

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 802

S.P. 251

February 16, 2007

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**An Act To Ensure the Income Tax for Pensions Is Applied Fairly by  
Eliminating Reductions of Social Security and Railroad Benefits**

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Received by the Secretary of the Senate on February 15, 2007. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 218.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator STRIMLING of Cumberland.

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, an amount that is the lesser of:

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

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

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

32 **Sec. 2. Application.** This Act applies to tax years beginning on or after January 1,  
33 2007.

34 **SUMMARY**

35 Under current law, in calculating a Maine resident's taxable income, the federal  
36 adjusted gross income of a resident who receives a pension may be reduced by an amount  
37 that equals \$6,000 reduced by the amount of the resident's social security or railroad  
38 benefits.

39 This bill eliminates the reduction for social security and railroad benefits.

1        This bill also eliminates references to "military retirement plan" since benefits  
2        received under such a plan are no longer an exception to the allowed reduction.