

# SENATE BILL 847

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2lr2601  
CF 2lr2289

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By: **Senator King**

Introduced and read first time: February 3, 2012

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of altering the calculation of the maximum subtraction modification  
4 allowed under the Maryland income tax for certain retirement income for  
5 certain taxable years; including income from certain retirement plans within a  
6 certain subtraction modification for certain retirement income under certain  
7 circumstances; providing for the application of this Act; and generally relating  
8 to an income tax subtraction modification for certain retirement income.

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

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

16 **Article – Tax – General**

17 10–209.

18 (a) In this section:

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

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

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

2 (i) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS**  
3 **SECTION**, an individual retirement account or annuity under § 408 of the Internal  
4 Revenue Code;

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

7 (iii) [a rollover individual retirement account;

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

10 [(v)] **(IV)** an ineligible deferred compensation plan under §  
11 457(f) of the Internal Revenue Code.

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

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

18 (2) **(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31,**  
19 **2011, BUT BEFORE JANUARY 1, 2014, \$26,300, LESS ANY PAYMENT RECEIVED**  
20 **AS OLD AGE, SURVIVORS, OR DISABILITY BENEFITS UNDER THE SOCIAL**  
21 **SECURITY ACT, THE RAILROAD RETIREMENT ACT, OR BOTH; AND**

22 **(II) FOR A TAXABLE YEAR BEGINNING ON OR AFTER**  
23 **JANUARY 1, 2014, THE AMOUNT UNDER ITEM (I) OF THIS ITEM INCREASED BY**  
24 **THE PERCENTAGE OF THE INCREASE IN** the maximum annual benefit under the  
25 Social Security Act computed under subsection (c) of this section, less any payment  
26 received as old age, survivors, or disability benefits under the Social Security Act, the  
27 Railroad Retirement Act, or both.

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

29 (1) shall determine the maximum annual benefit under the Social  
30 Security Act allowed for an individual who retired at age 65 for the prior calendar  
31 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) FOR PURPOSES OF THIS SECTION, A DISTRIBUTION FROM A**  
5 **ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY ESTABLISHED**  
6 **UNDER § 408 OF THE INTERNAL REVENUE CODE SHALL BE TREATED AS**  
7 **INCOME FROM AN EMPLOYEE RETIREMENT SYSTEM IF CONTRIBUTIONS TO THE**  
8 **ROLLOVER INDIVIDUAL RETIREMENT ACCOUNT OR ANNUITY CONSIST ENTIRELY**  
9 **OF THE TAX-FREE ROLLOVER OF DISTRIBUTIONS FROM AN EMPLOYEE**  
10 **RETIREMENT SYSTEM.**

11           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 July 1, 2012, and shall be applicable to all taxable years beginning after December 31,  
13 2011.