

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 671

S.P. 249

In Senate, January 26, 1999

**An Act to Exempt from State Income Tax Previously Taxed
Contributions to an Individual Retirement Account.**

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator LIBBY of York.
Cosponsored by Senator CASSIDY of Washington.

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

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

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

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

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

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

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

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

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

L. For income tax years beginning on or after January 1, 2000, an amount equal to the amount of the taxpayer's contribution to retirement savings accounts pursuant to the Code, Section 219 upon which taxes have been paid to another jurisdiction.

SUMMARY

Currently, Maine law exempts from state income tax certain contributions by a taxpayer into an individual retirement account. When the money is withdrawn from the account, it is subject to Maine income tax.

2 This bill exempts from Maine income tax any contribution to
an individual retirement account made by the taxpayer that was
4 previously taxed by another jurisdiction.