

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SEVENTH LEGISLATURE

Legislative Document

No. 1684

H. P. 1404

House of Representatives, April 7, 1975

On Motion of Mr. Drigotas of Auburn referred to Committee on Taxation.
Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Ingegneri of Bangor.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-FIVE

**AN ACT to Exempt Federal and State Retirement Benefits
from State Income Taxation.**

Be it enacted by the People of the State of Maine, as follows:

36 MRSA § 5122, sub-§ 2, as enacted by P&SL 1969, c. 154, ¶ F, § 1, is repealed and the following enacted in place thereof:

2. Subtractions. There shall be subtracted from federal adjusted gross income:

A. Interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from State income taxes under the laws of the United States, provided that the amount subtracted under this subsection shall be reduced by any interest on indebtedness incurred to carry the obligations or securities described in this subsection, and by any expenses incurred in the production of interest or dividend income described in this subsection to the extent that such expenses including amortizable bond premiums are deductible in determining federal adjusted gross income;

B. Benefits received under the Federal Employees Retirement Act, not in excess of \$4,000;

C. Benefits paid under the Maine State Retirement System, which are specified as exempt from taxation by Title 5, section 1003, not in excess of \$4,000;

- D. Pensions, benefits, allowances, annuities or return of contributions paid to public employees under the authority granted by Title 24-A, sections 4501 and 4502, not in excess of \$4,000;
- E. Pensions, benefits and allowances paid to judges and justices under Title 4, sections 5, 103 and 157-A, not in excess of \$4,000;
- F. Pensions paid to dependents of sheriffs and deputy sheriffs under Title 30, section 851, not in excess of \$4,000; and
- G. Pensions, benefits and allowances paid to State Police under Title 25, sections 1591 and 1594, not in excess of \$4,000.

FISCAL NOTE

This bill would result in a revenue loss to the State of \$1,064,000 for the current biennium, broken down as follows: For the fiscal year 1975, \$304,000 and for the fiscal year 1976, \$760,000.

STATEMENT OF FACT

This bill specifically includes the present tax exemption for benefits under the Maine State Retirement System, in the Maine income statute and extends that exemption to all retirement, disability and life insurance benefits payable to any public employee of the State. In addition, a limited exemption, up to \$4,000 annually, is provided for pension benefits paid to federal employees. Maine income tax refunds and credits are also specifically exempted.