

MAINE STATE LEGISLATURE

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H. of S.

L.D. 583

DATE: 5-28-03

(Filing No. H-534)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
121ST LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 446, L.D. 583, Bill, "An Act To Amend the Laws Governing the Deduction of Pensions, Retirement Benefits and other Income from State Income Tax"

Amend the bill by inserting after the enacting clause and before section 1 the following:

'Sec. 1. 36 MRSA §1760, sub-§46, as amended by PL 1993, c. 670, §3, is repealed and the following enacted in its place:

46. Medical patients and their families. Sales to incorporated nonprofit organizations providing:

A. Temporary residential accommodations to pediatric patients suffering from critical illness or disease such as cancer or who are accident victims, to adult patients with cancer or to the families of the patients; or

B. Temporary residential accommodations or food to hospital patients or to the families of hospital patients.'

Further amend the bill in section 1 in paragraph M in the first line (page 1, line 6 in L.D.) by striking out the following: "taxpayer" and inserting in its place the following: 'individual'

Further amend the bill in section 1 in paragraph M in the 5th line (page 1, line 10 in L.D.) by striking out the following: "taxable in this State"

2 Further amend the bill in section 1 in paragraph M in
3 subparagraph (1) in the blocked paragraph in the first line (page
4 1, line 43 in L.D.) by inserting after the following:
5 "beginning" the following: 'on or after'

6
7 Further amend the bill in section 1 in paragraph M by
8 striking out all of subparagraph (2) (page 2, lines 4 to 11 in
9 L.D.) and inserting in its place the following:

10
11 '(2) The For an individual who is 65 years of age or
12 older on the last day of the taxable year, the
13 aggregate of interest, dividends, net capital gains and
14 pension benefits received by--the--primary--recipient
15 under employee retirement plans and included in the
16 individual's federal adjusted gross income modified as
17 otherwise provided by this section. Items of interest,
18 dividends and net capital gains income from jointly
19 owned accounts must be apportioned equally among owners
20 of the accounts.'

21 Further amend the bill in section 1 in paragraph M by
22 striking out all of the last blocked paragraph (page 2, lines 13
23 to 30 in L.D.) and inserting in its place the following:

24
25 'For purposes of this paragraph, "primary recipient" means
26 the individual upon whose earnings the employee retirement
27 plan benefits are based or the surviving spouse of that
28 individual and "employee retirement plan" means a state,
29 federal or military retirement plan or any other retirement
30 benefit plan established and maintained by an employer for
31 the benefit of its employees under the Code, Section 401(a),
32 Section 403 or Section 457(b) of--the--Code, except that
33 distributions made pursuant to a Section 457(b) plan are not
34 eligible for the deduction provided by this paragraph if
35 they are made prior to 55 years of age and are not part of a
36 series of substantially equal periodic payments made for the
37 life of the primary recipient or the joint lives of the
38 primary recipient and the primary recipient's designated
39 beneficiary. "Employee retirement plan" does--not--include
40 includes an individual retirement account under Section 408
41 of the Code, a Roth IRA under Section 408A of the Code, a
42 rollover individual retirement account, a simplified
43 employee pension under Section 408(k) of the Code or an
44 ineligible deferred compensation plan under Section 457(f)
45 of the Code. Benefits under an employee retirement plan do
46 not include distributions that are subject to the tax
47 imposed by the Code, Section 72(t). For--purposes--of--this
48 paragraph,---"military "Military retirement plan" means

benefits received as a result of service in the active or reserve components of the Army, Navy, Air Force, Marines or Coast Guard;

Further amend the bill by inserting after section 1 the following:

'Sec. 2. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Maine Revenue Services

Initiative: Provides funds for one Tax Examiner position and related costs as a result of the increase in the number of taxpayers who are eligible to claim the pension deduction.

General Fund	2003-04	2004-05
Positions - Legislative Count	(1.000)	(1.000)
Personal Services	\$21,451	\$45,534
All Other	\$6,955	\$3,755
General Fund Total	\$28,406	\$49,289

Further amend the bill in section 2 in the first line (page 2, line 32 in L.D.) by striking out the following: This Act and inserting in its place the following: 'That portion of this Act that amends the Maine Revised Statutes, Title 36, section 5122, subsection 2, paragraph M'

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

SUMMARY

This amendment makes technical corrections to accomplish the intent of the bill and to avoid a conflict with other legislation. It also adds a sales tax exemption for sales to nonprofit organizations providing food or lodging to hospital patients or their families. It also adds an appropriation section to the bill.

FISCAL NOTE REQUIRED (See attached)

**121st Maine Legislature
Office of Fiscal and Program Review**

**LD 583**

**An Act To Amend the Laws Governing the Deduction of Pensions,
Retirement Benefits and Other Income from State Income Tax**

LR0251(02)

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
Net Cost (Savings)				
General Fund	\$12,365,406	\$14,284,289	\$16,167,753	\$17,118,341
Appropriations/Allocations				
General Fund	\$28,406	\$49,289	\$51,753	\$54,341
Revenue				
General Fund	(\$12,337,000)	(\$14,235,000)	(\$16,116,000)	(\$17,064,000)
Other Special Revenue Funds	(\$663,000)	(\$765,000)	(\$884,000)	(\$936,000)

Fiscal Detail and Notes

The revenue amounts above reflect the loss of income tax revenue that results from increasing the maximum allowable deduction for pension income. The Other Special Revenue shown is the reduction in money transferred to the Local Government Fund for state-municipal revenue sharing attributable to the lower tax collections. The amended bill also expands a sales and use tax exemption to certain nonprofit organizations. The decrease in sales and use tax collections is expected to be minor.

This bill includes a General Fund appropriation of \$28,406 in fiscal year 2003-04 and \$49,289 in fiscal year 2004-05 for Maine Revenue Services for the administrative costs associated with the increase in the pension deduction.