

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

1 (After Deadline)  
2 FIRST REGULAR SESSION  
3

4 ONE HUNDRED AND TWELFTH LEGISLATURE  
5

6 Legislative Document

No. 1482

7  
8 H.P. 1030

House of Representatives, May 9, 1985

9 Approved for introduction by a majority of the Legislative Council  
10 pursuant to Joint Rule 27.

11 Reference to the Committee on Taxation suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative Harper of Lincoln.

12 Cosponsored by Representative Hichborn of LaGrange.

13 STATE OF MAINE  
14

15 IN THE YEAR OF OUR LORD  
16 NINETEEN HUNDRED AND EIGHTY-FIVE  
17

18 AN ACT to Exclude Certain Disability Benefits  
19 from State Income Tax.  
20

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

23 Sec. 1. 36 MRSA §5122, sub-§2, as amended by PL  
24 1983, c. 798, c. 828, §22 and c. 855, §17, is re-  
25 pealed and the following enacted in its place:

26 2. Subtractions. Federal adjusted gross income  
27 shall be reduced by:

28 A. Interest or dividends on obligations of the  
29 United States and its territories and possessions  
30 or of any authority, commission or instrumentali-  
31 ty of the United States or on a seller-sponsored  
32 loan, as defined by Title 10, section 983, sub-  
33 section 16 to the extent includable in gross in-  
34 come for federal income tax purposes, but exempt  
35 from state income taxes under the laws of the

1 United States, provided that the amount sub-  
2 tracted shall be decreased by any expenses in-  
3 curring in the production of the interest or divi-  
4 dend income to the extent that these expenses,  
5 including amortizable bond premiums, are deduct-  
6 ible in determining federal adjusted gross in-  
7 come;

8 B. An amount equal to the taxpayer's federal new  
9 jobs credit as determined under the laws of the  
10 United States;

11 C. Social security benefits and tier 1 railroad  
12 retirement benefits paid by the United States, to  
13 the extent included in federal adjusted gross in-  
14 come; and

15 D. For each of the taxable years ending in 1985  
16 to 1987, 1/3 of the amount by which federal ad-  
17 justed gross income was increased for the taxable  
18 year ending in 1984 under subsection 1, paragraph  
19 F.

20 Sec. 2. 36 MRSA §5122, sub-§5 is enacted to  
21 read:

22 5. Disability option. If a taxpayer chooses,  
23 federal adjusted gross income shall be reduced by the  
24 amount of disability pay that would be excluded under  
25 the United States Internal Revenue Code, Section 105  
26 (d) as it applied to tax years beginning on or before  
27 1984. If the taxpayer chooses to exclude disability  
28 payments under this subsection, he may not claim a  
29 credit under section 5130.

30 Sec. 3. 36 MRSA §5130, as enacted by PL 1977, c.  
31 686, §11, is repealed and the following enacted in  
32 its place:

33 §5130. Retirement credit

34 A resident who does not exclude disability pay-  
35 ments under section 5122, subsection 5, may receive a  
36 credit against taxes under this Part equal to 20% of  
37 any credit received for that year under the United  
38 States Internal Revenue Code, Section 22, credit for  
39 the elderly and disabled. In no case may this credit

1 reduce the Maine income tax to less than zero.

2 STATEMENT OF FACT

3 In 1984, federal law was changed to provide that  
4 persons receiving certain disability payments be re-  
5 quired to pay a tax on those benefits like a retire-  
6 ment pension or annuity if they had reached minimum  
7 retirement age. This bill provides that taxpayers  
8 may continue to receive an exclusion of those bene-  
9 fits from income for state income tax purposes.

10

3179042585