

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

SECOND REGULAR SESSION-2004

Legislative Document

No. 1670

H.P. 1246

House of Representatives, December 19, 2003

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

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 203.

Received by the Clerk of the House on December 16, 2003. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative WATSON of Bath.

Cosponsored by Representatives: DUNLAP of Old Town, LEMOINE of Old Orchard Beach, PATRICK of Rumford, PELLON of Machias, SAVIELLO of Wilton, SMITH of Van Buren, Senator: MAYO of Sagadahoc.

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

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 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 and disability retirement plan 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 received by the primary recipient as disability income or under employee 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 benefits are based or the surviving spouse of that individual. "Disability retirement plan benefits" means benefits received pursuant to Title 5, chapter 423, subchapter 5, article 3 or 3-A. "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

2 reserve components of the Army, Navy, Air Force, Marines or
Coast Guard;

4
6 **SUMMARY**

8 Current law provides an exemption for the first \$6,000 of
retirement income received pursuant to a state, federal or
10 military retirement plan. This bill provides the same exemption
for the first \$6,000 of income received under a disability
12 retirement plan policy administered by the State for state
employees and teachers.