

SENATE BILL 752

Q3

2lr1022

By: **Senators Young, King, Kittleman, Klausmeier, Simonaire, and Stone**
Introduced and read first time: February 3, 2012
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of altering a subtraction modification under the State income tax for
4 certain retirement income of an individual of a certain age or who is totally
5 disabled or whose spouse is totally disabled for certain taxable years; reducing
6 the amount allowed as a subtraction modification by a certain amount;
7 providing that the amount of the subtraction modification may not exceed
8 certain amounts during certain taxable years; providing for the application of
9 this Act; and generally relating to an income tax subtraction modification for
10 certain retirement income.

11 BY repealing and reenacting, with amendments,
12 Article – Tax – General
13 Section 10–209
14 Annotated Code of Maryland
15 (2010 Replacement Volume and 2011 Supplement)

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

18 **Article – Tax – General**

19 10–209.

20 (a) In this section:

21 (1) “employee retirement system” means a plan:

22 (i) established and maintained by an employer for the benefit of
23 its employees; and

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (ii) qualified under § 401(a), § 403, or § 457(b) of the Internal
2 Revenue Code; and

3 (2) “employee retirement system” does not include:

4 (i) an individual retirement account or annuity under § 408 of
5 the Internal Revenue Code;

6 (ii) a Roth individual retirement account under § 408A of the
7 Internal Revenue Code;

8 (iii) a rollover individual retirement account;

9 (iv) a simplified employee pension under Internal Revenue Code
10 § 408(k); or

11 (v) an ineligible deferred compensation plan under § 457(f) of
12 the Internal Revenue Code.

13 (b) **(1)** Subject to subsection (d) of this section **AND EXCEPT AS**
14 **PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION**, to determine Maryland
15 adjusted gross income, if, on the last day of the taxable year, a resident is at least 65
16 years old [or is totally disabled or the resident’s spouse is totally disabled] **BUT IS**
17 **LESS THAN 70 YEARS OLD**, an amount is subtracted from federal adjusted gross
18 income equal to the lesser of:

19 [(1)] **(I)** the cumulative or total annuity, pension, or endowment
20 income from an employee retirement system included in federal adjusted gross income;
21 or

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

26 **(2) SUBJECT TO SUBSECTION (D) OF THIS SECTION, TO**
27 **DETERMINE MARYLAND ADJUSTED GROSS INCOME, IF, ON THE LAST DAY OF**
28 **THE TAXABLE YEAR, A RESIDENT IS AT LEAST 70 YEARS OLD OR IS TOTALLY**
29 **DISABLED OR THE RESIDENT’S SPOUSE IS TOTALLY DISABLED, AN AMOUNT IS**
30 **SUBTRACTED FROM FEDERAL ADJUSTED GROSS INCOME EQUAL TO THE LESSER**
31 **OF:**

32 **(I) THE CUMULATIVE OR TOTAL ANNUITY, PENSION, OR**
33 **ENDOWMENT INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM INCLUDED IN**
34 **FEDERAL ADJUSTED GROSS INCOME REDUCED BY ANY BENEFIT RECEIVED**
35 **UNDER THE SOCIAL SECURITY ACT, LESS ANY PAYMENT RECEIVED AS OLD AGE,**

1 SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL SECURITY ACT, THE
2 RAILROAD RETIREMENT ACT, OR BOTH; OR

3 (II) 1. \$33,000 FOR A TAXABLE YEAR BEGINNING AFTER
4 DECEMBER 31, 2011, BUT BEFORE JANUARY 1, 2013;

5 2. \$40,000 FOR A TAXABLE YEAR BEGINNING AFTER
6 DECEMBER 31, 2012, BUT BEFORE JANUARY 1, 2014;

7 3. \$47,000 FOR A TAXABLE YEAR BEGINNING AFTER
8 DECEMBER 31, 2013, BUT BEFORE JANUARY 1, 2015;

9 4. \$54,000 FOR A TAXABLE YEAR BEGINNING AFTER
10 DECEMBER 31, 2014, BUT BEFORE JANUARY 1, 2016;

11 5. \$61,000 FOR A TAXABLE YEAR BEGINNING AFTER
12 DECEMBER 31, 2015, BUT BEFORE JANUARY 1, 2017;

13 6. \$68,000 FOR A TAXABLE YEAR BEGINNING AFTER
14 DECEMBER 31, 2016, BUT BEFORE JANUARY 1, 2018; AND

15 7. \$75,000 FOR ANY TAXABLE YEAR BEGINNING
16 AFTER DECEMBER 31, 2017.

17 (c) For purposes of subsection [(b)(2)] (B)(1)(II) of this section, the
18 Comptroller:

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

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

23 (d) Military retirement income that is included in the subtraction under §
24 10–207(q) of this subtitle may not be taken into account for purposes of the subtraction
25 under this section.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 July 1, 2012, and shall be applicable to all taxable years beginning after December 31,
28 2011.