An Act To Increase the Maximum Pension Deduction for State Income Tax
Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §5122, sub-§2, ¶M-2, as amended by PL 2017, c. 170, Pt. H, §3, is further amended by amending subparagraph (2), division (d) to read:

(d) "Pension deduction amount" means $10,000, except that, for tax years beginning on or after January 1, 2021 but before January 1, 2026, "pension deduction amount" means the pension deduction amount applicable to the preceding tax year increased by $5,000. For tax years beginning on or after January 1, 2026, "pension deduction amount" means $35,000.

Sec. 2. 36 MRSA §5403, sub-§7, as enacted by PL 2017, c. 474, Pt. B, §24, is amended to read:

7. Personal exemptions. Beginning in 2018 and each year thereafter, by the dollar amounts contained in section 5126-A, subsection 1, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; and

Sec. 3. 36 MRSA §5403, sub-§8, as enacted by PL 2017, c. 474, Pt. B, §24, is amended to read:

8. Personal exemption phase-out. Beginning in 2018 and each year thereafter, by the dollar amount of the applicable amounts specified in section 5126-A, subsection 2, paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; and

Sec. 4. 36 MRSA §5403, sub-§9 is enacted to read:

9. Pension deduction. Beginning in 2025 and each year thereafter, by the pension deduction amount defined in section 5122, subsection 2, paragraph M-2, subparagraph (2), division (d) with respect to tax years beginning on or after January 1, 2026, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2025.

SUMMARY

This bill increases the maximum annual income tax pension deduction amount for nonmilitary retirement pensions from $10,000 to $35,000 over a 5-year period beginning with the 2021 tax year. The $35,000 pension deduction amount that applies after the 2025 tax year is subject to an annual inflation adjustment.