

# MAINE STATE LEGISLATURE

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# 120th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2001

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Legislative Document

No. 939

S.P. 274

In Senate, February 20, 2001

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**An Act to Provide Tax Relief to Maine's Military Retirees.**

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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 SHOREY of Washington.  
Cosponsored by Representative DUGAY of Cherryfield and  
President Pro Tem BENNETT of Oxford, Senators: DAVIS of Piscataquis, McALEVEY of  
York, SMALL of Sagadahoc, TURNER of Cumberland, Representatives: BAGLEY of  
Machias, BUNKER of Kossuth Township, MORRISON of Baileyville.

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

2

**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 A, §49, is repealed and the following enacted in its place:

8           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;

14

**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 S, §3 and affected by §4, is repealed and the following enacted in its place:

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

20

(1) Six thousand dollars reduced by the total amount of social security benefits and railroad retirement benefits paid by the United States, but not less than \$0. The reduction does not apply to benefits paid under the Maine State Retirement System; or

26

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

30

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

44

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

46

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

5 O. An amount equal to any income derived by military  
6 retirees from a military retirement plan. For purposes of  
7 this paragraph, "military retiree" means any person who has  
8 retired from the active or reserve components of the Army,  
9 Navy, Air Force, Marines or the Coast Guard.

10 **Sec. 4. Application.** This Act applies to tax years beginning  
11 on or after January 1, 2001.

### 14 SUMMARY

15 Current law exempts from the state income tax the first  
16 \$6,000 of income received from certain public, private and  
17 military pensions; this amount is reduced by the total amount of  
18 social security and railroad benefits received.

19 This bill removes the cap on military pension benefits, thus  
20 allowing them to be fully deductible from the state income tax.

21 This bill also corrects a conflict created by Public Law  
22 1999, chapters 708 and 731, each of which enacted a new Maine  
23 Revised Statutes, Title 36, section 5122, subsection 2, paragraph  
24 M. This bill resolves the conflict by reallocating one of the  
25 new paragraphs to be the Maine Revised Statutes, Title 36,  
26 section 5122, subsection 2, paragraph N.