

MAINE STATE LEGISLATURE

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L.D. 1158

DATE: 5/31/5

(Filing No. H-585)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
122ND LEGISLATURE
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 801, L.D. 1158, Bill, "An Act To Allow Disabled Retired State Employees To Be Eligible for a Pension Deduction under Maine Income Tax Law"

Amend the bill by striking out the title and substituting the following:

'An Act To Allow Employee Retirement Disability Benefits To Be Eligible for the Pension Deduction under Maine Income Tax Law'

Further 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 pension benefits or disability benefits under an employee 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 pension benefits and disability benefits under employee retirement plans included in the individual's federal adjusted gross income.

COMMITTEE AMENDMENT

2 For purposes of this paragraph, the following terms have the
3 following meanings. "Primary recipient" means the
4 individual upon whose earnings the employee retirement plan
5 benefits are based or the surviving spouse of that
6 individual. "Pension benefits" means employee retirement
7 plan benefits reported as pension or annuity income for
8 federal income tax purposes. "Employee retirement plan"
9 means a state, federal or military retirement plan or any
10 other retirement benefit plan established and maintained by
11 an employer for the benefit of its employees under the Code,
12 Section 401(a), Section 403 or Section 457(b), except that
13 distributions made pursuant to a ~~section~~ Section 457(b) plan
14 are not eligible for the deduction provided by this
15 paragraph if they are made prior to age 55 and are not part
16 of a series of substantially equal periodic payments made
17 for the life of the primary recipient or the joint lives of
18 the primary recipient and that recipient's designated
19 beneficiary. "Employee retirement plan" does not include an
20 individual retirement account under Section 408 of the Code,
21 a Roth IRA under Section 408A of the Code, a rollover
22 individual retirement account, a simplified employee pension
23 under Section 408(k) of the Code or an ineligible deferred
24 compensation plan under Section 457(f) of the Code.
25 Benefits Pension benefits or disability benefits under an
26 employee retirement plan do not include distributions that
27 are subject to the tax imposed by the Code, Section 72(t).
28 "Military retirement plan" means benefits received as a
29 result of service in the active or reserve components of the
30 Army, Navy, Air Force, Marines or Coast Guard;

32 SUMMARY

34 This amendment extends the \$6,000 pension deduction to
35 apply to disability benefits received under any employee
36 retirement plan.

FISCAL NOTE REQUIRED
(See attached)



122nd MAINE LEGISLATURE

LD 1158

LR 1845(02)

An Act To Allow Disabled Retired State Employees To Be Eligible for a Pension Deduction under Maine Income Tax Law

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

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
Net Cost (Savings)				
General Fund	\$1,014,843	\$2,577,701	\$2,824,878	\$2,937,873
Revenue				
General Fund	(\$1,014,843)	(\$2,577,701)	(\$2,824,878)	(\$2,937,873)
Other Special Revenue Funds	(\$54,538)	(\$138,528)	(\$154,951)	(\$161,149)

Fiscal Detail and Notes

Exempting the first \$6,000 of income received under certain disability retirement plans is expected to reduce General Fund revenue by \$1,014,843 in fiscal year 2005-06 and \$2,577,701 in fiscal year 2006-07.