

HOUSE BILL 597

Q3

2lr1503

By: **Delegates Mangione, Adams, Anderton, Boteler, Buckel, Chisholm, M. Fisher, Griffith, Hartman, Hornberger, Howard, Kipke, Krebs, Mautz, McKay, Pippy, Reilly, Rose, Saab, Shoemaker, Thiam, and Wivell**

Introduced and read first time: January 31, 2022

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modifications for Military and Public Safety**
3 **Retirement Income**
4 **(Honoring Their Sacrifice Act of 2022)**

5 FOR the purpose of altering the age at which residents are eligible for subtraction
6 modifications under the Maryland income tax for certain military retirement income
7 and certain retirement income attributable to the resident’s employment as a
8 correctional officer, a law enforcement officer, or fire, rescue, or emergency services
9 personnel; increasing the amount of the subtraction modifications for certain
10 military and public safety retirement income; and generally relating to subtraction
11 modifications under the Maryland income tax for retirement income.

12 BY repealing and reenacting, without amendments,
13 Article – Tax – General
14 Section 10–207(a)
15 Annotated Code of Maryland
16 (2016 Replacement Volume and 2021 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article – Tax – General
19 Section 10–207(q) and 10–209
20 Annotated Code of Maryland
21 (2016 Replacement Volume and 2021 Supplement)

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

24 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 10-207.

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

5 (q) (1) (i) In this subsection the following words have the meanings
6 indicated.

7 (ii) "Military retirement income" means retirement income,
8 including death benefits, received as a result of military service.

9 (iii) "Military service" means:

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

13 2. membership in a reserve component of the armed forces of
14 the United States;

15 3. membership in an active component of the armed forces of
16 the United States;

17 4. membership in the Maryland National Guard; or

18 5. active duty with the commissioned corps of the Public
19 Health Service, the National Oceanic and Atmospheric Administration, or the Coast and
20 Geodetic Survey.

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

22 (i) if, on the last day of the taxable year, the individual is under the
23 age of **[55] 50** years, the first **[\$5,000] \$15,000** of military retirement income received by
24 an individual during the taxable year; and

25 (ii) if, on the last day of the taxable year, the individual is at least
26 **[55] 50** years old, the first **[\$15,000] \$30,000** of military retirement income received by an
27 individual during the taxable year.

28 10-209.

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

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

31 (i) was employed in:

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

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

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

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

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

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

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

15 1. established and maintained by an employer for the benefit
16 of its employees; and

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

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

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

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

24 3. a rollover individual retirement account;

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

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

29 (b) Subject to subsections (d) and (e) of this section, to determine Maryland
30 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years
31 old or is totally disabled or the resident’s spouse is totally disabled, or the resident is at

1 least **[55] 50** years old and is a retired correctional officer, law enforcement officer, or fire,
2 rescue, or emergency services personnel of the United States, the State, or a political
3 subdivision of the State, an amount is subtracted from federal adjusted gross income equal
4 to the lesser of:

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

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

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

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

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

14 (d) Military retirement income that is included in the subtraction under §
15 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
16 under this section.

17 (e) In the case of a retired correctional officer, law enforcement officer, or fire,
18 rescue, or emergency services personnel of the United States, the State, or a political
19 subdivision of the State, the amount included under subsection (b)(1) of this section is
20 limited to the first **[\$15,000] \$30,000** of retirement income that is attributable to the
21 resident's employment as a correctional officer, a law enforcement officer, or fire, rescue, or
22 emergency services personnel of the United States, the State, or a political subdivision of
23 the State unless:

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

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

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
27 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.