

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 1029

H.P. 785

House of Representatives, February 20, 2001

An Act to Amend the Law Pertaining to Tax Exemptions 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 McKEE of Wayne.
Cosponsored by Senator TREAT of Kennebec.

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, §35 and c. 731, Pt. S, §2 and affected by §4 and amended by
5 c. 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 A, §49, is repealed and the following enacted in its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 S, §3 and affected by §4, is repealed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. The reduction does not apply to benefits paid
22 under the Maine State Retirement System; or

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

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

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

38 N. Interest or dividends on obligations or securities of
39 this State and its political subdivisions and authorities to
40 the extent included in federal adjusted gross income.
41

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

6 **SUMMARY**

8
10 Current law exempts from the state income tax the first
\$6,000 of income received from certain public, private and
12 military pensions; this amount is reduced by the total amount of
social security and railroad benefits received.

14 This bill exempts from the social security benefit offset
benefits received under the Maine State Retirement System.

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