

# SENATE BILL 405

Q3

(2lr0150)

## ENROLLED BILL

— Budget and Taxation / Ways and Means —

Introduced by **The President (By Request – Administration) and Senators Bailey, Carozza, Cassilly, Corderman, Eckardt, Edwards, Elfreth, Hershey, Hester, Jennings, Ready, Salling, Simonaire, ~~and West~~ West, Griffith, Guzzone, Jackson, King, McCray, Rosapepe, Young, and Zucker**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
President.

### CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 ~~Retirement~~ **Income Tax – Retirement Income Subtraction Modifications and**  
3 **Senior Credit**  
4 **(Retirement Tax Elimination Act of ~~2022~~ 2022)**

5 FOR the purpose of allowing a subtraction modification under the Maryland income tax for  
6 individuals who are at least a certain age for certain retirement income attributable  
7 to the individual’s employment as a public safety employee; providing that retirement  
8 income of public safety employees that is included in the subtraction allowed under  
9 this Act may not be taken into account for purposes of a certain subtraction  
10 modification under the Maryland income tax for certain retirement income; ~~allowing~~  
11 subject to certain limitations, certain individuals a subtraction modification under  
12 the Maryland income tax for a certain amount of income; prohibiting an individual

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#### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics indicate opposite chamber / conference committee amendments.*



~~who includes income under the subtraction modification from including income under a certain subtraction modification for certain retirement income; and generally relating to a subtraction modification under the Maryland income tax providing a tax credit against the Maryland income tax for certain residents who are at least a certain age; and generally relating to *subtraction modifications under the Maryland income tax for retirement income and an income tax credit for seniors.*~~

BY repealing and reenacting, without amendments,

Article – Tax – General

Section 10–207(a)

Annotated Code of Maryland

(2016 Replacement Volume and 2021 Supplement)

~~BY repealing and reenacting, without amendments,~~

~~Article – Tax – General~~

~~Section 10–207(a)~~

~~Annotated Code of Maryland~~

~~(2016 Replacement Volume and 2021 Supplement)~~

~~BY adding to~~

~~Article – Tax – General~~

~~Section 10–207(mm)~~

~~Annotated Code of Maryland~~

~~(2016 Replacement Volume and 2021 Supplement)~~

~~BY repealing and reenacting, with amendments,~~

~~Article – Tax – General~~

~~Section 10–209(d)~~

~~Annotated Code of Maryland~~

~~(2016 Replacement Volume and 2021 Supplement)~~

BY adding to

Article – Tax – General

Section 10–207(mm) and 10–754

Annotated Code of Maryland

(2016 Replacement Volume and 2021 Supplement)

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–209

Annotated Code of Maryland

(2016 Replacement Volume and 2021 Supplement)

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

**Article – Tax – General**

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 (MM) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE  
6 MEANINGS INDICATED.

7 (II) "CORRECTIONAL OFFICER" MEANS AN INDIVIDUAL WHO:

8 1. WAS EMPLOYED IN:

9 A. A STATE CORRECTIONAL FACILITY, AS DEFINED IN §  
10 1-101 OF THE CORRECTIONAL SERVICES ARTICLE;

11 B. A LOCAL CORRECTIONAL FACILITY, AS DEFINED IN §  
12 1-101 OF THE CORRECTIONAL SERVICES ARTICLE;

13 C. A JUVENILE FACILITY INCLUDED IN § 9-226 OF THE  
14 HUMAN SERVICES ARTICLE; OR

15 D. A FACILITY OF THE UNITED STATES THAT IS  
16 EQUIVALENT TO A STATE OR LOCAL CORRECTIONAL FACILITY OR A JUVENILE  
17 FACILITY INCLUDED IN § 9-226 OF THE HUMAN SERVICES ARTICLE; AND

18 2. IS ELIGIBLE TO RECEIVE RETIREMENT INCOME  
19 ATTRIBUTABLE TO THE INDIVIDUAL'S EMPLOYMENT UNDER ITEM 1 OF THIS  
20 SUBPARAGRAPH.

21 (III) "EMERGENCY SERVICES PERSONNEL" MEANS EMERGENCY  
22 MEDICAL TECHNICIANS OR PARAMEDICS.

23 (IV) "EMPLOYEE RETIREMENT SYSTEM" HAS THE MEANING  
24 STATED UNDER § 10-209(A) OF THIS SUBTITLE.

