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Legislative Document

No. 136

H.P. 92

House of Representatives, January 21, 2021

**An Act To Increase the Maximum Pension Deduction for State
Income Tax**

Received by the Clerk of the House on January 19, 2021. Referred to the Committee on
Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

A handwritten signature in cursive script that reads "Robert B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative HANLEY of Pittston.
Cosponsored by Senator KEIM of Oxford.

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 2017, c. 170, Pt. H,
3 §3, is further amended by amending subparagraph (2), division (d) to read:

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

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

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

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

19 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by
20 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,
21 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding
22 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer
23 Price Index for the 12-month period ending June 30th of the preceding calendar year
24 divided by the Chained Consumer Price Index for the 12-month period ending June 30,
25 2017; ~~and~~

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

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

34 SUMMARY

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