

# MAINE STATE LEGISLATURE

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# 120th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2001

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Legislative Document

No. 334

S.P. 108

In Senate, January 30, 2001

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### **An Act to Provide Incentives to Families Who Save for College.**

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Reference to the Committee on Taxation suggested and ordered printed.

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

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator CATHCART of Penobscot.  
Cosponsored by Speaker SAXL of Portland and  
Senators: GAGNON of Kennebec, KNEELAND of Aroostook, MARTIN of Aroostook,  
MILLS of Somerset, Representatives: BLISS of South Portland, GREEN of Monmouth,  
PERRY of Bangor, TESSIER of Fairfield, THOMAS of Orono.

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

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4       **Sec. 1. 20-A MRSA §11473, sub-§6** is enacted to read:

6       6. Report of contributions. By January 31st, annually,  
8       the authority shall report to the Department of Administrative  
10       and Financial Services, Bureau of Revenue Services amounts  
12       contributed by individuals during the preceding calendar year  
14       under a participation agreement for purposes of determining  
16       eligibility for the tax deduction provided under Title 36,  
18       section 5122, subsection 2, paragraph O.

20       **Sec. 2. 36 MRSA §5122, sub-§2, ¶L**, as amended by PL 1999, c.  
22       708, §35 and c. 731, Pt. S, §2 and affected by §4 and amended by  
24       c. 790, Pt. A, §49, is repealed and the following enacted in its  
26       place:

28       L. For income tax years beginning on or after January 1,  
30       2000, an amount equal to the total premiums spent for  
32       qualified long-term care insurance contracts as defined in  
34       the Code, Section 7702B(b), as long as the amount subtracted  
36       is reduced by the long-term care premiums claimed as an  
38       itemized deduction pursuant to section 5125;

40       **Sec. 3. 36 MRSA §5122, sub-§2, ¶M**, as enacted by PL 1999, c.  
42       708, §36 and c. 731, Pt. S, §3 and affected by §4, is repealed  
44       and the following enacted in its place:

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

50       (1) Six thousand dollars reduced by the total amount  
52       of social security benefits and railroad retirement  
54       benefits paid by the United States, but not less than  
56       \$0; or

58       (2) The aggregate of benefits received under employee  
60       retirement plans and included in federal adjusted gross  
62       income. For purposes of this paragraph, "employee  
64       retirement plan" means a state, federal or military  
66       retirement plan or any other retirement benefit plan  
68       established and maintained by an employer for the  
70       benefit of its employees under Section 401(a), Section  
72       403 or Section 457(b) of the Code. "Employee  
74       retirement plan" does not include an individual  
76       retirement account under Section 408 of the Code, a  
78       Roth IRA under Section 408A of the Code, a rollover  
80       individual retirement account, a simplified employee  
82       pension under Section 408(k) of the Code or an

2                   ineligible deferred compensation plan under Section  
3                   457(f) of the Code;

4                   **Sec. 4. 36 MRSA §5122, sub-§2, ¶¶N and O** are enacted to read:

6                   N. Interest or dividends on obligations or securities of  
7                   this State and its political subdivisions and authorities to  
8                   the extent included in federal adjusted gross income; and

10                   O. Ten percent, up to a maximum of \$2,000, of the amount  
11                   contributed to an account pursuant to the Maine College  
12                   Savings Program as established in Title 20-A, chapter 417-E.

14                   **Sec. 5. Application.** That section of this Act that enacts the  
15                   Maine Revised Statutes, Title 36, section 5122, subsection 2,  
16                   paragraph O applies to tax years beginning on or after January 1,  
17                   2001.

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### SUMMARY

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23                   This bill provides an income tax deduction for 10%, up to an  
24                   aggregate maximum of \$2,000, of the amount contributed to a  
25                   college savings account established under the Maine College  
26                   Savings Program administered by the Treasurer of State and the  
27                   Finance Authority of Maine. The bill requires the authority to  
28                   provide information to the Department of Administrative and  
29                   Financial Services, Bureau of Revenue Services for purposes of  
30                   verifying eligibility for the deduction. The bill also makes  
                 technical changes to resolve a conflict.