Pension Exclusion

- Maryland subtracts from taxable income certain pension income. Some of this income is excludable up to a maximum amount ($39,500 in 2024) which changes each year, and this amount is commonly referred to as The Pension Exclusion.
- The Pension Exclusion is for taxpayers who are 65 or over or disabled. Either spouse on a MFJ return may be disabled to make the pensions of both part of The Pension Exclusion, regardless of ages. If one or both spouses is disabled, you must indicate this to TaxSlayer by checking the Disabled boxes on The Pension Exclusion screen in the Maryland return.
    - TaxSlayer must be told if some income which is reported on a 1099-R does not qualify for The Pension Exclusion. This would be annuity income that is not from an employee retirement system. One such 1099-R will have code 7D, but there may be other non-qualifying payments. If the payer is an insurance company, you should ask if it is an annuity.
    - To exclude these non-qualifying payments, you must write in the amount on The Pension Exclusion page, below the Disabled boxes.
    - In this same box, you must include any amount used as an Other Subtraction with codes a. or aa. These are payments from a pension system paid to firemen or policemen injured on the job (code a.) or to their beneficiaries (code aa.) If you do not do this then the amount will count toward The Pension Exclusion as well as an Other Subtraction, sometimes known as double dipping.
- TaxSlayer will properly compute how much of a Military pension should be included in The Pension Exclusion. (The full amount less $20,000 if the recipient is 65 or over.) TaxSlayer will also properly compute how much of a Public Safety Employee pension to include. (The full amount less $15,000 if the recipient is 65 or over.)
- Also, TaxSlayer will not include in The Pension Exclusion any amount from a 1099-R identified as an IRA.

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