

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
119TH LEGISLATURE
SECOND REGULAR SESSION

HOUSE AMENDMENT "B" to S.P. 989, L.D. 2542, Bill, "An Act to Provide Equity in the Taxation of Public Pensions"

Amend the bill by striking out the title and substituting the following:

'An Act to Provide Equity in the Taxation of Public Pensions and Other Retirement Income'

Further amend the bill by striking out all of sections 3 and 4 and inserting in their place the following:

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

M. For income tax years beginning on or after January 1, 2000, an amount equal to the lesser of:

(1) Twenty thousand dollars for a single individual and \$40,000 for a married couple filing a joint return reduced by the total amount of social security benefits and railroad retirement benefits paid by the United States; or

(2) The aggregate of the following:

(a) Total pensions and annuities to the extent included in federal adjusted gross income;

(b) For a taxpayer at least 65 years of age, taxable interest to the extent included in federal adjusted gross income;

(c) For a taxpayer at least 65 years of age, ordinary dividends to the extent included in federal adjusted gross income; and

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2 (d) For a taxpayer at least 65 years of age,
4 capital gains or losses to the extent included in
federal adjusted gross income.

6 For purposes of divisions (b), (c) and (d), a taxpayer
8 who is at least 65 years of age during the tax year for
which a return is being filed qualifies for the
10 subtraction pursuant to those divisions.

12 For purposes of this paragraph, "single individual" means a
taxpayer who files as a single individual, married person
14 filing separately or head of household. For purposes of
this paragraph, the terms "pensions and annuities," "taxable
16 interest," "ordinary dividends" and "capital gains or
losses" have the same meanings as when used in a comparable
18 context in the laws of the United States relating to federal
income taxes.'

20 Further amend the bill by relettering or renumbering any
nonconsecutive Part letter or section number to read
22 consecutively.

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FISCAL NOTE

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This amendment will increase the General Fund cost of the
bill by \$3,752,615 in fiscal year 1999-00 and \$49,584,430 in
30 fiscal year 2000-01, \$40,275,496 in fiscal year 2001-02 and
\$42,156,881 in fiscal year 2002-03.

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34 As amended, this income modification for certain pension
benefits and other retirement income will decrease individual
income tax collections by \$5,809,686 in fiscal year 1999-00,
36 \$76,749,011 in fiscal year 2000-01, \$62,312,233 in fiscal year
2001-02, and \$65,223,018 in fiscal year 2002-03. The reduction
38 of these tax collections will decrease the amounts transferred to
the Local Government Fund for state-municipal revenue sharing in
40 those years by \$296,294, \$3,914,200, \$3,177,924 and \$3,326,374,
respectively. The resulting net reductions of General Fund
42 revenue will be \$5,513,392 in fiscal year 1999-00, \$72,834,811 in
fiscal year 2000-01, \$59,134,309 in fiscal year 2001-02, and
44 \$61,896,644 in fiscal year 2002-03.

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SUMMARY

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This amendment increases the income tax deduction for public
50 pension income in the original bill from \$10,000 to \$20,000 for

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persons filing single returns and \$40,000 for married persons filing jointly and expands the deduction to include all pension and annuity income and, for taxpayers at least 65 years of age, income from interest, dividends and capital gains. Income from social security benefits and railroad retirement benefits paid by the federal government would continue to be exempt from the Maine income tax.

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Under this amendment, if the total of social security and railroad retirement benefits is at least \$20,000 for persons filing single returns and \$40,000 for married persons filing jointly, then the taxpayer is entitled to an income modification equal to the actual benefits. If the total of social security and railroad retirement benefits is less than \$20,000 for persons filing single returns and \$40,000 for married persons filing jointly, then the taxpayer also may exempt from Maine income tax an amount, up to a maximum of \$20,000 for persons filing single returns and \$40,000 for married persons filing jointly, of social security and railroad retirement benefits, pension and annuity income and, for taxpayers at least 65 years of age, income from interest, dividends and capital gains.

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TOWN: Scarborough

HOUSE AMENDMENT