

SENATE BILL 5

Q3
SB 209/15 – B&T

(PRE-FILED)

6lr0395

By: **Senator Young**

Requested: July 7, 2015

Introduced and read first time: January 13, 2016

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of altering the maximum amount of a subtraction modification allowed
4 under the State income tax for certain retirement income of an individual of a certain
5 age or who is totally disabled or whose spouse is totally disabled; altering the
6 maximum amount of a certain subtraction modification allowed for certain taxable
7 years; and generally relating to an income tax subtraction modification for certain
8 retirement income.

9 BY repealing and reenacting, with amendments,
10 Article – Tax – General
11 Section 10–209
12 Annotated Code of Maryland
13 (2010 Replacement Volume and 2015 Supplement)

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

16 **Article – Tax – General**

17 10–209.

18 (a) In this section:

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

8 (iii) a rollover individual retirement account;

9 (iv) a simplified employee pension under Internal Revenue Code §
10 408(k); or

11 (v) an ineligible deferred compensation plan under § 457(f) of the
12 Internal Revenue Code.

13 (b) **(1)** Subject to **PARAGRAPH (2) OF THIS SUBSECTION AND** subsection (d)
14 of this section, to determine Maryland adjusted gross income, if, on the last day of the
15 taxable year, a resident is at least 65 years old [or is totally disabled or the resident’s spouse
16 is totally disabled] **BUT IS LESS THAN 70 YEARS OLD**, an amount is subtracted from
17 federal adjusted gross income equal to the lesser of:

18 **[(1)] (I)** the cumulative or total annuity, pension, or endowment income
19 from an employee retirement system included in federal adjusted gross income; or

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

24 **(2) (I) SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO**
25 **DETERMINE MARYLAND ADJUSTED GROSS INCOME, IF, ON THE LAST DAY OF THE**
26 **TAXABLE YEAR, A RESIDENT IS AT LEAST 70 YEARS OLD OR IS TOTALLY DISABLED**
27 **OR THE RESIDENT’S SPOUSE IS TOTALLY DISABLED, AN AMOUNT IS SUBTRACTED**
28 **FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER OF:**

29 **1. THE CUMULATIVE OR TOTAL ANNUITY, PENSION, OR**
30 **ENDOWMENT INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM INCLUDED IN**
31 **FEDERAL ADJUSTED GROSS INCOME; OR**

32 **2. THE MAXIMUM AMOUNT SPECIFIED UNDER**
33 **SUBPARAGRAPH (II) OF THIS PARAGRAPH, LESS ANY PAYMENT RECEIVED AS OLD**

1 AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE
2 RAILROAD RETIREMENT ACT, OR BOTH.

3 (II) SUBJECT TO THE REDUCTION PROVIDED UNDER
4 SUBPARAGRAPH (I)2 OF THIS PARAGRAPH, THE MAXIMUM AMOUNT FOR PURPOSES
5 OF THE SUBTRACTION ALLOWED UNDER THIS PARAGRAPH IS:

6 1. \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER
7 DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017;

8 2. \$40,000 FOR A TAXABLE YEAR BEGINNING AFTER
9 DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018;

10 3. \$47,000 FOR A TAXABLE YEAR BEGINNING AFTER
11 DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019;

12 4. \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER
13 DECEMBER 31, 2018, BUT BEFORE JANUARY 1, 2020;

14 5. \$61,000 FOR A TAXABLE YEAR BEGINNING AFTER
15 DECEMBER 31, 2019, BUT BEFORE JANUARY 1, 2021;

16 6. \$68,000 FOR A TAXABLE YEAR BEGINNING AFTER
17 DECEMBER 31, 2020, BUT BEFORE JANUARY 1, 2022; AND

18 7. \$75,000 FOR ANY TAXABLE YEAR BEGINNING AFTER
19 DECEMBER 31, 2021.

20 (c) For purposes of subsection [(b)(2)] (B)(1)(II) of this section, the Comptroller:

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

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

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

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
28 1, 2016.