirement Act (“Social Security offset”).

*Subtraction Modification for Centenarians*

Chapter 291 of 2022 authorized a subtraction modification against the Maryland income tax for individuals who are at least 100 years of age at the close of the taxable year. The maximum value of the subtraction is equal to \$100,000 of income received by the individual.

*Other Tax Relief for Seniors*

Social Security benefits and benefits received under the federal Railroad Retirement Act are totally exempt from the Maryland income tax, though they may be partly taxable for federal income tax purposes. Other income tax relief is provided to senior citizens regardless of the source of their income; in addition to the regular personal exemption available to all taxpayers, individuals age 65 and older may claim an additional exemption of \$1,000.

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**Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Comptroller’s Office; Department of Legislative Services

**Fiscal Note History:** First Reader - January 24, 2023  
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