

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 356

H.P. 269

House of Representatives, January 25, 2005

**An Act To Increase the State Income Tax Exemption for Retired
Workers in the Maine State Retirement System to the Same Level as
That of Retirees under the Social Security System**

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative PARADIS of Frenchville.
Cosponsored by Senator GAGNON of Kennebec and
Representatives: ADAMS of Portland, FISHER of Brewer, GROSE of Woolwich, PATRICK
of Rumford, PILON of Saco, RINES of Wiscasset, SMITH of Van Buren, TWOMEY of
Biddeford.

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

2 **Sec. 1. 36 MRSA §5122, sub-§2, ¶M,** as amended by PL 2003, c.
4 391, §5, is further amended to read:

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

10 (1) ~~Six thousand dollars reduced by the total amount~~
12 ~~of the individual's social security benefits and~~
14 ~~railroad retirement benefits paid by the United States,~~
16 ~~but not less than \$0.~~ The maximum social security
18 benefit reduced by the total amount of the individual's
20 social security benefits and railroad retirement
22 benefits paid by the United States, but not less than
\$0, except that this reduction does not apply to
benefits paid under a military retirement plan. The
assessor by September 15th of each year shall determine
the amount of the deduction and incorporate the change,
if any, into the income tax forms, instructions and
withholding tables for the taxable year; or

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

28 For purposes of this paragraph, the following terms have the
30 following meanings. "Primary recipient" means the
32 individual upon whose earnings the employee retirement plan
34 benefits are based or the surviving spouse of that
36 individual. "Employee retirement plan" means a state,
38 federal or military retirement plan or any other retirement
40 benefit plan established and maintained by an employer for
42 the benefit of its employees under the Code, Section 401(a),
44 Section 403 or Section 457(b), except that distributions
46 made pursuant to a section 457(b) plan are not eligible for
48 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

2 distributions that are subject to the tax imposed by the
Code, Section 72(t). "Military retirement plan" means
4 benefits received as a result of service in the active or
reserve components of the Army, Navy, Air Force, Marines or
Coast Guard;

6
8 **Sec. 2. Application.** That section of this Act that amends the
Maine Revised Statutes, Title 36, section 5122, subsection 2,
10 paragraph M applies to tax years beginning on or after January 1,
2005.

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SUMMARY

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16 Current law provides a deduction from the state income tax
for the first \$6,000 of income from certain public, private and
military pensions.

18

20 This bill increases the amount of the deduction to the
amount of the maximum federal tax exemption for social security
benefits reduced by any social security benefits and railroad
22 retirement benefits actually received by the taxpayer.