

SENATE BILL 523

Q3

8lr1638

By: **Senator Lee**

Introduced and read first time: January 29, 2018

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Subtraction Modification – Foreign Government**
3 **Employer–Sponsored Retirement Plans**

4 FOR the purpose of including certain income from certain retirement plans qualified under
5 certain laws of a foreign government within a certain subtraction modification
6 allowed under the Maryland income tax for certain individuals who are at least a
7 certain age or who are disabled or whose spouse is disabled; altering a certain
8 definition; providing for the application of this Act; and generally relating to a
9 subtraction modification under the Maryland income tax for retirement income.

10 BY repealing and reenacting, with amendments,
11 Article – Tax – General
12 Section 10–209
13 Annotated Code of Maryland
14 (2016 Replacement Volume and 2017 Supplement)

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

17 **Article – Tax – General**

18 10–209.

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

20 (2) “Emergency services personnel” means emergency medical technicians
21 or paramedics.

22 (3) (i) “Employee retirement system” means a plan:

23 1. established and maintained by an employer for the benefit

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 of its employees; and

2 2. **A.** qualified under § 401(a), § 403, or § 457(b) of the
3 Internal Revenue Code; **OR**

4 **B. QUALIFIED, AS DETERMINED BY THE COMPTROLLER,**
5 **UNDER A SUBSTANTIALLY SIMILAR PROVISION OF LAW UNDER THE LAWS OF A**
6 **FOREIGN GOVERNMENT.**

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

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

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

12 3. a rollover individual retirement account;

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

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

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

23 (1) **EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION,** the
24 cumulative or total annuity, pension, or endowment income from an employee retirement
25 system included in federal adjusted gross income; or

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

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

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

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

1 (d) Military retirement income that is included in the subtraction under §
2 10-207(q) of this subtitle may not be taken into account for purposes of the subtraction
3 under this section.

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

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

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

12 **(F) INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM THAT IS QUALIFIED**
13 **UNDER THE LAWS OF A FOREIGN GOVERNMENT MAY BE SUBTRACTED UNDER**
14 **SUBSECTION (B) OF THIS SECTION ONLY IF IT IS ATTRIBUTABLE TO WORK**
15 **PERFORMED WITHIN THE UNITED STATES IN COLLABORATION WITH THE UNITED**
16 **STATES GOVERNMENT.**

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
18 1, 2018, and shall be applicable to all taxable years beginning after December 31, 2017.