

# SENATE BILL 233

Q3

4r0301  
CF 4r2092

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By: **Senators Kasemeyer, King, Currie, Manno, and Simonaire**

Introduced and read first time: January 16, 2014

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of including income from certain retirement plans within a certain  
4 subtraction modification for certain retirement income under certain  
5 circumstances; providing for the application of this Act; and generally relating  
6 to an income tax subtraction modification for certain retirement income.

7 BY repealing and reenacting, with amendments,  
8 Article – Tax – General  
9 Section 10–209  
10 Annotated Code of Maryland  
11 (2010 Replacement Volume and 2013 Supplement)

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

14 **Article – Tax – General**

15 10–209.

16 (a) In this section:

17 (1) “employee retirement system” means a plan:

18 (i) established and maintained by an employer for the benefit of  
19 its employees; and

20 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal  
21 Revenue Code; and

22 (2) “employee retirement system” does not include:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS**  
2 **SECTION**, an individual retirement account or annuity under § 408 of the Internal  
3 Revenue Code;

4 (ii) a Roth individual retirement account under § 408A of the  
5 Internal Revenue Code;

6 (iii) [a rollover individual retirement account;

7 (iv)] a simplified employee pension under Internal Revenue Code  
8 § 408(k); or

9 [(v)] **(IV)** an ineligible deferred compensation plan under §  
10 457(f) of the Internal Revenue Code.

11 (b) Subject to [subsection (d)] **SUBSECTIONS (D) AND (E)** of this section, to  
12 determine Maryland adjusted gross income, if, on the last day of the taxable year, a  
13 resident is at least 65 years old or is totally disabled or the resident's spouse is totally  
14 disabled, an amount is subtracted from federal adjusted gross income equal to the  
15 lesser of:

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

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

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

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

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

27 (d) Military retirement income that is included in the subtraction under §  
28 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction  
29 under this section.

30 **(E) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM A**  
31 **ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY ESTABLISHED**  
32 **UNDER § 408 OF THE INTERNAL REVENUE CODE SHALL BE TREATED AS**  
33 **INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE**

1 **ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY**  
2 **OF THE TAX-FREE ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE**  
3 **RETIREMENT SYSTEM.**

4           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
5 July 1, 2014, and shall be applicable to all taxable years beginning after December 31,  
6 2013.