

SENATE BILL 370

Q3
SB 488/20 – B&T

1lr1615
CF HB 951

By: ~~Senator Peters~~ Senators Peters, Corderman, Eckardt, Edwards, Elfreth,
Griffith, Guzzone, King, McCray, Rosapepe, Salling, Young, and Zucker

Introduced and read first time: January 15, 2021

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 2, 2021

CHAPTER _____

1 AN ACT concerning

2 **Income Tax Subtraction Modification – Military and Public Safety Retirement**
3 **Income**

4 FOR the purpose of increasing the amount of a subtraction modification under the
5 Maryland income tax for certain military retirement income for individuals who are
6 at least a certain age; increasing the amount of a subtraction modification under the
7 Maryland income tax for certain retirement income attributable to a resident's
8 employment as a correctional officer, a law enforcement officer, or a fire, rescue, or
9 emergency services personnel; altering a certain limitation on the amount of a
10 subtraction modification under the Maryland income tax for certain retirement
11 income attributable to a resident's employment as a correctional officer, a law
12 enforcement officer, or a fire, rescue, or emergency services personnel; defining
13 certain terms; making conforming changes; providing for the application of this Act;
14 providing for a delayed effective date for certain provisions of this Act; and generally
15 relating to subtraction modifications under the Maryland income tax for certain
16 retirement income.

17 BY repealing and reenacting, without amendments,
18 Article – Tax – General
19 Section 10–207(a)
20 Annotated Code of Maryland
21 (2016 Replacement Volume and 2020 Supplement)

22 BY repealing and reenacting, with amendments,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Article – Tax – General
2 Section 10–207(q) and 10–209
3 Annotated Code of Maryland
4 (2016 Replacement Volume and 2020 Supplement)

5 BY adding to
6 Article – Tax – General
7 Section 10–207(jj)
8 Annotated Code of Maryland
9 (2016 Replacement Volume and 2020 Supplement)

10 BY repealing and reenacting, with amendments,
11 Article – Tax – General
12 Section 10–207(jj) and 10–209
13 Annotated Code of Maryland
14 (2016 Replacement Volume and 2020 Supplement)
15 (As enacted by Section 2 of this Act)

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 10–207.

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

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

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

27 (iii) “Military service” means:

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

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

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

1 4. membership in the Maryland National Guard; or

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

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

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

9 (ii) if, on the last day of the taxable year, the individual is at least 55
10 years old, the first ~~[\$15,000]~~ **\$20,000** of military retirement income received by an
11 individual during the taxable year.

12 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
13 as follows:

14 **Article – Tax – General**

15 10–207.

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

19 **(JJ) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE**
20 **MEANINGS INDICATED.**

21 **(II) “CORRECTIONAL OFFICER” MEANS AN INDIVIDUAL WHO:**

22 **1. WAS EMPLOYED IN:**

23 **A. A STATE CORRECTIONAL FACILITY, AS DEFINED IN §**
24 **1–101 OF THE CORRECTIONAL SERVICES ARTICLE;**

25 **B. A LOCAL CORRECTIONAL FACILITY, AS DEFINED IN §**
26 **1–101 OF THE CORRECTIONAL SERVICES ARTICLE;**

27 **C. A JUVENILE FACILITY INCLUDED IN § 9–226 OF THE**
28 **HUMAN SERVICES ARTICLE; OR**

29 **D. A FACILITY OF THE UNITED STATES THAT IS**
30 **EQUIVALENT TO A STATE OR LOCAL CORRECTIONAL FACILITY OR A JUVENILE**
31 **FACILITY INCLUDED IN § 9–226 OF THE HUMAN SERVICES ARTICLE; AND**

1 **2. IS ELIGIBLE TO RECEIVE RETIREMENT INCOME**
 2 **ATTRIBUTABLE TO THE INDIVIDUAL'S EMPLOYMENT UNDER ITEM 1 OF THIS**
 3 **SUBPARAGRAPH.**

4 **(III) "EMERGENCY SERVICES PERSONNEL" MEANS EMERGENCY**
 5 **MEDICAL TECHNICIANS OR PARAMEDICS.**

6 **(IV) "EMPLOYEE RETIREMENT SYSTEM" HAS THE MEANING**
 7 **STATED UNDER § 10-209(A) OF THIS SUBTITLE.**

8 **(V) "PUBLIC SAFETY EMPLOYEE" MEANS AN INDIVIDUAL WHO**
 9 **IS A RETIRED CORRECTIONAL OFFICER, LAW ENFORCEMENT OFFICER, OR FIRE,**
 10 **RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE**
 11 **STATE, OR A POLITICAL SUBDIVISION OF THE STATE.**

12 **(2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**
 13 **INCLUDES THE FIRST \$10,000 OF INCOME FROM AN EMPLOYEE RETIREMENT**
 14 **SYSTEM THAT IS ATTRIBUTABLE TO SERVICE AS A PUBLIC SAFETY EMPLOYEE, IF THE**
 15 **INCOME IS RECEIVED BY AN INDIVIDUAL WHO IS AT LEAST 55 YEARS OLD ON THE**
 16 **LAST DAY OF THE TAXABLE YEAR.**

17 10-209.

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

19 (2) "Correctional officer" means an individual who:

20 (i) was employed in:

21 1. a State correctional facility, as defined in § 1-101 of the
 22 Correctional Services Article;

23 2. a local correctional facility, as defined in § 1-101 of the
 24 Correctional Services Article;

25 3. a juvenile facility included in § 9-226 of the Human
 26 Services Article; or

27 4. a facility of the United States that is equivalent to a State
 28 or local correctional facility or a juvenile facility included in § 9-226 of the Human Services
 29 Article; and

30 (ii) is eligible to receive retirement income attributable to the
 31 individual's employment under item (i) of this paragraph.

