

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.

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

JOY J. O'BRIEN
Secretary of the Senate

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

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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,
10 royalties and other income of a financial institution
12 subject to the tax imposed by section 5206, to the extent
14 that those items are passed through to the taxpayer for
16 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:

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

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

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

30 **Sec. 2. 36 MRSA §5122, sub-§2, ¶L**, as enacted by PL 1999, c.
521, Pt. C, §6 and affected by §9, is amended to read:

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34 L. For income tax years beginning on or after January 1,
36 2000, an amount equal to the total premiums spent for
38 qualified long-term care insurance contracts as defined in
the Code, Section 7702B(b), as long as the amount subtracted
is reduced by the long-term care premiums claimed as an
itemized deduction pursuant to ~~Section~~ 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
44 pension benefits for each recipient of those benefits to the
46 extent the benefits are included in federal taxable income
after adjustment under paragraph E.

48 **Sec. 4. Application.** This Act applies to tax years beginning
on or after January 1, 2000.

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

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SUMMARY

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