25 (V) "PUBLIC SAFETY EMPLOYEE" MEANS AN INDIVIDUAL WHO IS  
26 A RETIRED CORRECTIONAL OFFICER, LAW ENFORCEMENT OFFICER, OR FIRE,  
27 RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE  
28 STATE, OR A POLITICAL SUBDIVISION OF THE STATE.

29 (2) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION  
30 INCLUDES THE FIRST \$15,000 OF INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM

1 THAT IS ATTRIBUTABLE TO SERVICE AS A PUBLIC SAFETY EMPLOYEE, IF THE INCOME  
 2 IS RECEIVED BY AN INDIVIDUAL WHO IS AT LEAST 55 YEARS OLD ON THE LAST DAY  
 3 OF THE TAXABLE YEAR.

4 10-209.

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

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

7 (i) was employed in:

8 1. a State correctional facility, as defined in § 1-101 of the  
 9 Correctional Services Article;

10 2. a local correctional facility, as defined in § 1-101 of the  
 11 Correctional Services Article;

12 3. a juvenile facility included in § 9-226 of the Human  
 13 Services Article; or

14 4. a facility of the United States that is equivalent to a State  
 15 or local correctional facility or a juvenile facility included in § 9-226 of the Human Services  
 16 Article; and

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

19 (3) “Emergency services personnel” means emergency medical technicians  
 20 or paramedics.

21 (4) (i) “Employee”:

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

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

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

27 [(ii)] (2) [“Employee] “EMPLOYEE retirement system” does not  
 28 include:

29 [1.] (I) an individual retirement account or annuity under  
 30 § 408 of the Internal Revenue Code;

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

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

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

6                    [5.] (V)        an ineligible deferred compensation plan under §  
7 457(f) of the Internal Revenue Code.

8            (b)    Subject to [subsections] SUBSECTION (d) [and (e)] of this section, to determine  
9 Maryland adjusted gross income, if, on the last day of the taxable year, a resident is at least  
10 65 years old or is totally disabled or the resident's spouse is totally disabled, [or the resident  
11 is at least 55 years old and is a retired correctional officer, law enforcement officer, or fire,  
12 rescue, or emergency services personnel of the United States, the State, or a political  
13 subdivision of the State,] an amount is subtracted from federal adjusted gross income equal  
14 to the lesser of:

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

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

20            (c)    For purposes of subsection (b)(2) 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)    (1)    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 under  
26 this section.

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

31            [(e)    In the case of a retired correctional officer, law enforcement officer, or fire,  
32 rescue, or emergency services personnel of the United States, the State, or a political  
33 subdivision of the State, the amount included under subsection (b)(1) of this section is

1 limited to the first \$15,000 of retirement income that is attributable to the resident's  
 2 employment as a correctional officer, a law enforcement officer, or fire, rescue, or emergency  
 3 services personnel of the United States, the State, or a political subdivision of the State  
 4 unless:

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

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

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) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, THE~~  
 12 ~~SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY INCOME OF~~  
 13 ~~AN INDIVIDUAL IF, ON THE LAST DAY OF THE TAXABLE YEAR, THE INDIVIDUAL:~~

14 ~~(I) IS RECEIVING OLD AGE OR SURVIVOR BENEFITS UNDER THE~~  
 15 ~~SOCIAL SECURITY ACT; OR~~

16 ~~(II) 1. IS AT LEAST 65 YEARS OLD; AND~~

17 ~~2. IS NOT EMPLOYED FULL TIME.~~

18 ~~(2) INCOME THAT IS OTHERWISE INCLUDED IN A SUBTRACTION~~  
 19 ~~AUTHORIZED UNDER THIS SUBTITLE MAY NOT BE INCLUDED IN THE SUBTRACTION~~  
 20 ~~AUTHORIZED UNDER THIS SUBSECTION.~~

21 ~~(3) (I) THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS~~  
 22 ~~SUBSECTION MAY NOT EXCEED:~~

23 ~~1. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~  
 24 ~~31, 2021, BUT BEFORE JANUARY 1, 2023, \$10,000;~~

25 ~~2. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~  
 26 ~~31, 2022, BUT BEFORE JANUARY 1, 2024, \$20,000;~~

27 ~~3. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~  
 28 ~~31, 2023, BUT BEFORE JANUARY 1, 2025, \$30,000;~~

29 ~~4. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~  
 30 ~~31, 2024, BUT BEFORE JANUARY 1, 2026, \$40,000; AND~~

