



Taxation of IRA

Why don't they qualify for the Maryland Pensions Exclusion?

Tax Treatment in Maryland

Pension exclusion for 2022 is \$34,300

Pension Exclusion

- A. You were 65 or older or totally disabled, or your spouse was totally disabled, on the last day of the tax year; and
- B. You included on your federal return income received as a pension, annuity or endowment from an "employee retirement system." Please note that these include qualified defined benefit and defined contribution pension plans, 401(a) plans, 401(k) plans, 403(b) plans, and 457(b) plans.
- C. A traditional IRA, a Roth IRA, a simplified employee plan (SEP), a Keogh Plan or an ineligible deferred compensation plan **does not qualify**.



Maryland Small Businesses

- **Quick Maryland Small Business Statistics for Entrepreneurs**
- 99.5% of all businesses in Maryland are small businesses.
- Small businesses employ 49.3% of all employees in the state.
- Military veterans make up 6.1% of workers and own 6.9% of small businesses.
- Racial minorities represent 42.5% of all small business employees.
- Maryland has nearly 42 minority business owners for every 100,000 residents and 17.5 women-owned businesses per 100,000 residents.

<https://lbg-online.net/small-business-statistics/maryland>





Retirement Plans

Available for Small Businesses

- 401(k) – good for many or few employees
 - Gives employers the ability to do a matching or gifting program
 - Very expensive to maintain (\$3000 per year)
- Simple IRA (Savings Incentive Match Plan) – good for small businesses who have many employees.
 - Gives employers the ability to do a matching or gifting contribution
 - Very inexpensive to maintain (\$10 per year)
- SEP (Simplified Employee Pension) – good for small business that have a few employees
 - Gives the opportunity for the owner to give a gift to the employee
 - Very inexpensive to maintain (\$10 per year)



Traditional IRA Statistics



2022 INVESTMENT COMPANY FACT BOOK

A Review of Trends and Activities in the Investment Company Industry

IRA Investors

More than one-third of US households, or 48 million, owned at least one type of IRA in 2021 (Figure 8.14). Traditional IRAs were the most common type, owned by 37 million US households. Roth IRAs, created as part of the Taxpayer Relief Act of 1997, were owned by 27 million US households. Nearly nine million US households owned employer-sponsored IRAs (SEP IRAs, SAR-SEP IRAs, or SIMPLE IRAs).

FIGURE 8.14

Millions of US Households Own IRAs

	Year created	Number of US households with type of IRA 2021	Percentage of US households with type of IRA 2021	Assets in IRAs Billions of dollars, year-end 2021
Traditional IRA	1974 (Employee Retirement Income Security Act)	36.6 million	28.2%	\$11,798 ^a
SEP IRA	1978 (Revenue Act)	8.6 million	6.6%	\$790 ^a
SAR-SEP IRA	1986 (Tax Reform Act)			
SIMPLE IRA	1996 (Small Business Job Protection Act)			
Roth IRA	1997 (Taxpayer Relief Act)	27.3 million	21.0%	\$1,325 ^a
Any IRA		47.7 million	36.7%	\$13,913 ^a

^a Data are estimated.

Note: Households may own more than one type of IRA. SEP IRAs, SAR-SEP IRAs, and SIMPLE IRAs are employer-sponsored IRAs.

Sources: ICI Research Perspective, "The Role of IRAs in US Households' Saving for Retirement, 2021" and Investment Company Institute, "The US Retirement Market, Fourth Quarter 2021"

Rollovers

When an employee leaves a company, often they are forced to take out their 401(k) – many roll them over into Traditional IRA's so they don't have to pay the taxes

FIGURE 8.15

New Roth IRAs Often Are Opened with Contributions; New Traditional IRAs Often Are Opened with Rollovers

Percentage of new IRAs opened in 2018 by type of IRA



Note: New IRAs are accounts that did not exist in the IRA Investor Database in 2017 and were opened by one of the paths indicated in 2018. The calculation excludes IRAs that changed financial services firms. The samples are 0.2 million new Roth IRA investors aged 18 or older at year-end 2018 and 0.3 million new traditional IRA investors aged 18 to 74 at year-end 2018.

Source: The IRA Investor Database™. See ICI Research Report, "The IRA Investor Profile: Roth IRA Investors' Activity, 2007–2018."



Thank You

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