

Date:

(Filing No. S- )

**TAXATION**

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**STATE OF MAINE**

**SENATE**

**131ST LEGISLATURE**

**SECOND REGULAR SESSION**

COMMITTEE AMENDMENT “ ” to S.P. 211, L.D. 457, “An Act to Amend Maine’s Tax Laws”

Amend the bill by striking out the title and substituting the following:

**'An Act to Phase Out the Pension Deduction Under the Income Tax and to Increase the Cost-of-living Adjustment for Certain Government Retirement Benefits for Fiscal Year 2024-25'**

Amend the bill by striking out everything after the enacting clause and inserting the following:

**'Sec. 1. 5 MRSA §17806, sub-§1, ¶A,** as amended by PL 2021, c. 635, Pt. NN, §1, is further amended to read:

A. Except as provided in paragraphs A-1, A-2 ~~and~~ A-3 ~~and~~ A-4, whenever there is a percentage increase in the Consumer Price Index from July 1st to June 30th, the board shall automatically make an equal percentage increase in retirement benefits, beginning in September, up to a maximum annual increase of 3%. Effective July 1, 2011, the increase applies to that portion of the retirement benefit up to \$20,000, which amount must be indexed in subsequent years by the same percentage adjustments granted under this section. Effective July 1, 2022, the increase applies to that portion of the retirement benefit up to \$24,186.25, which amount must be indexed in subsequent years by the same percentage adjustments granted under this section.

**Sec. 2. 5 MRSA §17806, sub-§1, ¶A-4** is enacted to read:

A-4. For cost-of-living adjustments awarded under paragraph A in fiscal year 2024-25 only, the increase applies to that portion of the retirement benefit up to \$40,000.

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

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

**COMMITTEE AMENDMENT**

1           **Sec. 4. 36 MRSA §5122, sub-§2, ¶M-2**, as amended by PL 2023, c. 523, Pt. B,  
2 §1, is further amended by amending subparagraph (2), division (f) to read:

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

10           **Sec. 5. 36 MRSA §5122, sub-§2, ¶M-2**, as amended by PL 2023, c. 523, Pt. B,  
11 §1, is further amended by enacting a new subparagraph (3) to read:

12                   (3) For tax years beginning on or after January 1, 2024, the amount in  
13 subparagraph (1), division (a) must be reduced by an amount equal to the total  
14 amount in subparagraph (1), division (a) multiplied by a fraction, the numerator of  
15 which is the taxpayer's federal adjusted gross income less the applicable amount,  
16 except that the numerator may not be less than zero, and the denominator of which  
17 is \$50,000 in the case of a married individual filing a separate return and \$100,000  
18 in all other filing cases. The fraction contained in this subparagraph may not  
19 produce a result that is more than one. The applicable amount must be adjusted for  
20 inflation in accordance with section 5403, subsection 10.

21                   For purposes of this subparagraph, "applicable amount" means:

22                           (a) For individuals filing as single individuals, \$100,000;

23                           (b) For individuals filing as heads of households, \$150,000;

24                           (c) For individuals filing married joint returns or as surviving spouses,  
25 \$200,000; or

26                           (d) For married individuals filing separate returns, 1/2 of the applicable  
27 amount under division (c).

28           **Sec. 6. 36 MRSA §5403, sub-§8**, as amended by PL 2023, c. 412, Pt. ZZZ, §9, is  
29 further amended to read:

30           **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by  
31 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,  
32 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding  
33 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer  
34 Price Index for the 12-month period ending June 30th of the preceding calendar year  
35 divided by the Chained Consumer Price Index for the 12-month period ending June 30,  
36 2017; ~~and~~

37           **Sec. 7. 36 MRSA §5403, sub-§9**, as enacted by PL 2023, c. 412, Pt. ZZZ, §10, is  
38 amended to read:

39           **9. Dependent exemption tax credit amount.** Beginning in 2024 and each year  
40 thereafter, by the dollar amount of the dependent exemption tax credit under section  
41 5219-SS, except that for the purposes of this subsection, notwithstanding section 5402,  
42 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for

1 the 12-month period ending June 30th of the preceding calendar year divided by the  
 2 Chained Consumer Price Index for the 12-month period ending June 30, 2023. If the credit  
 3 amount, adjusted by application of the cost-of-living adjustment, is not a multiple of \$5,  
 4 any increase must be rounded to the next lowest multiple of \$5-; and

5 **Sec. 8. 36 MRSA §5403, sub-§10** is enacted to read:

6 **10. Income deduction for retirement plan benefits; applicable amount.** Beginning  
 7 in 2024 and each year thereafter, by the dollar amount of the applicable amounts specified  
 8 in section 5122, subsection 2, paragraph M-2, subparagraph (3), except that for the  
 9 purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-  
 10 living adjustment" is the Chained Consumer Price Index for the 12-month period ending  
 11 June 30th of the preceding calendar year divided by the Chained Consumer Price Index for  
 12 the 12-month period ending June 30, 2023.

13 **Sec. 9. Appropriations and allocations.** The following appropriations and  
 14 allocations are made.

15 **RETIREMENT SYSTEM, MAINE PUBLIC EMPLOYEES**

16 **Retirement System - Retirement Allowance Fund 0085**

17 Initiative: Provides one-time funds to pay the unfunded actuarial liability created by  
 18 providing that, for fiscal year 2024-25 only, the cost-of-living adjustment awarded to  
 19 retired state employees and teachers and their beneficiaries applies to the first \$40,000 of  
 20 the retirement benefit.

21 <b>GENERAL FUND</b>	<b>2023-24</b>	<b>2024-25</b>
22 All Other	\$0	\$39,836,000
23		
24 <b>GENERAL FUND TOTAL</b>	<b>\$0</b>	<b>\$39,836,000</b>

25  
 26 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section  
 27 number to read consecutively.

28 **SUMMARY**

29 This amendment, which is the majority report of the committee, replaces the bill, which  
 30 is a concept draft, changes the title and establishes a phase-out of the pension deduction for  
 31 nonmilitary pensions under the income tax based on the income of the taxpayer. The phase-  
 32 out begins with income over \$100,000 for individuals, \$150,000 for heads of households  
 33 and \$200,000 for married individuals filing jointly. The amendment adjusts these amounts  
 34 for inflation in future years. The amendment provides that, for the cost-of-living adjustment  
 35 awarded to retired state employees and teachers and their beneficiaries in fiscal year 2024-  
 36 25 only, which is paid in September 2024, the adjustment applies to the first \$40,000 of the  
 37 retirement benefit. Effective July 1, 2025, the increase applies to the portion that otherwise  
 38 would have been in effect absent this one-time charge.

39 **FISCAL NOTE REQUIRED**

40 **(See attached)**