MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document	No. 529
H.P. 407	House of Representatives, February 5, 2007

An Act To Encourage Newly Retired Veterans To Reside in Maine

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND
Clerk

Presented by Representative WATSON of Bath.
Cosponsored by Representatives: CLARK of Millinocket, Speaker CUMMINGS of Portland, FISHER of Brewer, PINEAU of Jay, SMITH of Monmouth.

1 **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 2005, c. 218, §53, is
3 further amended to read:

4 M. For each individual who is a primary recipient of pension benefits under an
5 employee retirement plan, the amount of military retirement benefits under a military
6 retirement plan for military personnel retiring during any tax year beginning on or
7 after January 1, 2007 to the extent included in federal adjusted gross income plus an
8 amount that is the lesser of:

9 (1) Six thousand dollars reduced by the total amount of the individual's social
10 security benefits and railroad retirement benefits paid by the United States, but
11 not less than $0. The reduction does not apply to benefits paid under a military
12 retirement plan; or

13 (2) The aggregate of pension benefits under employee retirement plans included
14 in the individual's federal adjusted gross income, excluding military retirement
15 benefits under a military retirement plan for military personnel retiring during
16 any tax year beginning on or after January 1, 2007.

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

37 **Sec. 2. Appropriations and allocations.** The following appropriations and
38 allocations are made.

39 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

40 **Maine Revenue Services 0002**

41 Initiative: Provides funds for the computer programming costs associated with the income
42 tax exemption for certain military retirement plans.

		2007-08	2008-09
1			
2	**GENERAL FUND**		
3	All Other	$10,000	$0
4			
5	GENERAL FUND TOTAL	$10,000	$0

SUMMARY

6

7   This bill exempts from the state income tax all military pension and survivors'
8 benefits for military personnel retiring on or after January 1, 2007 received by a Maine
9 resident as a result of service in the active or reserve components of the Army, Navy, Air
10 Force, Marines or Coast Guard.