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## The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

### House Ways and Means Committee

## HB 1358 Income Tax – Subtraction Modification – Retirement Income

March 6, 2020

### WHAT DOES THE BILL DO?

Maryland law currently provides a pension exclusion (in the form of a subtraction modification). Under this subtraction modification, up to a specified maximum amount of taxable pension income (\$31,100 for 2019) may be exempt from tax. The current pension exclusion is limited to income received from an “employee retirement systems”, for example a 401(k). Traditional, Rollover & Roth IRA’s, however, are ineligible as well and Keogh Plans. Under this bill, ALL retirement income reported under IRS Form 1099-R will be eligible to be included within the subtraction modification. HB1358 will **equalize** the tax treatment for all retirees who must self-fund their own retirement, compared to employees for large companies who are able to participate in their company’s plans.

### WHY DO WE NEED THIS BILL?

Maryland is one of the highest-taxed states and people who have been lifelong Marylanders are fleeing the state because of the excessive taxes on their retirement income. Maryland is consistently ranked as one of the worst state to retire in. Ralph Ebling, a resident of long-term resident of Maryland, recently told me, *“After living in Maryland for the past 54 years, we finally moved to Shippensburg, Pennsylvania last August because we could not use the pension exclusion for our pension income. Now all our retirement income is tax free!”*

**Small businesses are important** because they provide opportunities for hard-working Marylanders – plumbers, electricians, nail salon operators, hairdressers, Realtors, day care providers, farmers, - and are important to local economies. The tax revenues raised are at the expense of these self-employed and small business owners who provide jobs in our communities.

Many Marylanders do not even realize that their retirement income will not be eligible. It is time to equalize the tax treatment for ALL Marylanders, and I urge this committee’s favorable report of HB 1358.