

# SENATE BILL 11

Q3

8lr0304

(PRE-FILED)

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By: **Senator Young**

Requested: July 18, 2017

Introduced and read first time: January 10, 2018

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Retirement Income**

3 FOR the purpose of including income from certain retirement plans within a certain  
4 subtraction modification allowed under the Maryland income tax for certain  
5 individuals who are at least a certain age or who are disabled or whose spouse is  
6 disabled; altering the calculation of the subtraction modification; altering the  
7 maximum amount of the subtraction modification for certain taxable years;  
8 prohibiting an individual from qualifying for the subtraction modification under  
9 certain circumstances; and generally relating to a subtraction modification under the  
10 Maryland income tax for certain retirement income.

11 BY repealing and reenacting, with amendments,  
12 Article – Tax – General  
13 Section 10–209  
14 Annotated Code of Maryland  
15 (2016 Replacement Volume and 2017 Supplement)

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 10–209.

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

21 (2) “Emergency services personnel” means emergency medical technicians  
22 or paramedics.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (3) (i) ["Employee] **“QUALIFIED retirement [system] PLAN”** means  
2 [a plan]:

3 1. [established and maintained by an employer for the  
4 benefit of its employees; and

5 2.] **A RETIREMENT PLAN** qualified under § 401(a), § 403, or  
6 § 457(b) of the Internal Revenue Code[.];

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

8 1.] **2.** an individual retirement account or annuity under § 408  
9 of the Internal Revenue Code;

10 [2.] **3.** a Roth individual retirement account under § 408A of the  
11 Internal Revenue Code;

12 [3.] **4.** a rollover individual retirement account; **OR**

13 [4.] **5.** a simplified employee pension under Internal Revenue  
14 Code § 408(k)[; or].

15 [5.] **(II) “QUALIFIED RETIREMENT PLAN” DOES NOT**  
16 **INCLUDE** an ineligible deferred compensation plan under § 457(f) of the Internal Revenue  
17 Code.

18 (b) **(1)** Subject to subsections [(d) and] **(C) THROUGH** (e) of this section, to  
19 determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident  
20 is at least 65 years old or is totally disabled or the resident’s spouse is totally disabled, or  
21 the resident is at least 55 years old and is a retired law enforcement officer or fire, rescue,  
22 or emergency services personnel of the United States, the State, or a political subdivision  
23 of the State, an amount is subtracted from federal adjusted gross income equal to the lesser  
24 of:

25 [(1)] **(I)** the [cumulative or total annuity, pension, or endowment] **TOTAL**  
26 income from [an employee] **A QUALIFIED retirement [system] PLAN** included in federal  
27 adjusted gross income **FOR THE TAXABLE YEAR**; or

28 [(2)] **(II)** the maximum [annual benefit under the Social Security Act  
29 computed under subsection (c) of this section] **AMOUNT SPECIFIED UNDER PARAGRAPH**  
30 **(2) OF THIS SUBSECTION**, less any payment received as old age, survivors, or disability  
31 benefits under the Social Security Act, the Railroad Retirement Act, or both.

32 **(2) SUBJECT TO THE REDUCTION PROVIDED UNDER PARAGRAPH**  
33 **(1)(II) OF THIS SUBSECTION, THE MAXIMUM AMOUNT FOR PURPOSES OF THE**

1 SUBTRACTION ALLOWED UNDER THIS SUBSECTION IS:

2 (I) \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER  
3 DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019;

4 (II) \$43,500 FOR A TAXABLE YEAR BEGINNING AFTER  
5 DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2020;

6 (III) \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER  
7 DECEMBER 31, 2019, BUT BEFORE JANUARY 1, 2021;

8 (IV) \$64,500 FOR A TAXABLE YEAR BEGINNING AFTER  
9 DECEMBER 31, 2020, BUT BEFORE JANUARY 1, 2022; AND

10 (V) \$75,000 FOR ANY TAXABLE YEAR BEGINNING AFTER  
11 DECEMBER 31, 2021.

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

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

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

16 (C) AN INDIVIDUAL MAY NOT QUALIFY FOR THE SUBTRACTION UNDER  
17 SUBSECTION (B) OF THIS SECTION IF THE TOTAL INCOME FROM ALL QUALIFIED  
18 RETIREMENT PLANS FOR THE TAXABLE YEAR EXCEEDS \$100,000.

19 (d) Military retirement income that is included in the subtraction under §  
20 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction  
21 under this section.

22 (e) In the case of a retired 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 the amount included under subsection [(b)(1)] (B)(1)(I) of this section is limited to the first  
25 \$15,000 of retirement income that is attributable to the resident's employment as a law  
26 enforcement officer or fire, rescue, or emergency services personnel of the United States,  
27 the State, or a political subdivision of the State unless:

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

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

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
31 1, 2018.