

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND THIRTEENTH LEGISLATURE

Legislative Document

No. 741

S.P. 260

In Senate, March 16, 1987

Reference to the Committee on Taxation suggested and ordered printed.

JOY J. O'BRIEN, Secretary of the Senate  
Presented by President PRAY of Penobscot.

Cosponsored by Senator DOW of Kennebec, Representative  
CASHMAN of Old Town, Representative MAYO of Thomaston.

STATE OF MAINE

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-SEVEN

1 AN ACT to Include the United States Internal  
2 Revenue Code, Section 457, State Deferred  
3 Compensation among the Retirement Plans  
4 which are Exempt from the Maine Premium Tax.  
5

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

8 36 MRSA §2514, as amended by PL 1985, c. 783,  
9 §12, is further amended to read:

10 §2514. Applicability of provisions

11 Sections 2512 and 2513 shall not apply to the  
12 taxation of any annuity consideration on any annuity  
13 contract issued prior to August 1, 1943. Sections  
14 2512 and 2513 shall not apply to any premium from an  
15 insurance contract, which premium is received prior

1 to October 1, 1969, or any consideration, regardless  
2 of when received, from any retirement annuity con-  
3 tracts issued by an insurance or annuity company or-  
4 ganized and operated without profit to any private  
5 shareholder or individual exclusively for the purpose  
6 of aiding nonproprietary educational and scientific  
7 institutions pursuant to a retirement program estab-  
8 lished under ~~section~~ Section 403 (b) of the United  
9 States Internal Revenue Code. Premiums or considera-  
10 tions received from life insurance policies or annui-  
11 ty contracts issued in connection with the funding of  
12 a deferred compensation plan described under the  
13 United States Internal Revenue Code, section 457, a  
14 pension, annuity or profit-sharing plan or individual  
15 retirement account or annuity qualified or exempt un-  
16 der ~~sections~~ Sections 401, 403, 404, 408 or 501 of  
17 the United States Internal Revenue Code as now or  
18 hereafter amended or renumbered from time to time,  
19 shall be exempt from tax.

20

#### STATEMENT OF FACT

21 This bill provides for one statutory change. It  
22 extends to deferred compensation plans described un-  
23 der the United States Internal Revenue Code, Section  
24 457, the same exempt status from the state premium  
25 tax as currently provided for similar retirement ar-  
26 rangements. For example, the State's deferred com-  
27 pensation plan for public employees falls under  
28 United States Internal Revenue Code, Section 457.  
29 Under current law in this State considerations for  
30 contracts issued in connection with retirement ar-  
31 rangements qualified or exempt under United States  
32 Internal Revenue Code, Sections 401, 403, 404, 408 or  
33 501, are already specifically exempt from the state  
34 premium tax. No similar specific exemption is pro-  
35 vided for United States Internal Revenue Code, Sec-  
36 tion 457, plans; however, such plans arguably fall  
37 within the exemption already provided for annuity  
38 contracts. United States Internal Revenue Code, Sec-  
39 tion 457, was added to the federal tax law in 1978  
40 subsequent to the last amendment of section 2514.  
41 Such plans operate as supplemental retirement plan-  
42 ning vehicles for state employees, or other eligible  
43 employees, in the same manner as a teacher's annuity

1 plan under United States Internal Revenue Code, Section  
2 403 (b). There is no meaningful difference between  
3 a United States Internal Revenue Code, Section  
4 457, plan and such other retirement arrangements.  
5 This bill is necessary in order to provide uniform  
6 treatment for federally qualified plans sanctioned by  
7 the United States Internal Revenue Code for purposes  
8 of the insurance premium tax so that equal premium  
9 tax treatment is provided to similar retirement ar-  
10 rangements.

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