

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 810

S.P. 242

In Senate, February 15, 2001

An Act to Amend the Laws Governing the Deduction of Pension and Retirement Benefits from State Income Tax.

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 GAGNON of Kennebec.
Cosponsored by Representative COLWELL of Gardiner and
Senators: BROMLEY of Cumberland, DAGGETT of Kennebec, LaFOUNTAIN of York,
President MICHAUD of Penobscot, TREAT of Kennebec, Representatives: FULLER of
Manchester, GREEN of Monmouth, KANE of Saco.

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

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Sec. 1. 36 MRSA §5122, sub-§2, ¶L, as amended by PL 1999, c. 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 A, §49, is repealed and the following enacted in its place:

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 5125;

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 S, §3 and affected by §4, is repealed and the following enacted in its place:

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

(1) The following amounts reduced by the total amount of social security benefits and railroad retirement benefits paid by the United States, but not less than \$0, for each tax year beginning on or after:

(a) January 1, 2002 and ending December 31, 2002, \$8,000;

(b) January 1, 2003 and ending December 31, 2003, \$9,000;

(c) January 1, 2004 and ending December 31, 2004, \$10,000;

(d) January 1, 2005 and ending December 31, 2005, \$11,000;

(e) January 1, 2006 and ending December 31, 2006, \$12,000;

(f) January 1, 2007 and ending December 31, 2007, \$13,000;

(g) January 1, 2008 and ending December 31, 2008, \$14,000;

(h) January 1, 2009 and ending December 31, 2009, \$15,000;

2 (i) January 1, 2010 and ending December 31, 2010,
 \$16,000; and

4 (j) January 1, 2011 and ending December 31, 2011,
 \$17,000.

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8 For tax years beginning January 1, 2010, the deduction
 in subparagraph (1) is equal to the amount of social
10 security income exempt from taxation under the Code
 reduced by the total amount of social security benefits
12 and railroad retirement benefits paid by the United
 States, but not less than \$0. The State Tax Assessor
14 by September 15th of each year shall determine the
 amount of the deduction and incorporate the change, if
16 any, into the income tax forms, instructions and
 withholding tables for the taxable year; or

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

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

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

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

40 **Sec. 4. Application.** That section of this Act that repeals
42 and replaces the Maine Revised Statutes, Title 36, section 5122,
 subsection 2, paragraph M applies to tax years beginning on or
44 after January 1, 2002.

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SUMMARY

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4 Current law provides a deduction from the state income tax
for the first \$6,000 of income from certain public, private and
military pensions.

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8 This bill increases the deduction to \$8,000 beginning
January 1, 2002 and \$1,000 each subsequent year until the amount
of the deduction is \$17,000; thereafter, the amount of the
10 deduction is equal to the amount of the federal tax exemption for
social security benefits.

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