

MAINE STATE LEGISLATURE

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127th MAINE LEGISLATURE

FIRST REGULAR SESSION-2015

Legislative Document

No. 280

H.P. 198

House of Representatives, February 5, 2015

**An Act To Exempt Military Pensions and Survivor Benefits from
Maine Income Tax**

Reference to the Committee on Taxation suggested and ordered printed.

Handwritten signature of Robert B. Hunt in cursive.

ROBERT B. HUNT
Clerk

Presented by Representative GINZLER of Bridgton.
Cosponsored by Representative CAMPBELL of Orrington, Senator HAMPER of Oxford and
Representatives: DILLINGHAM of Oxford, ESPLING of New Gloucester, LYFORD of
Eddington, SIROCKI of Scarborough, VACHON of Scarborough, VEROW of Brewer,
WINSOR of Norway, Senator: BRAKEY of Androscoggin.

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

2 **Sec. 1. 36 MRSA §5122, sub-§2, ¶M-1**, as amended by PL 2013, c. 546, §13, is
3 further amended to read:

4 M-1. For tax years beginning on or after January 1, 2014, for each individual who is
5 a primary recipient of retirement plan benefits under an employee retirement plan or
6 an individual retirement account, an amount that is the lesser of the aggregate of
7 retirement plan benefits under employee retirement plans or individual retirement
8 accounts included in the individual's federal adjusted gross income and the pension
9 deduction amount reduced by the total amount of the individual's social security
10 benefits and railroad retirement benefits paid by the United States, but not less than
11 \$0. ~~The social security benefits and railroad retirement benefits reduction does not~~
12 ~~apply to benefits paid under a military retirement plan.~~

13 For purposes of this paragraph, the following terms have the following meanings.

14 (1) "Employee retirement plan" means a state, or federal ~~or military~~ retirement
15 plan or any other retirement benefit plan established and maintained by an
16 employer for the benefit of its employees under the Code, Section 401(a), Section
17 403 or Section 457(b), except that distributions made pursuant to a Section
18 457(b) plan are not eligible for the deduction provided by this paragraph if they
19 are made prior to age 55 and are not part of a series of substantially equal
20 periodic payments made for the life of the primary recipient or the joint lives of
21 the primary recipient and that recipient's designated beneficiary. "Employee
22 retirement plan" does not include a military retirement plan or survivor benefits
23 under such a plan.

24 (2) "Individual retirement account" means an individual retirement account
25 under Section 408 of the Code, a Roth IRA under Section 408A of the Code, a
26 simplified employee pension under Section 408(k) of the Code or a simple
27 retirement account for employees under Section 408(p) of the Code.

28 (3) "Military retirement plan" means retirement plan benefits received as a result
29 of service in the active or reserve components of the Army, Navy, Air Force,
30 Marines or Coast Guard.

31 (4) "Pension deduction amount" means \$10,000 for tax years beginning on or
32 after January 1, 2014.

33 (5) "Primary recipient" means the individual upon whose earnings or
34 contributions the retirement plan benefits are based or the surviving spouse of
35 that individual.

36 (6) "Retirement plan benefits" means employee retirement plan benefits, except
37 pick-up contributions for which a subtraction is allowed under paragraph E,
38 reported as pension or annuity income for federal income tax purposes and
39 individual retirement account benefits reported as individual retirement account
40 distributions for federal income tax purposes. "Retirement plan benefits" does
41 not include distributions that are subject to the tax imposed by the Code, Section
42 72(t);

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Sec. 2. 36 MRSA §5122, sub-§2, ¶M-2 is enacted to read:

M-2. For tax years beginning on or after January 1, 2015, benefits received under a military retirement plan, including survivor benefits. For the purposes of this paragraph, "military retirement plan" means retirement plan benefits received as a result of service in the active or reserve components of the Army, Navy, Air Force, Marines or Coast Guard;

Sec. 3. Application. This Act applies to tax years beginning on or after January 1, 2015.

SUMMARY

This bill provides an income tax exemption for benefits received under a military retirement plan, including survivor benefits.