

HOUSE BILL 960

Q3

5lr2284

By: **Delegates Fisher, S. Howard, Adams, Arentz, Carey, Carozza, Cassilly, Cluster, Folden, Ghrist, Hornberger, Krebs, Mautz, McKay, Metzgar, Rey, Saab, Shoemaker, Simonaire, Szeliga, Vitale, and Vogt**

Introduced and read first time: February 13, 2015

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Retire in Maryland Act of 2015**

3 FOR the purpose of including income from certain retirement plans and certain unearned
4 income sources within a certain subtraction modification allowed under the
5 Maryland income tax for certain individuals who are at least a certain age or who
6 are disabled or whose spouse is disabled; repealing a limitation on the maximum
7 amount of a subtraction modification allowed under the State income tax for certain
8 retirement income of certain individuals; providing that income included in certain
9 subtraction modifications may not be taken into account for purposes of a certain
10 subtraction modification allowed under the Maryland income tax for certain
11 individuals who are at least a certain age or who are disabled or whose spouse is
12 disabled; altering a certain definition; defining a certain term; providing for the
13 application of this Act; and generally relating to a subtraction modification under
14 the Maryland income tax for retirement income and income from certain unearned
15 income sources.

16 BY repealing and reenacting, with amendments,
17 Article – Tax – General
18 Section 10–209
19 Annotated Code of Maryland
20 (2010 Replacement Volume and 2014 Supplement)

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

23 **Article – Tax – General**

24 10–209.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) (1) In this section[:] THE FOLLOWING WORDS HAVE THE MEANINGS
2 INDICATED.

3 [(1)](2) ["employee] "QUALIFIED retirement [system]" PLAN" means [a
4 plan]:

5 (i) A PLAN established and maintained by an employer for the
6 benefit of its employees; [and]

7 (ii) A RETIREMENT PLAN qualified under § 401(a), § 403, or § 457(b)
8 of the Internal Revenue Code; [and]

9 (2) "employee retirement system" does not include:

10 (i) an individual retirement account or annuity under § 408 of the
11 Internal Revenue Code;

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

14 (iii) a rollover individual retirement account;

15 (iv) a simplified employee pension under Internal Revenue Code §
16 408(k); or

17 (v) an ineligible deferred compensation plan under § 457(f) of the
18 Internal Revenue Code.]

19 (III) AN INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY UNDER
20 § 408 OF THE INTERNAL REVENUE CODE;

21 (IV) A ROTH INDIVIDUAL RETIREMENT ACCOUNT UNDER § 408A
22 OF THE INTERNAL REVENUE CODE;

23 (V) A SIMPLIFIED EMPLOYEE PENSION UNDER § 408(K) OF THE
24 INTERNAL REVENUE CODE; OR

25 (VI) AN INELIGIBLE DEFERRED COMPENSATION PLAN UNDER §
26 457(F) OF THE INTERNAL REVENUE CODE.

27 (3) (I) "UNEARNED INCOME SOURCE" MEANS INCOME FROM:

28 1. AN ANNUITY, A PENSION, OR AN ENDOWMENT; OR

1 **2. THE PAYMENT OF INTEREST, DIVIDENDS, OR ANY**
2 **OTHER DISTRIBUTION FROM AN INVESTMENT.**

3 **(II) “UNEARNED INCOME SOURCE” DOES NOT INCLUDE:**

4 **1. WAGES, SALARIES, TIPS, AND OTHER EMPLOYEE**
5 **COMPENSATION; OR**

6 **2. THE AMOUNT OF A RESIDENT’S NET EARNINGS FROM**
7 **SELF-EMPLOYMENT FOR THE TAXABLE YEAR.**

8 (b) Subject to subsection [(d)] (C) of this section, to determine Maryland adjusted
9 gross income, if, on the last day of the taxable year, a resident is at least 65 years old or is
10 totally disabled or the resident’s spouse is totally disabled, an amount is subtracted from
11 federal adjusted gross income equal to [the lesser of:

12 (1) the cumulative or total annuity, pension, or endowment income from an
13 employee] **THE TOTAL INCOME FROM A QUALIFIED retirement [system] PLAN OR AN**
14 **UNEARNED INCOME SOURCE** included in federal adjusted gross income[; or

15 (2) the maximum annual benefit under the Social Security Act computed
16 under subsection (c) of this section, less any payment received as old age, survivors, or
17 disability benefits under the Social Security Act, the Railroad Retirement Act, or both] **FOR**
18 **THE TAXABLE YEAR.**

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

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

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

23 (d) Military retirement income that is included in the subtraction under §
24 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
25 under this section.]

26 **(C) ANY INCOME THAT IS INCLUDED IN THE SUBTRACTIONS UNDER §**
27 **10–207 OR § 10–208 OF THIS SUBTITLE MAY NOT BE TAKEN INTO ACCOUNT FOR THE**
28 **PURPOSES OF THE SUBTRACTION UNDER THIS SECTION.**

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
30 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.