

# HOUSE BILL 342

Q3

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CF SB 278

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By: **The Speaker (By Request – Administration) and Delegates Adams, Anderton, Arentz, Arikan, Beitzel, Buckel, Chisholm, Ciliberti, Clark, Corderman, Cox, M. Fisher, Ghrist, Grammer, Griffith, Hartman, Howard, Jacobs, Kipke, Kittleman, Krebs, Long, Malone, Mangione, Mautz, McComas, McKay, Metzgar, Morgan, Otto, Parrott, Pippy, Reilly, Rose, Saab, Shoemaker, Szeliga, and Wivell**

Introduced and read first time: January 20, 2020

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Retirement Tax Reduction Act of 2020**

3 FOR the purpose of allowing certain individuals a subtraction modification under the  
4 Maryland income tax for a certain amount of income; limiting the amount of the  
5 subtraction modification for certain taxable years; providing that the subtraction  
6 modification may not include income that is included under a certain other  
7 subtraction modification; prohibiting an individual that includes income under the  
8 subtraction modification from including income under a certain subtraction  
9 modification for certain retirement income; requiring the Comptroller to adopt  
10 certain regulations; and generally relating to a subtraction modification under the  
11 Maryland income tax.

12 BY repealing and reenacting, without amendments,  
13 Article – Tax – General  
14 Section 10–207(a)  
15 Annotated Code of Maryland  
16 (2016 Replacement Volume and 2019 Supplement)

17 BY adding to  
18 Article – Tax – General  
19 Section 10–207(hh)  
20 Annotated Code of Maryland  
21 (2016 Replacement Volume and 2019 Supplement)

22 BY repealing and reenacting, with amendments,  
23 Article – Tax – General

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Section 10–209  
Annotated Code of Maryland  
(2016 Replacement Volume and 2019 Supplement)

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

**Article – Tax – General**

10–207.

(a) To the extent included in federal adjusted gross income, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

**(HH) (1) SUBJECT TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION INCLUDES ANY INCOME OF AN INDIVIDUAL IF, ON THE LAST DAY OF THE TAXABLE YEAR, THE INDIVIDUAL:**

**(I) HAS A FEDERAL ADJUSTED GROSS INCOME OF \$100,000 OR LESS; AND**

**(II) 1. IS RECEIVING OLD AGE OR SURVIVOR BENEFITS UNDER THE SOCIAL SECURITY ACT; OR**

**2. A. IS AT LEAST 65 YEARS OLD; AND**

**B. IS NOT EMPLOYED FULL TIME.**

**(2) INCOME THAT IS INCLUDED IN A SUBTRACTION AUTHORIZED UNDER THIS SUBTITLE MAY NOT BE INCLUDED IN THE SUBTRACTION AUTHORIZED UNDER THIS SUBSECTION.**

**(3) THE SUBTRACTION UNDER PARAGRAPH (1) OF THIS SUBSECTION MAY NOT EXCEED:**

**(I) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2021, BUT BEFORE JANUARY 1, 2023, \$10,000;**

**(II) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2022, BUT BEFORE JANUARY 1, 2024, \$20,000;**

**(III) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2023, BUT BEFORE JANUARY 1, 2025, \$30,000;**

(IV) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2024, BUT BEFORE JANUARY 1, 2026, \$40,000; AND

(V) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2025, \$50,000.

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

10–209.

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

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

(i) was employed in:

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

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

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

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

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

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

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

1. established and maintained by an employer for the benefit of its employees; and

2. qualified under § 401(a), § 403, or § 457(b) of the Internal Revenue Code.

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

1. an individual retirement account or annuity under § 408 of the Internal Revenue Code;
2. a Roth individual retirement account under § 408A of the Internal Revenue Code;
3. a rollover individual retirement account;
4. a simplified employee pension under Internal Revenue Code § 408(k); or
5. an ineligible deferred compensation plan under § 457(f) of the Internal Revenue Code.

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

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

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

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

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

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

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

**(2) AN INDIVIDUAL WITH INCOME THAT IS INCLUDED IN THE SUBTRACTION UNDER § 10–207(HH) OF THIS SUBTITLE MAY NOT INCLUDE INCOME IN THE SUBTRACTION UNDER THIS SECTION.**

(e) In the case of a retired correctional officer, law enforcement officer, or fire,

1 rescue, or emergency services personnel of the United States, the State, or a political  
2 subdivision of the State, the amount included under subsection (b)(1) of this section is  
3 limited to the first \$15,000 of retirement income that is attributable to the resident's  
4 employment as a correctional officer, a 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 unless:

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

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

9           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
10 1, 2020.