1 (3) “Emergency services personnel” means emergency medical technicians
2 or paramedics.

3 (4) (i) “Employee retirement system” means a plan:

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

6 2. qualified under § 401(a), § 403, or § 457(b) of the Internal
7 Revenue Code.

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

9 1. an individual retirement account or annuity under § 408
10 of the Internal Revenue Code;

11 2. a Roth individual retirement account under § 408A of the
12 Internal Revenue Code;

13 3. a rollover individual retirement account;

14 4. a simplified employee pension under Internal Revenue
15 Code § 408(k); or

16 5. an ineligible deferred compensation plan under § 457(f) of
17 the Internal Revenue Code.

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

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

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

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

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

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

2 (d) (1) Military retirement income that is included in the subtraction under §
3 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
4 under this section.

5 (2) **PUBLIC SAFETY EMPLOYEE RETIREMENT INCOME THAT IS**
6 **INCLUDED IN THE SUBTRACTION UNDER § 10–207(JJ) OF THIS SUBTITLE MAY NOT**
7 **BE TAKEN INTO ACCOUNT FOR PURPOSES OF THE SUBTRACTION UNDER THIS**
8 **SECTION.**

9 (e) In the case of a retired correctional officer, law enforcement officer, or fire,
10 rescue, or emergency services personnel of the United States, the State, or a political
11 subdivision of the State, the amount included under subsection (b)(1) of this section is
12 limited to the first ~~[\$15,000]~~ **\$7,500** of retirement income that is attributable to the
13 resident's employment as a correctional officer, a law enforcement officer, or fire, rescue, or
14 emergency services personnel of the United States, the State, or a political subdivision of
15 the State unless:

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

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

18 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read
19 as follows:

20 **Article – Tax – General**

21 10–207.

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

25 (jj) (1) (i) In this subsection the following words have the meanings
26 indicated.

27 (ii) “Correctional officer” means an individual who:

28 1. was employed in:

29 A. a State correctional facility, as defined in § 1–101 of the
30 Correctional Services Article;

31 B. a local correctional facility, as defined in § 1–101 of the
32 Correctional Services Article;

1 C. a juvenile facility included in § 9–226 of the Human
2 Services Article; or

3 D. a facility of the United States that is equivalent to a State
4 or local correctional facility or a juvenile facility included in § 9–226 of the Human Services
5 Article; and

6 2. is eligible to receive retirement income attributable to the
7 individual's employment under item 1 of this subparagraph.

8 (iii) "Emergency services personnel" means emergency medical
9 technicians or paramedics.

10 (iv) "Employee retirement system" has the meaning stated under §
11 10–209(a) of this subtitle.

12 (v) "Public safety employee" means an individual who is a retired
13 correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel
14 of the United States, the State, or a political subdivision of the State.

15 (2) The subtraction under subsection (a) of this section includes the first
16 ~~[\$10,000]~~ **\$20,000** of income from an employee retirement system that is attributable to
17 service as a public safety employee, if the income is received by an individual who is at least
18 55 years old on the last day of the taxable year.

19 10–209.

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

21 (2) "Correctional officer" means an individual who:

22 (i) was employed in:

23 1. a State correctional facility, as defined in § 1–101 of the
24 Correctional Services Article;

25 2. a local correctional facility, as defined in § 1–101 of the
26 Correctional Services Article;

27 3. a juvenile facility included in § 9–226 of the Human
28 Services Article; or

29 4. a facility of the United States that is equivalent to a State
30 or local correctional facility or a juvenile facility included in § 9–226 of the Human Services
31 Article; and

1 (ii) is eligible to receive retirement income attributable to the
2 individual's employment under item (i) of this paragraph.

3 (3) "Emergency services personnel" means emergency medical technicians
4 or paramedics.

5 (4) (i) "Employee]:"

6 (1) "EMPLOYEE retirement system" means a plan:

7 [1.] (I) established and maintained by an employer for the
8 benefit of its employees; and

9 [2.] (II) qualified under § 401(a), § 403, or § 457(b) of the
10 Internal Revenue Code[.]; AND

11 [(ii)] (2) ["Employee] "EMPLOYEE retirement system" does not
12 include:

13 [1.] (I) an individual retirement account or annuity under
14 § 408 of the Internal Revenue Code;

15 [2.] (II) a Roth individual retirement account under § 408A
16 of the Internal Revenue Code;

17 [3.] (III) a rollover individual retirement account;

18 [4.] (IV) a simplified employee pension under Internal
19 Revenue Code § 408(k); or

20 [5.] (V) an ineligible deferred compensation plan under §
21 457(f) of the Internal Revenue Code.

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

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

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

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

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

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

8 (d) (1) Military retirement income that is included in the subtraction under §
9 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
10 under this section.

11 (2) Public safety employee retirement income that is included in the
12 subtraction under § 10–207(jj) of this subtitle may not be taken into account for purposes
13 of the subtraction 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 \$7,500 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:

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

22 (2) the resident’s spouse is totally disabled.]

23 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take
24 effect July 1, 2022, and shall be applicable to all taxable years beginning after December
25 31, 2021, but before January 1, 2023.

26 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take
27 effect July 1, 2023, and shall be applicable to all taxable years beginning after December
28 31, 2022.

29 SECTION 6. AND BE IT FURTHER ENACTED, That, except as provided in
30 Sections 4 and 5 of this Act, this Act shall take effect July 1, 2021, and shall be applicable
31 to all taxable years beginning after December 31, 2020.