## **SENATE BILL 123**

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(PRE-FILED)

2lr0655 CF HB 189

By: **Senator Klausmeier** Requested: October 6, 2021 Introduced and read first time: January 12, 2022 Assigned to: Budget and Taxation

## A BILL ENTITLED

2	Income Tax – Subtraction Modification – Retirement Income			
$3 \\ 4 \\ 5 \\ 6 \\ 7$	annuity within a certain subtraction modification for certain retirement income if contributions to the account or annuity consist entirely of certain distributions from an employee retirement system; and generally relating to a subtraction modification			
$8 \\ 9 \\ 10 \\ 11 \\ 12$	Article – Tax – General Section 10–209 Annotated Code of Maryland			
$\begin{array}{c} 13\\14 \end{array}$	,			
15	Article – Tax – General			
16	10–209.			
17	(a) (1) In this section the following words have the meanings indicated.			
18	(2) "Correctional officer" means an individual who:			
19	(i) was employed in:			
$20 \\ 21$	1. a State correctional facility, as defined in § 1–101 of the Correctional Services Article;			

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW. [Brackets] indicate matter deleted from existing law.



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$\frac{1}{2}$	Correctional Services Art	2. cicle;	a local correctional facility, as defined in § 1–101 of the	
$\frac{3}{4}$	Services Article; or	3.	a juvenile facility included in § 9–226 of the Human	
5 6 7	or local correctional facili Article; and	4. ty or a	a facility of the United States that is equivalent to a State juvenile facility included in § 9–226 of the Human Services	
8 9	(ii) individual's employment		gible to receive retirement income attributable to the item (i) of this paragraph.	
10 11	(3) "Eme or paramedics.	rgency	services personnel" means emergency medical technicians	
12	(4) (i)	"Emp	loyee retirement system" means a plan:	
$\frac{13}{14}$	of its employees; and	1.	established and maintained by an employer for the benefit	
1516	Revenue Code.	2.	qualified under § 401(a), § 403, or § 457(b) of the Internal	
17	(ii)	"Emp	loyee retirement system" does not include:	
18 19 20	<b>SECTION,</b> an individual r Code;	1. retirem	EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS ent account or annuity under § 408 of the Internal Revenue	
$\frac{21}{22}$	Internal Revenue Code;	2.	a Roth individual retirement account under § 408A of the	
23		3.	[a rollover individual retirement account;	
$24 \\ 25$	Code § 408(k); or	4. <b>]</b>	a simplified employee pension under Internal Revenue	
$\frac{26}{27}$	the Internal Revenue Co		an ineligible deferred compensation plan under § 457(f) of	
$28 \\ 29$	(b) Subject to subsections (d) and (e) of this section, to determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years			

adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years old or is totally disabled or the resident's spouse is totally disabled, or the resident is at least 55 years old and is a retired correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State, an amount is subtracted from federal adjusted gross income equal 1 to the lesser of:

2 (1) the cumulative or total annuity, pension, or endowment income from an 3 employee retirement system included in federal adjusted gross income; or

4 (2) the maximum annual benefit under the Social Security Act computed 5 under subsection (c) of this section, less any payment received as old age, survivors, or 6 disability benefits under the Social Security Act, the Railroad Retirement Act, or both.

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

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

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

11 (d) Military retirement income that is included in the subtraction under § 12 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction 13 under this section.

14 (e) In the case of a retired correctional officer, law enforcement officer, or fire, 15 rescue, or emergency services personnel of the United States, the State, or a political 16 subdivision of the State, the amount included under subsection (b)(1) of this section is 17 limited to the first \$15,000 of retirement income that is attributable to the resident's 18 employment as a correctional officer, a law enforcement officer, or fire, rescue, or emergency 19 services personnel of the United States, the State, or a political subdivision of the State 20 unless:

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

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

(F) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM AN
INDIVIDUAL RETIREMENT ACCOUNT OR AN ANNUITY ESTABLISHED UNDER § 408 OF
THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME FROM AN
EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE INDIVIDUAL
RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY OF THE TAX-FREE
ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE RETIREMENT SYSTEM.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.