MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

SECOND SPECIAL SESSION-2004

Legislative Document

No. 1927

S.P. 764

In Senate, March 16, 2004

An Act To Modify Taxation of Benefits under Employee Retirement Plans, Including Retirement Plans for Teachers

(AFTER DEADLINE)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 205.

Reference to the Committee on Taxation suggested and ordered printed.

JOY J. O'BRIEN Secretary of the Senate

Presented by Senator GAGNON of Kennebec.

Cosponsored by Representative SIMPSON of Auburn and Senators: BRYANT of Oxford, HATCH of Somerset, STANLEY of Penobscot, STRIMLING of Cumberland, WOODCOCK of Franklin, Representatives: EARLE of Damariscotta, MARLEY of Portland, THOMPSON of China.

	Be it enacted by the People of the State of Maine as follows:
2	Sec. 1. 36 MRSA §5122, sub-§2, ¶M, as amended by PL 2003, c.
4 391,	§5, is further amended to read:
6	M. For each individual who is a primary recipient of benefits under an employee retirement plan, an amount that
8	is the lesser of:
10	(1) Six-thousand-dellars-reduced-by-the-total-amount of-theindividual'ssecialsecuritybenefitsand
12	railroad-retirement-benefits-paid-by-the-United-States, but-not-less-than-\$0. The following amounts reduced by
14	the total amount of the individual's social security benefits and railroad retirement benefits paid by the
16	United States, but not less than \$0, for each tax year beginning in the following years, except that this
18	reduction does not apply to benefits paid under a
20	military retirement plan; -er:
22	(a) 2005, \$8,000;
24	(b) 2006, \$9,000;
26	(c) 2007, \$10,000;
28	(d) 2008, \$11,000;
30	(e) 2009, \$12,000;
32	(f) 2010, \$13,000;
34	(g) 2011, \$14,000;
	(h) 2012, \$15,000;
36	(i) 2013, \$16,000;
38	(j) 2014, \$17,000; and
40	(k) 2015, \$20,000.
	For tax years beginning January 1, 2016, the deduction
44	under this subparagraph is equal to the amount of the
	maximum social security benefit reduced by the total
46	amount of social security benefits and railroad
	retirement benefits actually received by the taxpayer,
48	but not less than \$0. The State Tax Assessor by September 15th of each year shall determine the amount
50	of the deduction and incorporate the change, if any,

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into the income tax forms, instructions and withholding tables for the taxable year; or

(2) The aggregate of benefits received by the primary recipient under employee retirement plans and included in federal adjusted gross income.

For purposes of this paragraph, the following terms have the recipient" "Primary following meanings. individual upon whose earnings the employee retirement plan benefits are based or the surviving spouse of "Employee retirement plan" means a state, individual. federal or military retirement plan or any other retirement benefit plan established and maintained by an employer for the benefit of its employees under the Code, Section 401(a), Section 403 or Section 457(b), except that distributions made pursuant to a section 457(b) plan are not eligible for the deduction provided by this paragraph if they are made prior to age 55 and are not part of a series of substantially equal periodic payments made for the life of the primary recipient or the joint lives of the primary recipient and that recipient's designated beneficiary. "Employee retirement plan" does not include an individual retirement account under Section 408 of the Code, a Roth IRA under Section 408A of the Code, a rollover individual retirement account, a simplified employee pension under Section 408(k) of the Code or an ineligible deferred compensation plan under Section 457(f) of the Code. Benefits under an employee retirement plan do not include distributions that are subject to the tax imposed by the Code, Section 72(t). "Military retirement plan" means benefits received as a result of service in the active or reserve components of the Army, Navy, Air Force, Marines or Coast Guard;

Sec. 2. Application. That section of this Act that amends the Maine Revised Statutes, Title 36, section 5122, subsection 2, paragraph M applies to tax years beginning on or after January 1, 2005.

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SUMMARY

Current law provides a deduction from the state income tax for the first \$6,000 of income from certain public, private and military pensions.

This bill increases the deduction to \$8,000 beginning January 1, 2005 and by \$1,000 each subsequent year until the amount of the deduction is \$17,000 in 2014. In 2015 the

- deduction increases to \$20,000. Beginning with tax years beginning January 1, 2016, the amount of the deduction is equal to the amount of the maximum federal tax exemption for social
- to the amount of the maximum federal tax exemption for social security benefits reduced by any social security benefits and railroad retirement benefits actually received by the taxpayer.