

# SENATE BILL 130

Q3  
SB 370/21 – B&T

(PRE-FILED)

2lr0444

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By: **Senator Jackson**

Requested: September 8, 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 – Military and Public Safety Retirement**  
3 **Income**

4 FOR the purpose of altering the amount of certain subtraction modifications under the  
5 Maryland income tax for individuals who are at least a certain age for certain  
6 retirement income received as a result of the individual's military service or  
7 attributable to the individual's employment as a correctional officer, a law  
8 enforcement officer, or a fire, rescue, or emergency services personnel; and generally  
9 relating to subtraction modifications under the Maryland income tax for retirement  
10 income.

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

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

21 BY adding to  
22 Article – Tax – General  
23 Section 10–207(mm)  
24 Annotated Code of Maryland  
25 (2016 Replacement Volume and 2021 Supplement)

26 BY repealing and reenacting, with amendments,

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Article – Tax – General  
2 Section 10–207(mm) and 10–209  
3 Annotated Code of Maryland  
4 (2016 Replacement Volume and 2021 Supplement)  
5 (As enacted by Section 2 of this Act)

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

8 **Article – Tax – General**

9 10–207.

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

13 (q) (1) (i) In this subsection the following words have the meanings  
14 indicated.

15 (ii) “Military retirement income” means retirement income,  
16 including death benefits, received as a result of military service.

17 (iii) “Military service” means:

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

21 2. membership in a reserve component of the armed forces of  
22 the United States;

23 3. membership in an active component of the armed forces of  
24 the United States;

25 4. membership in the Maryland National Guard; or

26 5. active duty with the commissioned corps of the Public  
27 Health Service, the National Oceanic and Atmospheric Administration, or the Coast and  
28 Geodetic Survey.

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

30 (i) if, on the last day of the taxable year, the individual is under the  
31 age of 55 years, the first \$5,000 of military retirement income received by an individual  
32 during the taxable year; and

1 (ii) if, on the last day of the taxable year, the individual is at least 55  
2 years old, the first ~~[\$15,000]~~ **\$20,000** of military retirement income received by an  
3 individual during the taxable year.

4 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read  
5 as follows:

6 **Article – Tax – General**

7 10–207.

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

11 **(MM) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE**  
12 **MEANINGS INDICATED.**

13 **(II) “CORRECTIONAL OFFICER” MEANS AN INDIVIDUAL WHO:**

14 **1. WAS EMPLOYED IN:**

15 **A. A STATE CORRECTIONAL FACILITY, AS DEFINED IN §**  
16 **1–101 OF THE CORRECTIONAL SERVICES ARTICLE;**

17 **B. A LOCAL CORRECTIONAL FACILITY, AS DEFINED IN §**  
18 **1–101 OF THE CORRECTIONAL SERVICES ARTICLE;**

19 **C. A JUVENILE FACILITY INCLUDED IN § 9–226 OF THE**  
20 **HUMAN SERVICES ARTICLE; OR**

21 **D. A FACILITY OF THE UNITED STATES THAT IS**  
22 **EQUIVALENT TO A STATE OR LOCAL CORRECTIONAL FACILITY OR A JUVENILE**  
23 **FACILITY INCLUDED IN § 9–226 OF THE HUMAN SERVICES ARTICLE; AND**

24 **2. IS ELIGIBLE TO RECEIVE RETIREMENT INCOME**  
25 **ATTRIBUTABLE TO THE INDIVIDUAL’S EMPLOYMENT UNDER ITEM 1 OF THIS**  
26 **SUBPARAGRAPH.**

27 **(III) “EMERGENCY SERVICES PERSONNEL” MEANS EMERGENCY**  
28 **MEDICAL TECHNICIANS OR PARAMEDICS.**

29 **(IV) “EMPLOYEE RETIREMENT SYSTEM” HAS THE MEANING**  
30 **STATED UNDER § 10–209(A) OF THIS SUBTITLE.**

1                   **(V) “PUBLIC SAFETY EMPLOYEE” MEANS AN INDIVIDUAL WHO**  
2 **IS A RETIRED CORRECTIONAL OFFICER, LAW ENFORCEMENT OFFICER, OR FIRE,**  
3 **RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE**  
4 **STATE, OR A POLITICAL SUBDIVISION OF THE STATE.**

5                   **(2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**  
6 **INCLUDES THE FIRST \$10,000 OF INCOME FROM AN EMPLOYEE RETIREMENT**  
7 **SYSTEM THAT IS ATTRIBUTABLE TO SERVICE AS A PUBLIC SAFETY EMPLOYEE, IF THE**  
8 **INCOME IS RECEIVED BY AN INDIVIDUAL WHO IS AT LEAST 55 YEARS OLD ON THE**  
9 **LAST DAY OF THE TAXABLE YEAR.**

10 10–209.

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

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

13                           (i) was employed in:

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

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

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

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

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

25                   (3) “Emergency services personnel” means emergency medical technicians  
26 or paramedics.

