

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 880

H.P. 680

House of Representatives, February 15, 2001

An Act to Increase to \$17,500 and \$35,000 the Tax Deduction for Public and Private Pensions.

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND, Clerk

Presented by Representative CLOUGH of Scarborough.
Cosponsored by President Pro Tem BENNETT of Oxford and
Representatives: BELANGER of Caribou, BUCK of Yarmouth, DAVIS of Falmouth,
GLYNN of South Portland, LOVETT of Scarborough, McKENNEY of Cumberland,
TUTTLE of Sanford, Senator: SHOREY of Washington.

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 A, §49, is repealed and the following enacted in its place: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 S, §3 and affected by §4, is repealed and the following enacted in its place: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. For income tax years beginning on or after January 1, 2001, an amount equal to the lesser of:

(1) Seventeen thousand five hundred dollars for a single individual and \$35,000 for a married couple filing a joint return reduced by the total amount of social security benefits and railroad retirement benefits paid by the United States and included in federal adjusted gross income, but not less than \$0; or

(2) The aggregate of the following:

(a) Total pensions and annuities to the extent included in federal adjusted gross income;

(b) For a taxpayer at least 65 years of age, taxable interest to the extent included in federal adjusted gross income;

(c) For a taxpayer at least 65 years of age, ordinary dividends to the extent included in federal adjusted gross income; and

(d) For a taxpayer at least 65 years of age, capital gains or losses to the extent included in federal adjusted gross income.

For purposes of divisions (b), (c) and (d), a taxpayer who is at least 65 years of age during the tax year for which a return is being filed qualifies for the subtraction pursuant to those divisions.

2 For purposes of this paragraph, "single individual" means a
3 taxpayer who files as a single individual, married person
4 filing separately or head of household. For purposes of
5 this paragraph, the terms "pensions and annuities," "taxable
6 interest," "ordinary dividends" and "capital gains or
7 losses" have the same meanings as when used in a comparable
8 context in the laws of the United States relating to federal
9 income taxes.

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

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

16 **Sec. 4. Application.** That section of this Act that repeals
17 and replaces the Maine Revised Statutes, Title 36, section 5122,
18 subsection 2, paragraph M applies to tax years beginning on or
19 after January 1, 2001.

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SUMMARY

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26 This bill changes the income tax deduction for public
27 pension income from \$6,000 to \$17,500 for persons filing single
28 returns and \$35,000 for married persons filing jointly and
29 expands the deduction to include all pension and annuity income
30 and, for taxpayers at least 65 years of age, income from
31 interest, dividends and capital gains. Income from social
32 security benefits and railroad retirement benefits paid by the
33 Federal Government would continue to be exempt from the state
34 income tax.

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36 Under this bill, if the total of social security and
37 railroad retirement benefits is at least \$17,500 for persons
38 filing single returns and \$35,000 for married persons filing
39 jointly, then the taxpayer is entitled to an income modification
40 equal to the actual benefits. If the total of social security
41 and railroad retirement benefits taxed at the federal level is
42 less than \$17,500 for persons filing single returns and \$35,000
43 for married persons filing jointly, then the taxpayer also may
44 exempt from state income tax an amount, up to a maximum of
45 \$17,500 for persons filing single returns and \$35,000 for married
46 persons filing jointly, of social security and railroad
47 retirement benefits, pension and annuity income and, for
48 taxpayers at least 65 years of age, income from interest,
dividends and capital gains.

2 This bill also corrects a conflict created by Public Law
3 1999, chapters 708 and 731, each of which enacted a new Maine
4 Revised Statutes, Title 36, section 5122, subsection 2, paragraph
5 M. This bill resolves the conflict by reallocating one of the
6 new paragraphs to be the Maine Revised Statutes, Title 36,
7 section 5122, subsection 2, paragraph N.