

# MAINE STATE LEGISLATURE

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# 120th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2001

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Legislative Document

No. 785

S.P. 220

In Senate, February 13, 2001

**An Act to Promote Capital Formation and Investment.**

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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 TURNER of Cumberland.  
Cosponsored by Representative TOBIN of Windham and  
Senators: SHOREY of Washington, YOUNGBLOOD of Penobscot, Representatives:  
LAVERRIERE-BOUCHER of Biddeford, FOSTER of Gray.

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

2  
3       **Sec. 1. 36 MRSA §5122, sub-§2, ¶L**, as amended by PL 1999, c.  
4 708, §25; c. 731, Pt. S, §2 and affected by §4; and amended by c.  
5 790, Pt. A, §49, is repealed and the following enacted in its  
6 place:

7       L. For income tax years beginning on or after January 1,  
8 2000, an amount equal to the total premiums spent for  
9 qualified long-term care insurance contracts as defined in  
10 the Code, Section 7702B(b), as long as the amount subtracted  
11 is reduced by the long-term care premiums claimed as an  
12 itemized deduction pursuant to section 5125;

13       **Sec. 2. 36 MRSA §5122, sub-§2, ¶M**, as enacted by PL 1999, c.  
14 708, §36 and c. 731, Pt. S, §3 and affected by §4, is repealed  
15 and the following enacted in its place:

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

18               (1) Six thousand dollars reduced by the total amount  
19 of social security benefits and railroad retirement  
20 benefits paid by the United States, but not less than  
21 \$0; or

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

25       For purposes of this paragraph, "employee retirement plan"  
26 means a state, federal or military retirement plan or any  
27 other retirement benefit plan established and maintained by  
28 an employer for the benefit of its employees under Section  
29 401(a), Section 403 or Section 457(b) of the Code.  
30 "Employee retirement plan" does not include an individual  
31 retirement account under Section 408 of the Code, a Roth IRA  
32 under Section 408A of the Code, a rollover individual  
33 retirement account, a simplified employee pension under  
34 Section 408(k) of the Code or an ineligible deferred  
35 compensation plan under Section 457(f) of the Code; and

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

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

40       O. One-half of the amount of net long-term capital gains.

2           **Sec. 4. 36 MRSA §5200-A, sub-§2, ¶J**, as amended by PL 1999, c.  
4       708, §40, is further amended to read:

6           J. An amount equal to an income tax refund to the taxpayer  
8       by this State or another state of the United States that is  
      included in that taxpayer's federal taxable income for the  
      taxable year under the Code, but only to the extent that:

10                   (1) Maine net income is not reduced below zero; and

12                   (2) The amount to be refunded from this State or  
14                   another state of the United States has not been  
      previously used as a modification pursuant to this  
      subsection.

16           If this modification amount results in Maine net income that  
18       is less than zero for the taxable year, the negative  
20       modification amount may be carried back or forward in the  
      same manner as a net operating loss deduction carry-back or  
22       carry-forward to a taxable year that is within the allowable  
      federal period for a carry-back or carry-forward, subject to  
      the above limitations; and

24           **Sec. 5. 36 MRSA §5200-A, sub-§2, ¶K**, as enacted by PL 1999, c.  
26       708, §41, is amended to read:

28           K. Interest or dividends on obligations or securities of  
30       this State and its political subdivisions and authorities to  
      the extent included in federal taxable income; and

32           **Sec. 6. 36 MRSA §5200-A, sub-§2, ¶L** is enacted to read:

34           L. One-half of the amount of net long-term capital gains.

36           **Sec. 7. Application.** This Act applies to tax years beginning  
38       on or after January 1, 2001.

#### 40                                   SUMMARY

42           This bill proposes to exclude from income tax 1/2 of net  
44       long-term capital gains.

46           This bill also corrects a conflict created by Public Law  
48       1999, chapters 708 and 731, each of which enacted a new Maine  
      Revised Statutes, Title 36, section 5122, subsection 2, paragraph  
50       M. This bill resolves the conflict by reallocating one of the  
      new paragraphs to be the Maine Revised Statutes, Title 36,  
      section 5122, subsection 2, paragraph N.