MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

SECOND REGULAR SESSION-2000

Legislative Document

No. 2542

S.P. 989

In Senate, February 8, 2000

An Act to Provide Equity in the Taxation of Public Pensions.

Reported by Senator RUHLIN of Penobscot for the Joint Standing Committee on Taxation pursuant to Joint Order S.P. 860.

JOY J. O'BRIEN Secretary of the Senate

	Be it enacted by the People of the State of Maine as follows:
4	Sec. 1. 36 MRSA §5122, sub-§2, ¶K, as amended by PL 1999, c. 521, Pt. C, §5 and affected by §9, is further amended to read:
6	K. For income tax years beginning on or after January 1,
8	1997, all items of income, gain, interest, dividends, royalties and other income of a financial institution
10	subject to the tax imposed by section 5206, to the extent that those items are passed through to the taxpayer for
12	federal income tax purposes, including, if the financial institution is an S corporation, the taxpayer's pro rate
14	share and, if the financial institution is a partnership of limited liability company, the taxpayer's distributive
16	share. A subtraction may not be made under this paragrapher:
18	(1) Income of the taxpayer earned on interest-bearing or similar accounts of the taxpayer at a financia.
20	institution as a customer of that financial institution
22	(2) Any dividends or other distributions with respect to a taxpayer's ownership interest in a financia
24	institution; and
26	(3) Any gain recognized on the disposition by the taxpayer of an ownership interest in a financia
28	institution; and
30	Sec. 2. 36 MRSA $\S5122$, sub- $\S2$, \PL , as enacted by PL 1999, c 521, Pt. C, $\S6$ and affected by $\S9$, is amended to read:
32	L. For income tax years beginning on or after January 1
34	2000, an amount equal to the total premiums spent fo qualified long-term care insurance contracts as defined i
36	the Code, Section 7702B(b), as long as the amount subtracte is reduced by the long-term care premiums claimed as a
38	itemized deduction pursuant to Seetien section 5125-; and
40	Sec. 3. 36 MRSA §5122, sub-§2, ¶M is enacted to read:
42	M. Up to \$10,000 of state, federal and military retirement pension benefits for each recipient of those benefits to the extent the benefits are included in federal taxable income
46	after adjustment under paragraph E.
48	Sec. 4. Application. This Act applies to tax years beginning on or after January 1, 2000.

2	Sec. 5. Appropriation. The following funds a from the General Fund to carry out the purposes of	
4		2000-01
6	ADMINISTRATIVE AND FINANCIAL SERVICES,	
8	DEPARTMENT OF	
10	Bureau of Revenue Services	
12	Positions - Legislative Count Personal Services	(1.000) \$16,565
14	All Other	6,725
16	Provides funds for a Tax Examiner position, effective January 1, 2001, and related	
18	expenses to audit affected returns.	
20	DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES	
22	TOTAL	\$23,290
24	FISCAL NOTE	
26	1000 A	2000 01
26 28	1999-00	2000-01
	1999-00 APPROPRIATIONS/ALLOCATIONS	2000-01
28		2000-01 \$23,290
28	APPROPRIATIONS/ALLOCATIONS	
28 30 32	APPROPRIATIONS/ALLOCATIONS General Fund REVENUES General Fund (\$1,760,777)	\$23,290) (\$23,250,381)
28 30 32 34	APPROPRIATIONS/ALLOCATIONS General Fund REVENUES General Fund (\$1,760,777)	\$23,290
28 30 32 34 36	APPROPRIATIONS/ALLOCATIONS General Fund REVENUES General Fund (\$1,760,777 Other Funds (94,626) This income modification for certain pension	\$23,290) (\$23,250,381)) (1,249,494) n benefits will
28 30 32 34 36 38	APPROPRIATIONS/ALLOCATIONS General Fund General Fund Other Funds (\$1,760,777 094,626) This income modification for certain pension decrease individual income tax collections by fiscal year 1999-00 and \$24,499,875 in fiscal year	\$23,290 (\$23,250,381) (1,249,494) h benefits will \$1,855,403 in ar 2000-01. The
28 30 32 34 36 38 40	APPROPRIATIONS/ALLOCATIONS General Fund General Fund General Fund (\$1,760,777 Other Funds (\$4,626) This income modification for certain pension decrease individual income tax collections by fiscal year 1999-00 and \$24,499,875 in fiscal year reduction of these tax collections will decreat transferred to the Local Government Fund for	\$23,290 (\$23,250,381) (1,249,494) In benefits will \$1,855,403 in ar 2000-01. The ase the amounts state-municipal
28 30 32 34 36 38 40 42	APPROPRIATIONS/ALLOCATIONS General Fund General Fund (\$1,760,777 Other Funds (\$4,626) This income modification for certain pension decrease individual income tax collections by fiscal year 1999-00 and \$24,499,875 in fiscal year reduction of these tax collections will decrease	\$23,290 (\$23,250,381) (1,249,494) h benefits will \$1,855,403 in ar 2000-01. The ase the amounts state-municipal and \$1,249,494, f General Fund

The Bureau of Revenue Services will incur additional costs estimated to be \$23,290 in fiscal year 2000-01 and \$36,000 annually beginning in fiscal year 2001-02 for a Tax Examiner position, effective January 1, 2001, and related expenses to audit individual income tax returns affected by this income modification. The bureau has requested additional General Fund appropriations to fund these additional costs.

8

10 SUMMARY

This bill provides an income tax deduction for up to \$10,000 of combined state, federal and military retirement pension benefits. This bill also includes an appropriations section and a fiscal note.