

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 319

H.P. 243

House of Representatives, January 19, 2005

An Act To Exempt Retirement and Pension Income from the State Income Tax

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative GLYNN of South Portland.

Cosponsored by Representatives: CAMPBELL of Newfield, CRESSEY of Cornish, Senator GAGNON of Kennebec and Representative: JACOBSEN of Waterboro.

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

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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, an amount that is the lesser of:

(1) ~~Si*~~ Thirty-five 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 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. "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~~ 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:

Sec. 2. Application. This Act applies to tax years beginning on or after January 1, 2005.

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SUMMARY

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6 Current law provides a deduction from the state income tax
for an amount that is the lesser of the first \$6,000 of income
8 from certain public, private and military pensions or the
aggregate of benefits received under an employee retirement plan
included in federal adjusted gross income.

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12 This bill increases the deduction for pension income to
\$35,000 for tax years beginning January 1, 2005 and broadens the
definition of "employee retirement plan" to include other
14 retirement plans such as so-called Roth IRAs and simplified
employee pension plans.