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H.P. 1076

House of Representatives, April 15, 2025

An Act to Exempt Certain Income from State Income Tax

Received by the Clerk of the House on April 11, 2025. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.


ROBERT B. HUNT
Clerk

Presented by Representative ADAMS of Lebanon.

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

2 **Sec. 1. 36 MRSA §5122, sub-§2, ¶M-2**, as amended by PL 2023, c. 523, Pt. B,
3 §1, is further amended to read:

4 M-2. For tax years beginning on or after January 1, 2016 and before January 1, 2026:

5 (1) For each individual who is a primary recipient of retirement plan benefits, the
6 reduction is the sum of:

7 (a) Excluding military retirement plan benefits, an amount that is the lesser of:

8 (i) The aggregate of retirement plan benefits under employee retirement
9 plans or individual retirement accounts included in the individual's federal
10 adjusted gross income; and

11 (ii) The pension deduction amount reduced by the total amount of the
12 individual's social security benefits and railroad retirement benefits paid
13 by the United States, but not less than \$0; and

14 (b) An amount equal to the aggregate of retirement benefits under military
15 retirement plans included in the individual's federal adjusted gross income;
16 and

17 (2) For purposes of this paragraph, the following terms have the following
18 meanings.

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

28 (b) "Individual retirement account" means an individual retirement account
29 under Section 408 of the Code, a Roth IRA under Section 408A of the Code,
30 a simplified employee pension under Section 408(k) of the Code or a simple
31 retirement account for employees under Section 408(p) of the Code.

32 (c) "Military retirement plan" means retirement plan benefits received as a
33 result of service in the active or reserve components of the United States Army,
34 Navy, Air Force, Marines, Coast Guard or Space Force.

35 (d) "Pension deduction amount" means:

36 (i) For tax years beginning prior to January 1, 2022, \$10,000;

37 (ii) For tax years beginning in 2022, \$25,000;

38 (iii) For tax years beginning in 2023, \$30,000; and

39 (iv) For tax years beginning on or after January 1, 2024 and before January
40 1, 2026, the maximum annual benefit that an individual eligible to retire at
41 the retirement age, as defined in 42 United States Code, Section 416(l), as

of January 1st of the tax year may receive under the federal Social Security Act and amendments to that Act as of June 28, 2023.

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

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

Sec. 2. 36 MRSA §5122, sub-§2, ¶M-3 is enacted to read:

M-3. For tax years beginning on or after January 1, 2026:

(1) For each individual who is a primary recipient of retirement plan benefits, the reduction is the sum of:

(a) Excluding military retirement plan benefits, an amount that is the lesser of:

(i) The aggregate of retirement plan benefits under employee retirement plans or individual retirement accounts included in the individual's federal adjusted gross income; and

(ii) The pension deduction amount 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; and

(b) An amount equal to the aggregate of retirement benefits under military retirement plans included in the individual's federal adjusted gross income; and

(2) For purposes of this paragraph, the following terms have the following meanings.

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

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

(c) "Military retirement plan" means retirement plan benefits received as a result of service in the active or reserve components of the United States Army, Navy, Air Force, Marines, Coast Guard or Space Force.

(d) "Pension deduction amount" means the annual benefit that an individual receives pursuant to an employee retirement plan.

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

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