SENATE BILL 322

Q3 7lr0139
CF 7lr0168

By: **The President (By Request – Administration) and Senators Bates, Cassilly, Eckardt, Edwards, Hershey, Hough, Jennings, Mathias, Norman, Ready, Salling, Serafini, Simonaire, and Waugh**

Introduced and read first time: January 20, 2017
Assigned to: Budget and Taxation

A BILL ENTITLED

AN ACT concerning

Income Tax Subtraction Modification – Law Enforcement, Fire, Rescue, and Emergency Services Personnel
(Hometown Heroes Act)

FOR the purpose of altering the amount of a subtraction modification under the Maryland income tax for certain qualifying volunteer fire, rescue, and emergency medical services members; providing a subtraction modification under the Maryland income tax under certain circumstances for a certain amount of retirement income attributable to a resident's employment as a law enforcement officer or the individual's service as fire, rescue, or emergency services personnel; and generally relating to subtraction modifications under the Maryland income tax for certain law enforcement officers and fire, rescue, and emergency services personnel.

BY repealing and reenacting, without amendments,
Article – Tax – General
Section 10–208(a)
Annotated Code of Maryland
(2016 Replacement Volume)

BY repealing and reenacting, with amendments,
Article – Tax – General
Section 10–208(i–1) and 10–209
Annotated Code of Maryland
(2016 Replacement Volume)

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

Article – Tax – General

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
[Brackets**]** indicate matter deleted from existing law.

10–208.

(a) In addition to the modification under § 10–207 of this subtitle, the amounts under this section are subtracted from the federal adjusted gross income of a resident to determine Maryland adjusted gross income.

(i–1) (1) The subtraction under subsection (a) of this section includes an amount equal to the amount specified in paragraph (3) of this subsection if an individual is a qualifying volunteer fire, rescue, or emergency medical services member for the taxable year, as determined under paragraph (2) of this subsection.

(2) An individual is a qualifying volunteer fire, rescue, or emergency medical services member for the taxable year eligible for the subtraction modification under this subsection if the individual:

(i) is an active member of:

1. a bona fide Maryland fire, rescue, or emergency medical services organization;

2. an auxiliary organization of a bona fide Maryland fire, rescue, or emergency medical services organization;

3. the United States Coast Guard Auxiliary;

4. the Maryland Defense Force; or

5. the Maryland Civil Air Patrol;

(ii) serves the organization in a volunteer capacity without compensation, except nominal expenses or meals;

(iii) 1. qualifies for active status during the taxable year under:

A. a volunteer fire, rescue, or emergency medical services personnel or auxiliary length of service award program operated by a county or municipal corporation of the State, if the length of service award program requires for active status qualification a minimum of 50 points per year and that points be earned in at least two different categories; or

B. a point system established by a county or municipal corporation that does not operate a volunteer fire, rescue, or emergency medical services personnel or auxiliary length of service award program or by the United States Coast Guard Auxiliary, the Maryland Defense Force, or the Maryland Civil Air Patrol, to identify active members of a volunteer fire, rescue, or emergency medical services organization or auxiliary organization, if the point system requires for active status qualification a minimum of 50 points per year and that points be earned in at least two different categories;

2. has maintained active status for at least 25 years under a volunteer fire, rescue, or emergency medical services personnel or auxiliary length of service award program or a point system established in lieu of a length of service award program;

3. is a member of the National Guard or other reserve component of the United States armed forces who has been ordered into active military service and who serves on active duty in the armed forces of the United States during the taxable year; or

4. is a civilian or a member of the Merchant Marine on assignment in support of the armed forces of the United States during the taxable year in an area designated as a combat zone by executive order of the President; and

(iv) will have been an active member of a bona fide Maryland fire, rescue, or emergency medical services organization, an auxiliary organization of a bona fide Maryland fire, rescue, or emergency medical services organization, or the United States Coast Guard Auxiliary, the Maryland Defense Force, or the Maryland Civil Air Patrol for at least 36 months during the last 10 calendar years by December 31 of the taxable year.

