

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

SECOND REGULAR SESSION-2000

Legislative Document

No. 2641

S.P. 1049

In Senate, March 22, 2000

An Act to Exempt a Portion of Private Pensions from Income Taxation.

Reported by Senator RUHLIN of Penobscot for the Joint Standing Committee on Taxation pursuant to Joint Order S.P. 1003.

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:

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:

K. For income tax years beginning on or after January 1, 1997, all items of income, gain, interest, dividends, royalties and other income of a financial institution subject to the tax imposed by section 5206, to the extent that those items are passed through to the taxpayer for 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:

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

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

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

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:

L. For income tax years beginning on or after January 1, 2000, an amount equal to the total premiums spent for 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

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

M. An amount, for each recipient of benefits under an employee retirement plan, that is the lesser of:

(1) Ten thousand dollars reduced by the total amount of social security benefits and railroad retirement benefits paid by the United States, but not less than \$0; or

(2) The aggregate of benefits received under employee

retirement plans and included in federal adjusted gross income. For purposes of this paragraph, "employee retirement plan" means a state, federal or military retirement plan or any other retirement benefit plan established and maintained by an employer for the benefit of its employees under Section 401(a), Section 403 or Section 457(b) of the Code. "Employee retirement plan" does not include an individual retirement account under Section 408 of the Code, a Roth IRA under Section 408A of the Code, a rollover individual retirement account, a simplified employee pension under Section 408(k) of the Code or an ineligible deferred compensation plan under Section 457(f) of the Code.

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

Sec. 5. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.

2000-01

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Bureau of Revenue Services

Positions - Legislative Count	(1.000)
Personal Services	\$16,565
All Other	6,725

Provides funds for a Tax Examiner position, effective January 1, 2001, and related expenses to audit affected tax returns.

**DEPARTMENT OF ADMINISTRATIVE
AND FINANCIAL SERVICES
TOTAL**

\$23,290

FISCAL NOTE

1999-00 2000-01

APPROPRIATIONS/ALLOCATIONS

General Fund	\$23,290
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2

REVENUES

4

6

General Fund	(\$2,475,786)	(\$32,690,279)
Other Funds	(133,051)	(1,756,801)

8

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SUMMARY

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This bill provides an income tax deduction for public and private pension income to the extent that the pension income, together with social security benefits and railroad retirement benefits, does not exceed \$10,000. The bill makes no change to the current law that exempts all social security and railroad retirement benefits from state income tax.