

# SENATE BILL 123

Q3

(PRE-FILED)

2lr0655  
CF HB 189

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By: **Senator Klausmeier**

Requested: October 6, 2021

Introduced and read first time: January 12, 2022

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of including income from an individual retirement account or a certain  
4 annuity within a certain subtraction modification for certain retirement income if  
5 contributions to the account or annuity consist entirely of certain distributions from  
6 an employee retirement system; and generally relating to a subtraction modification  
7 under the Maryland income tax for retirement income.

8 BY repealing and reenacting, with amendments,

9 Article – Tax – General

10 Section 10–209

11 Annotated Code of Maryland

12 (2016 Replacement Volume and 2021 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

14 That the Laws of Maryland read as follows:

15 **Article – Tax – General**

16 10–209.

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

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

19 (i) was employed in:

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.





1 to the lesser of:

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

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

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

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

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

11 (d) Military retirement income that is included in the subtraction under §  
12 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction  
13 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 \$15,000 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 **(F) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM AN**  
24 **INDIVIDUAL RETIREMENT ACCOUNT OR AN ANNUITY ESTABLISHED UNDER § 408 OF**  
25 **THE INTERNAL REVENUE CODE SHALL BE TREATED AS INCOME FROM AN**  
26 **EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE INDIVIDUAL**  
27 **RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY OF THE TAX-FREE**  
28 **ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE RETIREMENT SYSTEM.**

29 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
30 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.