

MAINE STATE LEGISLATURE

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

HOUSE AMENDMENT "C" 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) Ten thousand dollars for a single individual and \$20,000 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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(d) For a taxpayer at least 65 years of age, capital gains or losses to the extent included in federal adjusted gross income.

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

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

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

FISCAL NOTE

This amendment will increase the General Fund cost of the bill by \$1,577,483 in fiscal year 1999-00 and \$20,849,800 in fiscal year 2000-01, \$16,945,958 in fiscal year 2001-02 and \$17,737,552 in fiscal year 2002-03.

As amended, this income modification for certain pension benefits and other retirement income will decrease individual income tax collections by \$3,517,662 in fiscal year 1999-00, \$46,470,160 in fiscal year 2000-01, \$37,728,947 in fiscal year 2001-02, and \$39,491,376 in fiscal year 2002-03. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those years by \$179,401, \$2,369,978, \$1,924,176 and \$2,014,060, respectively. The resulting net reductions of General Fund revenue will be \$3,338,261 in fiscal year 1999-00, \$44,100,182 in fiscal year 2000-01, \$35,804,771 in fiscal year 2001-02, and \$37,477,316 in fiscal year 2002-03.

SUMMARY

This amendment changes the income tax deduction for public pension income in the original bill to \$10,000 for persons filing single returns and \$20,000 for married persons filing jointly and

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HOUSE AMENDMENT "C" to S.P. 989, L.D. 2542

2 expands the deduction to include all pension and annuity income
and, for taxpayers at least 65 years of age, income from
4 interest, dividends and capital gains. Income from social
security benefits and railroad retirement benefits paid by the
6 federal government would continue to be exempt from the Maine
income tax.

8 Under this amendment, if the total of social security and
railroad retirement benefits is at least \$10,000 for persons
10 filing single returns and \$20,000 for married persons filing
jointly, then the taxpayer is entitled to an income modification
12 equal to the actual benefits. If the total of social security
and railroad retirement benefits is less than \$10,000 for persons
14 filing single returns and \$20,000 for married persons filing
jointly, then the taxpayer also may exempt from Maine income tax
16 an amount, up to a maximum of \$10,000 for persons filing single
returns and \$20,000 for married persons filing jointly, of social
18 security and railroad retirement benefits, pension and annuity
income and, for taxpayers at least 65 years of age, income from
20 interest, dividends and capital gains.

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SPONSORED BY: *Harold A. Clough*
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TOWN: Scarborough

HOUSE AMENDMENT