1 ~~5. FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER~~  
2 ~~31, 2025, BUT BEFORE JANUARY 1, 2027, \$50,000.~~

3 ~~(H) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,~~  
4 ~~2026, THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS SUBSECTION INCLUDES~~  
5 ~~ALL INCOME OF THE INDIVIDUAL.~~

6 ~~(4) THE COMPTROLLER SHALL ADOPT REGULATIONS TO IMPLEMENT~~  
7 ~~THE PROVISIONS OF THIS SUBSECTION.~~

8 ~~10-200.~~

9 ~~(d) (1) Military retirement income that is included in the subtraction under §~~  
10 ~~10-207(g) of this subtitle may not be taken into account for purposes of the subtraction~~  
11 ~~under this section.~~

12 ~~(2) INCOME THAT IS INCLUDED IN THE SUBTRACTION UNDER §~~  
13 ~~10-207(MM) OF THIS SUBTITLE MAY NOT BE TAKEN INTO ACCOUNT FOR PURPOSES~~  
14 ~~OF THE SUBTRACTION UNDER THIS SECTION.~~

15 ~~10-754.~~

16 (A) IN THIS SECTION, "ELIGIBLE TAXPAYER" MEANS A RESIDENT WHO, ON  
17 THE LAST DAY OF THE TAXABLE YEAR, IS AT LEAST 65 YEARS OLD.

18 (B) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION AND  
19 SUBJECT TO SUBSECTION (D) OF THIS SECTION, AN ELIGIBLE TAXPAYER MAY CLAIM  
20 A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO:

21 (1) \$1,000 FOR AN ELIGIBLE TAXPAYER, OTHER THAN AN INDIVIDUAL  
22 DESCRIBED UNDER ITEM (2) OF THIS SUBSECTION, WHOSE FEDERAL ADJUSTED  
23 GROSS INCOME DOES NOT EXCEED \$100,000; OR

24 (2) FOR SPOUSES FILING A JOINT RETURN OR FOR A SURVIVING  
25 SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE  
26 CODE WHOSE FEDERAL ADJUSTED GROSS INCOME DOES NOT EXCEED \$150,000:

27 (I) EXCEPT AS PROVIDED IN ITEM (II) OF THIS ITEM, \$1,750; OR

28 (II) IF ONLY ONE OF THE INDIVIDUALS FILING THE JOINT  
29 RETURN IS AN ELIGIBLE TAXPAYER, \$1,000.

30 (C) FOR A TAXABLE YEAR IN WHICH THE SEPTEMBER GENERAL FUND  
31 ESTIMATE FOR THE CURRENT FISCAL YEAR IN THE SEPTEMBER BOARD OF

1 REVENUE ESTIMATES REPORT ISSUED DURING THE TAXABLE YEAR IS MORE THAN  
 2 7.5% BELOW THE MARCH GENERAL FUND ESTIMATE FOR THE CURRENT FISCAL  
 3 YEAR IN THE MARCH BOARD OF REVENUE ESTIMATES REPORT ISSUED IN THE  
 4 TAXABLE YEAR, THE AMOUNT OF THE CREDIT ALLOWED UNDER SUBSECTION (B) OF  
 5 THIS SECTION IS LIMITED TO:

6 (1) \$500 FOR AN ELIGIBLE TAXPAYER, OTHER THAN AN INDIVIDUAL  
 7 DESCRIBED UNDER ITEM (2) OF THIS SUBSECTION, WHOSE FEDERAL ADJUSTED  
 8 GROSS INCOME IS AT LEAST \$50,000 BUT DOES NOT EXCEED \$100,000; OR

9 (2) FOR SPOUSES FILING A JOINT RETURN OR FOR A SURVIVING  
 10 SPOUSE OR HEAD OF HOUSEHOLD AS DEFINED IN § 2 OF THE INTERNAL REVENUE  
 11 CODE WHOSE FEDERAL ADJUSTED GROSS INCOME IS AT LEAST \$100,000 BUT DOES  
 12 NOT EXCEED \$150,000:

13 (I) EXCEPT AS PROVIDED IN ITEM (II) OF THIS ITEM, \$875; OR

14 (II) IF ONLY ONE OF THE INDIVIDUALS FILING THE JOINT  
 15 RETURN IS AN ELIGIBLE TAXPAYER, \$500.

16 (D) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE YEAR  
 17 EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, THE UNUSED AMOUNT  
 18 OF THE CREDIT MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
 20 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.