

# MAINE STATE LEGISLATURE

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# 119th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1999

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Legislative Document

No. 279

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H.P. 201

House of Representatives, January 11, 1999

### **An Act to Adjust the Taxation of Public Pensions.**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative FULLER of Manchester.  
Cosponsored by Senator DAGGETT of Kennebec and  
Representatives: COLWELL of Gardiner, GREEN of Monmouth, MURPHY of Berwick,  
TRIPP of Topsham.

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

2

**Sec. 1. 36 MRSA §5122, sub-§2, ¶J**, as corrected by RR 1997, c.  
4 2, §59, is amended to read:

6

J. Any amount constituting a qualified withdrawal from an  
account established pursuant to Title 20-A, chapter 417-E  
8 and used for paying higher education expenses; and

10

**Sec. 2. 36 MRSA §5122, sub-§2, ¶K**, as reallocated by RR 1997,  
c. 2, §60 and affected by §61, is amended to read:

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K. For income tax years beginning on or after January 1,  
14 1997, all items of income, gain, interest, dividends,  
royalties and other income of a financial institution  
16 subject to the tax imposed by section 5206, to the extent  
that those items are passed through to the taxpayer for  
18 federal income tax purposes, including, if the financial  
institution is an S corporation, the taxpayer's pro rata  
20 share and, if the financial institution is a partnership or  
limited liability company, the taxpayer's distributive  
22 share. A subtraction may not be made under this paragraph  
for:

24

(1) Income of the taxpayer earned on interest-bearing  
26 or similar accounts of the taxpayer at a financial  
institution as a customer of that financial institution;

28

(2) Any dividends or other distributions with respect  
30 to a taxpayer's ownership interest in a financial  
institution; and

32

(3) Any gain recognized on the disposition by the  
34 taxpayer of an ownership interest in a financial  
institution; and

36

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

38

L. Forty percent of any state and federal retirement  
40 pension benefits, to the extent included in federal adjusted  
income.

42

**Sec. 4. Application.** This Act applies to tax years beginning  
44 on or after January 1, 2001.

46

**SUMMARY**

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This bill provides an income tax exemption of 40% of state  
50 and federal retirement pension benefits in order to create some  
parity with social security recipients, whose benefits are only  
52 partially taxable.