

HOUSE BILL 767

Q3

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By: **Delegates Griffith, Adams, Anderton, Arentz, Baker, Buckel, Chisholm, Ciliberti, Ghrist, Hartman, Hinebaugh, Hornberger, Howard, Hutchinson, Jacobs, Kipke, R. Long, Mangione, McComas, Metzgar, Miller, T. Morgan, Munoz, Nawrocki, Otto, Pippy, Reilly, Rose, Schmidt, Stonko, Szeliga, Tomlinson, Valentine, and Wivell**

Introduced and read first time: February 8, 2023

Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning

Income Tax – Subtraction Modification – Military Retirement Income (Military Pension Tax Freedom Act)

FOR the purpose of phasing in, over a certain period of years, an increase in a subtraction modification under the Maryland income tax to allow for a subtraction of all military retirement income; and generally relating to a subtraction modification under the Maryland income tax for military retirement income.

BY repealing and reenacting, without amendments,

Article – Tax – General

Section 10–207(a)

Annotated Code of Maryland

(2022 Replacement Volume)

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–207(q)

Annotated Code of Maryland

(2022 Replacement Volume)

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

Article – Tax – General

10–207.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

(iii) “Military service” means:

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

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

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

4. membership in the Maryland National Guard; or

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

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

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

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

(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2022, BUT BEFORE JANUARY 1, 2024, THE GREATER OF \$15,000 OR 20% OF THE AMOUNT OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL DURING THE TAXABLE YEAR;

(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2023, BUT BEFORE JANUARY 1, 2025, THE GREATER OF \$15,000 OR 40% OF THE AMOUNT OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL DURING

THE TAXABLE YEAR;

(III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2024, BUT BEFORE JANUARY 1, 2026, THE GREATER OF \$15,000 OR 60% OF THE AMOUNT OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL DURING THE TAXABLE YEAR;

(IV) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2025, BUT BEFORE JANUARY 1, 2027, THE GREATER OF \$15,000 OR 80% OF THE AMOUNT OF MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL DURING THE TAXABLE YEAR; AND

(V) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2026, ALL MILITARY RETIREMENT INCOME RECEIVED BY AN INDIVIDUAL DURING THE TAXABLE YEAR.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2023.