

HOUSE BILL 149

Q3

9lr0151
CF SB 170

By: **The Speaker (By Request – Administration) and Delegates Krebs, Adams, Anderton, Arentz, Arikan, Buckel, Chisholm, Ciliberti, Clark, Corderman, Cox, M. Fisher, Hartman, Hornberger, Jacobs, Kipke, Kittleman, Malone, Mangione, Mautz, McComas, McKay, Metzgar, Morgan, Otto, Reilly, Rose, Saab, Shoemaker, and Szeliga**

Introduced and read first time: January 23, 2019

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement Tax Fairness Act of 2019**

3 FOR the purpose of including income from certain retirement plans within a certain
4 subtraction modification allowed under the Maryland income tax for certain
5 individuals who are at least certain ages, are disabled or whose spouse is disabled,
6 or are retired correctional officers, law enforcement officers, or fire, rescue, or
7 emergency services personnel; providing that the cumulative or total amount of
8 certain subtractions may not exceed a certain benefit; and generally relating to a
9 subtraction modification under the Maryland income tax for retirement income.

10 BY repealing and reenacting, with amendments,
11 Article – Tax – General
12 Section 10–209
13 Annotated Code of Maryland
14 (2016 Replacement Volume and 2018 Supplement)

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

17 **Article – Tax – General**

18 10–209.

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

20 (2) “Correctional officer” means an individual who:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) was employed in:

- 2 1. a State correctional facility, as defined in § 1–101 of the
3 Correctional Services Article;
- 4 2. a local correctional facility, as defined in § 1–101 of the
5 Correctional Services Article;
- 6 3. a juvenile facility included in § 9–226 of the Human
7 Services Article; or
- 8 4. a facility of the United States that is equivalent to a State
9 or local correctional facility or a juvenile facility included in § 9–226 of the Human Services
10 Article; and

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

13 (3) “Emergency services personnel” means emergency medical technicians
14 or paramedics.

15 (4) [(i)] “Employee retirement system” means a plan:

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

18 [2.] (II) qualified under § 401(a), § 403, or § 457(b) of the
19 Internal Revenue Code.

20 [(ii) “Employee retirement system” does not include:]

21 (5) “QUALIFIED RETIREMENT PLAN” MEANS:

22 [1.] (I) an individual retirement account or annuity under
23 § 408 of the Internal Revenue Code;

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

26 [3. a rollover individual retirement account;]

27 [4.] (III) a simplified employee pension under Internal
28 Revenue Code § 408(k); or

29 [5.] (IV) an ineligible deferred compensation plan under §
30 457(f) of the Internal Revenue Code.

1 (b) Subject to subsections [(d) and] (e) **THROUGH (G)** of this section, to determine
2 Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at least
3 65 years old or is totally disabled or the resident's spouse is totally disabled, or the resident
4 is at least 55 years old and is a retired correctional officer, law enforcement officer, or fire,
5 rescue, or emergency services personnel of the United States, the State, or a political
6 subdivision of the State, an amount is subtracted from federal adjusted gross income equal
7 to the lesser of:

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

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

13 **(C) SUBJECT TO SUBSECTIONS (E) THROUGH (G) OF THIS SECTION, TO**
14 **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**
16 **OR THE RESIDENT'S SPOUSE IS TOTALLY DISABLED, OR THE RESIDENT IS AT LEAST**
17 **55 YEARS OLD AND IS A RETIRED CORRECTIONAL OFFICER, LAW ENFORCEMENT**
18 **OFFICER, OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED**
19 **STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE, AN AMOUNT IS**
20 **SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER OF:**

21 **(1) THE CUMULATIVE OR TOTAL INCOME FROM ONE OR MORE**
22 **QUALIFIED RETIREMENT PLANS INCLUDED IN FEDERAL ADJUSTED GROSS INCOME;**
23 **OR**

24 **(2) (I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
25 **2018, BUT BEFORE JANUARY 1, 2020, 20% OF THE MAXIMUM ANNUAL BENEFIT**
26 **UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS**
27 **SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY**
28 **BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,**
29 **OR BOTH;**

30 **(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
31 **2019, BUT BEFORE JANUARY 1, 2021, 40% OF THE MAXIMUM ANNUAL BENEFIT**
32 **UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS**
33 **SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY**
34 **BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,**
35 **OR BOTH;**

36 **(III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**

1 **2020, BUT BEFORE JANUARY 1, 2022, 60% OF THE MAXIMUM ANNUAL BENEFIT**
2 **UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS**
3 **SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY**
4 **BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,**
5 **OR BOTH;**

6 (IV) **FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
7 **2021, BUT BEFORE JANUARY 1, 2023, 80% OF THE MAXIMUM ANNUAL BENEFIT**
8 **UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER SUBSECTION (D) OF THIS**
9 **SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY**
10 **BENEFITS UNDER THE SOCIAL SECURITY ACT, THE RAILROAD RETIREMENT ACT,**
11 **OR BOTH; AND**

12 (V) **FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**
13 **2022, 100% OF THE MAXIMUM ANNUAL BENEFIT UNDER THE SOCIAL SECURITY ACT**
14 **COMPUTED UNDER SUBSECTION (D) OF THIS SECTION, LESS ANY PAYMENT**
15 **RECEIVED AS OLD-AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL**
16 **SECURITY ACT, THE RAILROAD RETIREMENT ACT, OR BOTH.**

17 [(c)] (D) For purposes of [subsection] SUBSECTIONS (b)(2) AND (C)(2) of this
18 section, the Comptroller:

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

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

22 (E) **THE CUMULATIVE OR TOTAL AMOUNT OF THE SUBTRACTIONS UNDER**
23 **SUBSECTIONS (B) AND (C) OF THIS SECTION MAY NOT EXCEED THE MAXIMUM**
24 **ANNUAL BENEFIT UNDER THE SOCIAL SECURITY ACT COMPUTED UNDER**
25 **SUBSECTION (D) OF THIS SECTION, LESS ANY PAYMENT RECEIVED AS OLD-AGE,**
26 **SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE**
27 **RAILROAD RETIREMENT ACT, OR BOTH.**

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

31 [(e)] (G) In the case of a retired correctional officer, law enforcement officer, or
32 fire, rescue, or emergency services personnel of the United States, the State, or a political
33 subdivision of the State, the amount included under [subsection] SUBSECTIONS (b)(1) AND
34 (C)(1) of this section is limited to the first \$15,000 of retirement income that is attributable
35 to the resident's employment as a correctional officer, a law enforcement officer, or fire,
36 rescue, or emergency services personnel of the United States, the State, or a political

1 subdivision of the State unless:

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

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

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
5 1, 2019.