

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 583

H.P. 446

House of Representatives, February 11, 2003

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

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 Representative CRESSEY of Baldwin, Senator BENNETT of Oxford and
Representatives: ANDREWS of York, BOWLES of Sanford, CARR of Lincoln, DAVIS of
Falmouth, DUGAY of Cherryfield, JOY of Crystal, MURPHY of Kennebunk, Senator:
STANLEY of Penobscot.

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

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4 **Sec. 1. 36 MRSA §5122, sub-§2, ¶M**, as amended by PL 2001, c. 396, §34 and affected by §50, is further amended to read:

6 M. ~~An amount,--for~~ For each taxpayer who is a primary recipient of benefits under an employee retirement plan or who is 65 years of age or older on the last day of the taxable year who has interest, dividends or net capital gains taxable in this State that are included in federal adjusted gross income modified as otherwise provided by this section, an amount that is the lesser of:

14 (1) ~~Six thousand dollars reduced by the total amount of the primary recipient's social security benefits and railroad retirement benefits paid by the United States, but not less than \$0~~ The following amounts reduced by the total amount of the primary recipient's social security benefits and railroad retirement benefits paid by the United States, but not less than \$0, for each tax year beginning in the following years. The reduction does not apply to benefits paid under a military retirement plan~~er~~:

24 (a) 2003, \$8,000;

26 (b) 2004, \$9,000;

28 (c) 2005, \$10,000;

30 (d) 2006, \$11,000;

32 (e) 2007, \$12,000;

34 (f) 2008, \$13,500;

36 (g) 2009, \$15,000;

38 (h) 2010, \$16,500; and

40 (i) 2011, \$18,000.

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44 For tax years beginning January 1, 2012, the deduction under this subparagraph is equal to the amount of the maximum social security benefit reduced by the total amount of social security benefits and railroad retirement benefits actually received by the taxpayer, but not less than \$0. The State Tax Assessor by September 15th of each year shall determine the amount of the deduction and incorporate the change, if any,

2 into the income tax forms, instructions and withholding
3 tables for the taxable year; or

4 (2) The taxpayer's aggregate of interest, dividends,
5 net capital gains taxable in this State and pension
6 benefits received by as the primary recipient under
7 employee retirement plans and included in federal
8 adjusted gross income modified as otherwise provided by
9 this section. Items of interest, dividends and net
10 capital gains income from jointly owned accounts must
11 be apportioned equally among owners of the accounts.

12 For purposes of this paragraph, "employee retirement plan"
13 means a state, federal or military retirement plan or any
14 other retirement benefit plan established and maintained by
15 an employer for the benefit of its employees under Section
16 401(a), Section 403 or Section 457(b) of the Code.
17 ~~"Employee-retirement-plan"-does-not-include,~~ an individual
18 retirement account under Section 408 of the Code, a Roth IRA
19 under Section 408A of the Code, a rollover individual
20 retirement account, a simplified employee pension under
21 Section 408(k) of the Code or an ineligible deferred
22 compensation plan under Section 457(f) of the Code. For
23 purposes of this paragraph, "military retirement plan" means
24 benefits received as a result of service in the active or
25 reserve components of the Army, Navy, Air Force, Marines or
26 Coast Guard. For purposes of this paragraph, "primary
27 recipient" means the pension recipient upon whose earnings
28 the pension is based or the surviving spouse of such a
29 person;

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31 **Sec. 2. Application.** This Act applies to tax years beginning
32 on or after January 1, 2003.
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34 SUMMARY

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37 Current law provides a deduction from the state income tax
38 for the first \$6,000 of income from certain public, private and
39 military pensions.
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41 This bill increases the deduction to \$8,000 for tax years
42 beginning January 1, 2003 and then by \$1,000 each subsequent year
43 until 2008. Beginning with tax years beginning January 1, 2008,
44 the deduction is increased by \$1,500 per year until 2012, when
45 the amount of the deduction is \$18,000. Beginning with tax years
46 beginning January 1, 2012, the amount of the deduction is equal
47 to the amount of the maximum federal tax exemption for social
48 security benefits reduced by any social security benefits
49 actually received by the taxpayer. This bill also includes
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2 interest, ordinary dividends and capital gains within the
definition of retirement income included in the calculation of
the income tax deduction for retirement income if those items are
4 taxable in this State and at least one taxpayer included on the
tax return is at least 65 years of age.