

# MAINE STATE LEGISLATURE

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# 119th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1999

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Legislative Document

No. 1268

S.P. 431

In Senate, February 16, 1999

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### **An Act to Provide Equal Treatment in the Taxation of Public Pensions.**

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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 DAGGETT of Kennebec.  
Cosponsored by Representative GAGNON of Waterville and  
Senators: HARRIMAN of Cumberland, KONTOS of Cumberland, Representatives: BERRY  
of Belmont, LEMONT of Kittery, MITCHELL of Vassalboro, TESSIER of Fairfield,  
TUTTLE of Sanford.

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

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

12 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. A portion of state and federal retirement pension  
40 benefits calculated using the same formula that is used  
42 under the code to determine the amount of social security  
benefits that are not included in federal taxable income.

44 **SUMMARY**

46 This bill provides tax treatment to recipients of state and  
48 federal retirement pensions similar to that provided to social  
security recipients under federal law. Rather than all state and  
50 government pension payments being taxable while all social

2 security payments are exempt, the bill provides a comparable exemption for state and federal pensions received in lieu of social security.