

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 717

H.P. 562

House of Representatives, February 13, 2001

An Act to Index the Income Tax Deduction for Pensions to the Rate of Inflation.

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND, Clerk

Presented by Representative McDONOUGH of Portland.

Cosponsored by Representatives: BAKER of Bangor, CARR of Lincoln, FISHER of Brewer, MAILHOT of Lewiston, McGOWAN of Pittsfield, McKEE of Wayne, USHER of Westbrook, Senator: O'GARA of Cumberland.

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

2
4 **Sec. 1. 36 MRSA §5122, sub-§2, ¶L**, as amended by PL 1999, c.
6 708, §35 and c. 731, Pt. S, §2 and affected by §4 and amended by
 c. 790, Pt. A, §49, is repealed and the following enacted in its
 place:

8 L. For income tax years beginning on or after January 1,
10 2000, an amount equal to the total premiums spent for
12 qualified long-term care insurance contracts as defined in
14 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 5125;

16 **Sec. 2. 36 MRSA §5122, sub-§2, ¶M**, as enacted by PL 1999, c.
18 708, §36 and c. 731, Pt. S, §3 and affected by §4, is repealed
 and the following enacted in its place:

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

22 (1) Six thousand dollars; or

24 (2) The aggregate of benefits received under employee
26 retirement plans and included in federal adjusted gross
 income.

28 For purposes of this paragraph, "employee retirement plan"
30 means a state, federal or military retirement plan or any
32 other retirement benefit plan established and maintained by
34 an employer for the benefit of its employees under the Code,
 Section 401(a), Section 403 or Section 457(b) or any other
 retirement plan recognized by the Code; and

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

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

42 **Sec. 4. 36 MRSA §5403**, as repealed and replaced by PL 1999,
 c. 731, Pt. T, §10 and affected by §11, is amended to read:

44 **§5403. Annual adjustments for inflation**

46 Beginning in 2002, and each subsequent calendar year
48 thereafter, on or about September 15th, the State Tax Assessor
 shall multiply the cost-of-living adjustment for taxable years
 beginning in the succeeding calendar year by the dollar amounts

2 of the tax rate tables specified in section 5111, subsections
1-B, 2-B and 3-B and section 5122, subsection 2, paragraph M,
4 subparagraph (1). If the dollar amounts of each rate bracket,
adjusted by application of the cost-of-living adjustment, are not
6 multiples of \$50, any increase must be rounded to the next lowest
multiple of \$50. If the cost-of-living adjustment for any
8 taxable year is 1.000 or less, no adjustment may be made for that
taxable year in the dollar bracket amounts of the tax rate
10 tables. The assessor shall incorporate such changes into the
income tax forms, instructions and withholding tables for the
taxable year.

12
14 **Sec. 5. Application.** That section of this Act that amends the
Maine Revised Statutes, Title 36, section 5122, subsection 2,
16 paragraph M applies to tax years beginning on or after January 1,
2001.

18
20 **SUMMARY**

22 Current law exempts from the state income tax the first
\$6,000 of income received from certain public, private and
24 military pensions.

26 This bill adjusts the amount of the deduction by the rate of
inflation and makes the deduction applicable to all pension plans
as long as the pension plan is recognized by the United States
28 Internal Revenue Code.

30 This bill also corrects a conflict created by Public Law
1999, chapters 708 and 731, each of which enacted the Maine
32 Revised Statutes, Title 36, section 5122, subsection 2, paragraph
M. This bill resolves the conflict by reallocating one of the
34 new paragraphs to be Title 36, section 5122, subsection 2,
paragraph N.