

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 572

S.P. 242

In Senate, March 6, 1989

Reference to the Committee on Taxation suggested and ordered printed.

Joy J. O'Brien

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator COLLINS of Aroostook.

Cosponsored by Senator THERIAULT of Aroostook, Representative BELL of Caribou and Representative JACKSON of Harrison.

STATE OF MAINE

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

An Act Regarding Federal Retiree Income Tax.



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

3 **Sec. 1. 36 MRSA §5122, sub-§2, ¶D,** as amended by PL 1987, c.
739, §§46 and 48, is further amended to read:

5
7 D. For each of the taxable years ending in 1985 through
1987, 1/3 of the amount by which federal adjusted gross
9 income was increased for the taxable year ending in 1984
under subsection 1, paragraph F; and

11 **Sec. 2. 36 MRSA §5122, sub-§2, ¶E,** as enacted by PL 1987, c.
739, §§47 and 48, is amended to read:

13
15 E. Pick-up contributions paid to the taxpayer by the Maine
State Retirement System which have been previously taxed
17 under this Part.; and

19 **Sec. 3. 36 MRSA §5122, sub-§2, ¶F** is enacted to read:

21 F. The amount of federal pension payments to an individual
23 which is attributable to the portion of the Federal
25 Government's contributions to a federal pension program
27 which are made in lieu of an employer contribution to the
29 Social Security system, but not including any amount which
31 would be subject to federal income tax if the payments were
Social Security benefits.

31 STATEMENT OF FACT

33 The Federal Government does not participate in the Social
35 Security system. Instead, federal employees are covered under a
37 federal pension program which provides benefits in excess of
39 Social Security benefits. Social Security benefits are generally
41 not subject to federal income tax unless the recipient has total
43 income exceeding specified amounts; however, the portion of
45 federal retirees' pension which is attributable to the
contribution of the Federal Government to the pension program is
taxed regardless of total income. This bill equalizes treatment
of federal retirees by exempting from state income tax the
portion of a federal retiree's pension which is comparable to the
amount of Social Security benefits that the federal retiree would
receive if the Federal Government had made payments to the Social
Security system.