

# MAINE STATE LEGISLATURE

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L.D. 1670

DATE: 3/19/04

(Filing No. H-787)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
121ST LEGISLATURE
SECOND SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1246, L.D. 1670, Bill, "An Act To Include Disability Retirement Income in Retirement Income Eligible for Tax Exemption"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

Sec. 1. 36 MRSA §5122, sub-§2, ¶M, as amended by PL 2003, c. 391, §5, is further amended to read:

M. For each individual who is a primary recipient of benefits under an employee retirement plan or an employee disability retirement plan, an amount that is the lesser of:

(1) Six thousand dollars reduced by the total amount of the individual's 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 a military retirement plan; or

(2) The aggregate of benefits under employee retirement plans and employee disability retirement plans included in the individual's federal adjusted gross income.

For purposes of this paragraph, the following terms have the following meanings. "Primary recipient" means the individual upon whose earnings the employee retirement plan

COMMITTEE AMENDMENT

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benefits or employee disability retirement plan benefits are based on the surviving spouse of that individual. "Employee retirement plan" means a state, federal or military retirement plan or any other retirement benefit plan established and maintained by an employer for the benefit of its employees under the Code, Section 401(a), Section 403 or Section 457(b), except that distributions made pursuant to a section 457(b) plan are not eligible for the deduction provided by this paragraph if they are made prior to age 55 and are not part of a series of substantially equal periodic payments made for the life of the primary recipient or the joint lives of the primary recipient and that recipient's designated beneficiary. "Employee retirement plan" does not include 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. Benefits under an employee retirement plan do not include distributions that are subject to the tax imposed by the Code, Section 72(t). "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. "Employee disability retirement plan" means a state, federal or military disability benefit retirement plan or other disability benefit retirement plan established and maintained by an employer for the benefit of its employees that provides disability retirement benefits to employees who have retired from employment on the basis of disability but have not reached normal retirement age;

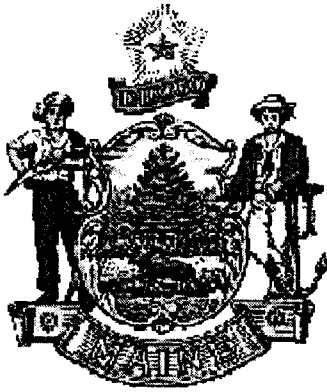
**Sec. 2. Application.** This Act applies to tax years beginning on or after January 1, 2004.'

**SUMMARY**

This amendment expands the \$6,000 income tax exemption for retirement income to include benefits under all employer-maintained disability retirement benefit plans. The amendment also adds an application section.

**FISCAL NOTE REQUIRED**  
(See attached)

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



**LD 1670**

**An Act To Include Disability Retirement Income in Retirement Income Eligible for Tax Exemption**

**LR 2235(02)**

**Fiscal Note for Bill as Amended by Committee Amendment " "**

**Committee: Taxation**

**Fiscal Note Required: Yes**

**Fiscal Note**

	<b>2003-04</b>	<b>2004-05</b>	<b>Projections 2005-06</b>	<b>Projections 2006-07</b>
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$979,051	\$2,484,168	\$2,583,535
<b>Revenue</b>				
General Fund	\$0	(\$979,051)	(\$2,484,168)	(\$2,583,535)
Other Special Revenue Funds	\$0	(\$52,615)	(\$136,262)	(\$141,713)

**Fiscal Detail and Notes**

This bill is expected to reduce income tax collections by \$1,031,666 in fiscal year 2004-05, resulting in a General Fund revenue decrease of \$979,051 and an Other Special Revenue funds decrease of \$52,615 for state-municipal revenue sharing.