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

28                                   1. established and maintained by an employer for the benefit  
29 of its employees; and

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

1 (ii) "Employee retirement system" does not include:

- 2 1. an individual retirement account or annuity under § 408  
3 of the Internal Revenue Code;
- 4 2. a Roth individual retirement account under § 408A of the  
5 Internal Revenue Code;
- 6 3. a rollover individual retirement account;
- 7 4. a simplified employee pension under Internal Revenue  
8 Code § 408(k); or
- 9 5. an ineligible deferred compensation plan under § 457(f) of  
10 the Internal Revenue Code.

11 (b) Subject to subsections (d) and (e) of this section, to determine Maryland  
12 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65 years  
13 old or is totally disabled or the resident's spouse is totally disabled, or the resident is at  
14 least 55 years old and is 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, an amount is subtracted from federal adjusted gross income equal  
17 to the lesser of:

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

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

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

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

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

27 (d) (1) Military retirement income that is included in the subtraction under §  
28 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction  
29 under this section.

30 (2) **PUBLIC SAFETY EMPLOYEE RETIREMENT INCOME THAT IS**  
31 **INCLUDED IN THE SUBTRACTION UNDER § 10-207(MM) OF THIS SUBTITLE MAY NOT**  
32 **BE TAKEN INTO ACCOUNT FOR PURPOSES OF THE SUBTRACTION UNDER THIS**  
33 **SECTION.**

(e) In the case of a retired correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State, the amount included under subsection (b)(1) of this section is limited to the first ~~[\$15,000]~~ **\$7,500** of retirement income that is attributable to the resident's employment as a correctional officer, a law enforcement officer, or fire, rescue, or emergency services personnel of the United States, the State, or a political subdivision of the State unless:

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

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

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

### Article – Tax – General

10–207.

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

(mm) (1) (i) In this subsection the following words have the meanings indicated.

(ii) “Correctional officer” means an individual who:

1. was employed in:

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

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

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

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

2. is eligible to receive retirement income attributable to the individual's employment under item 1 of this subparagraph.

(iii) “Emergency services personnel” means emergency medical

1 technicians or paramedics.

2 (iv) “Employee retirement system” has the meaning stated under §  
3 10–209(a) of this subtitle.

4 (v) “Public safety employee” means an individual who is a retired  
5 correctional officer, law enforcement officer, or fire, rescue, or emergency services personnel  
6 of the United States, the State, or a political subdivision of the State.

7 (2) The subtraction under subsection (a) of this section includes the first  
8 ~~[\$10,000]~~ **\$20,000** of income from an employee retirement system that is attributable to  
9 service as a public safety employee, if the income is received by an individual who is at least  
10 55 years old on the last day of the taxable year.

11 10–209.

12 (a) **[(1)]** In this section **[the following words have the meanings indicated.**

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

14 (i) was employed in:

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

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

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

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

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

26 (3) “Emergency services personnel” means emergency medical technicians  
27 or paramedics.

28 (4) (i) “Employee”:

29 **(1)** “**EMPLOYEE** retirement system” means a plan:

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

1                                   **[2.] (II)**       qualified under § 401(a), § 403, or § 457(b) of the  
2 Internal Revenue Code**]; AND**

3                                   **[(ii) (2)**       **["Employee] "EMPLOYEE retirement system" does not**  
4 include:

5                                   **[1.] (I)**       an individual retirement account or annuity under  
6 § 408 of the Internal Revenue Code;

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

9                                   **[3.] (III)**       a rollover individual retirement account;

10                                  **[4.] (IV)**       a simplified employee pension under Internal  
11 Revenue Code § 408(k); or

12                                  **[5.] (V)**       an ineligible deferred compensation plan under §  
13 457(f) of the Internal Revenue Code.

14       (b) Subject to **[subsections] SUBSECTION (d) [and (e)]** of this section, to  
15 determine Maryland adjusted gross income, if, on the last day of the taxable year, a resident  
16 is at least 65 years old or is totally disabled or the resident's spouse is totally disabled, **[or**  
17 **the resident is at least 55 years old and is a retired correctional officer, law enforcement**  
18 **officer, or fire, rescue, or emergency services personnel of the United States, the State, or a**  
19 **political subdivision of the State,]** an amount is subtracted from federal adjusted gross  
20 income equal to the lesser of:

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

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

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

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

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

30       (d) (1) Military retirement income that is included in the subtraction under §  
31 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction  
32 under this section.



1           (2) Public safety employee retirement income that is included in the  
2 subtraction under § 10–207(mm) of this subtitle may not be taken into account for purposes  
3 of the subtraction under this section.

4           [(e) In the case of 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, the amount included under subsection (b)(1) of this section is  
7 limited to the first \$7,500 of retirement income that is attributable to the resident’s  
8 employment as a correctional officer, a law enforcement officer, or fire, rescue, or emergency  
9 services personnel of the United States, the State, or a political subdivision of the State  
10 unless:

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

12           (2) the resident’s spouse is totally disabled.]

13           SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall take  
14 effect July 1, 2023, and shall be applicable to all taxable years beginning after December  
15 31, 2022, but before January 1, 2024.

16           SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take  
17 effect July 1, 2024, and shall be applicable to all taxable years beginning after December  
18 31, 2023.

19           SECTION 6. AND BE IT FURTHER ENACTED, That, except as provided in  
20 Sections 4 and 5 of this Act, this Act shall take effect July 1, 2022, and shall be applicable  
21 to all taxable years beginning after December 31, 2021.