(3) The amount of the subtraction under paragraph (1) of this subsection is equal to:

(i) $3,750 for a taxable year beginning after December 31, 2013, but before January 1, 2015;

(ii) $4,000 for a taxable year beginning after December 31, 2014, but before January 1, 2016;

(iii) $4,250 for a taxable year beginning after December 31, 2015, but before January 1, 2017;

(iv) $4,500 for a taxable year beginning after December 31, 2016, but before January 1, 2018; **AND**

(v) **[**$4,750**]** **$5,000** for a taxable year beginning after December 31, 2017**[**, but before January 1, 2019; and

(vi) $5,000 for a taxable year beginning after December 31, 2018**]**.

(4) (i) Each fire, rescue, or emergency medical services organization or auxiliary organization shall:

1. maintain a record of the points earned by each individual during each calendar year;

2. provide each member a report identifying the number of points earned in each category by February 15 of the following year; and

3. provide a report that includes the names, Social Security numbers, and points earned by those members qualifying for the subtraction modification under this subsection to the Maryland State Firemen's Association by May 1 of the following year.

(ii) An individual may not qualify for the subtraction under this subsection based on membership in the United States Coast Guard Auxiliary, the Maryland Defense Force, or the Maryland Civil Air Patrol unless the United States Coast Guard Auxiliary, the Maryland Defense Force, or the Maryland Civil Air Patrol:

1. maintains a record of the points earned by each individual during each calendar year;

2. provides each member a report identifying the number of points earned in each category by February 15 of the following year; and

3. provides a report that includes the names, Social Security numbers, and points earned by those members qualifying for the subtraction modification under this subsection to the Comptroller on or before October 1 of each year.

(5) To qualify for the subtraction modification under this subsection, an individual shall attach to the individual's income tax return a copy of the report provided by the organization under paragraph (4) of this subsection.

(6) On or before October 1 of each year, the Maryland State Firemen's Association shall submit to the Department of Public Safety and Correctional Services and the Office of the Comptroller a report stating the participation in the point system by the various local subdivisions with the names and Social Security numbers of individuals who qualified for the subtraction modification under this subsection for the preceding taxable year.

(7) (i) A person may not knowingly make or cause any false statement or report to be made in any application or in any document required under this subsection.

(ii) Any person who violates or attempts to violate any provision of subparagraph (i) of this paragraph shall be subject to a fine of $1,000.

10–209.

(a) In this section:

(1) "employee retirement system" means a plan:

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

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

(2) "employee retirement system" does not include:

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

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

(iii) a rollover individual retirement account;

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

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

(b) Subject to **[**subsection (d)**]** **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 50 YEARS OLD AND IS A RETIRED 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) 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.

(E) (1) IN THE CASE OF A RETIRED LAW ENFORCEMENT OFFICER OR FIRE, RESCUE, OR EMERGENCY MEDICAL SERVICES PERSONNEL OF THE UNITED STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE, THE AMOUNT INCLUDED UNDER SUBSECTION (B)(1) OF THIS SECTION IS LIMITED TO RETIREMENT INCOME THAT IS ATTRIBUTABLE TO THE RESIDENT'S EMPLOYMENT AS A LAW ENFORCEMENT OFFICER OR FIRE, RESCUE, OR EMERGENCY SERVICES PERSONNEL OF THE UNITED STATES, THE STATE, OR A POLITICAL SUBDIVISION OF THE STATE UNLESS:

(I) THE RESIDENT IS AT LEAST 65 YEARS OLD OR IS TOTALLY DISABLED; OR

(II) THE RESIDENT'S SPOUSE IS TOTALLY DISABLED.

(2) THE RETIREMENT INCOME THAT IS ELIGIBLE UNDER PARAGRAPH (1) OF THIS SUBSECTION TO BE INCLUDED IN THE SUBTRACTION UNDER SUBSECTION (B)(1) OF THIS SECTION MAY NOT EXCEED AN AMOUNT EQUAL TO:

(I) 50% OF THE AMOUNT OF INCOME THAT IS ELIGIBLE UNDER PARAGRAPH (1) OF THIS SUBSECTION FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2017, BUT BEFORE JANUARY 1, 2019; AND

(II) 100% OF THE AMOUNT OF INCOME THAT IS ELIGIBLE UNDER PARAGRAPH (1) OF THIS SUBSECTION FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2018.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2017.