

MAINE STATE LEGISLATURE

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TAXATION

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STATE OF MAINE
SENATE
120TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 242, L.D. 810, Bill, "An Act to Amend the Laws Governing the Deduction of Pension and Retirement Benefits from State Income Tax"

Amend the bill by striking out all of sections 1 to 3 and inserting in their place the following:

Sec. 1. 36 MRSA §5122, sub-§2, ¶M, as amended by PL 2001, c. 396, §34 and affected by §50, is further amended to read:

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

(1) Six-thousand-dollars-reduced-by-the-total-amount of-the-primary-recipient's-social-security-benefits-and railroad-retirement-benefits-paid-by-the-United-States, but-not-less-than-\$0. The following amounts reduced by the total amount of the primary recipient's social security benefits and railroad retirement benefits paid by the United States, but not less than \$0, for each tax year beginning in the following years. The reduction does not apply to benefits paid under a military retirement plan-er:

(a) 2002, \$8,000;

(b) 2003, \$9,000;

(c) 2004, \$10,000;

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- 2 (d) 2005, \$11,000;
- 4 (e) 2006, \$12,000;
- 6 (f) 2007, \$13,000;
- 8 (g) 2008, \$14,000;
- 10 (h) 2009, \$15,000;
- 12 (i) 2010, \$16,000;
- 14 (j) 2011, \$17,000; and
- 16 (k) 2012 and after, \$20,000; or

18 (2) The aggregate of benefits received by the primary
20 recipient under employee retirement plans and included
in federal adjusted gross income.

22 For purposes of this paragraph, "employee retirement plan"
24 means a state, federal or military retirement plan or any
other retirement benefit plan established and maintained by
26 an employer for the benefit of its employees under Section
401(a), Section 403 or Section 457(b) of the Code.
28 "Employee retirement plan" does not include an individual
retirement account under Section 408 of the Code, a Roth IRA
30 under Section 408A of the Code, a rollover individual
retirement account, a simplified employee pension under
32 Section 408(k) of the Code or an ineligible deferred
compensation plan under Section 457(f) of the Code. For
34 purposes of this paragraph, "military retirement plan" means
benefits received as a result of service in the active or
36 reserve components of the Army, Navy, Air Force, Marines or
Coast Guard. For purposes of this paragraph, "primary
38 recipient" means the pension recipient upon whose earnings
the pension is based or the surviving spouse of such a
person;'

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42 Further amend the bill in section 4 in the first 2 lines
(page 2, lines 41 and 42 in L.D.) by striking out the following:
44 "repeals and replaces" and inserting in its place the following:
'amends'

46 Further amend the bill by relettering or renumbering any
48 nonconsecutive Part letter or section number to read
consecutively.

2 Further amend the bill by inserting at the end before the
summary the following:

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FISCAL NOTE

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2002-03

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REVENUES

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General Fund (\$6,966,283)

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Other Funds (382,117)

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The increase to the maximum allowable deduction for certain pensions from \$6,000 to \$8,000 for tax year 2002 and increasing \$1,000 annually until the maximum reaches \$20,000 in 2012 will decrease individual income tax collections by \$7,348,400 in fiscal year 2002-03. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in that year by \$382,117. The resulting net reduction of General Fund revenue will be \$6,966,283 in fiscal year 2002-03. The estimated total decrease in individual income tax in fiscal year 2003-04 and fiscal year 2004-05 is \$7,858,200 and \$10,251,000, respectively.

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The additional costs associated with administering the above tax change can be absorbed by the Bureau of Revenue Services utilizing existing budgeted resources.'

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SUMMARY

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This amendment makes corrections to clarify the intent of the original bill and adds a fiscal note.