

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

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

'An Act To Provide Equity in the State Income Tax Deduction for Certain Public Employees Retirement System Pensions'

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

'Sec. 1. 36 MRSA §5122, sub-§2, ¶C-1 is enacted to read:

C-1. For tax years beginning on or after January 1, 2020:

(1) For each individual who is a primary recipient of civil service retirement plan benefits, the lesser of:

(a) The aggregate of civil service retirement plan benefits included in the individual's federal adjusted gross income; and

(b) The civil service 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;

(2) For purposes of this paragraph, "civil service pension deduction amount" means:

(a) For the tax year beginning in 2020, \$15,000;

(b) For the tax year beginning in 2021, \$20,000;

(c) For the tax year beginning in 2022, \$25,000;

(d) For the tax year beginning in 2023, \$30,000; and

(e) For tax years beginning on or after January 1, 2024, the maximum annual benefit that an individual retiring at the retirement age, as defined in 42 United States Code, Section 416(l), during January of the tax year may receive under the federal Social Security Act; and

(3) For the purposes of this paragraph, "primary recipient" and "retirement plan benefits" have the same meaning as under paragraph M-2, subparagraph (2);

Sec. 2. 36 MRSA §5122, sub-§2, ¶M-2, as amended by PL 2017, c. 170, Pt. H, §3, is further amended to read:

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

(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, and, for tax years beginning on or after January 1, 2020, also reduced by any civil service retirement plan benefits for which a subtraction is allowed under paragraph C-1, 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.

(a-1) "Civil service retirement plan benefits" means:

(i) Retirement plan benefits received under Title 5, Part 20 excluding pick-up contributions for which a subtraction is allowed under paragraph E; or

(ii) Retirement plan benefits received under a retirement plan of another state government, local government or the Federal Government as a result of service for that government.

"Civil service retirement plan benefits" does not include benefits from a military retirement plan.

(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 or Coast Guard.

(d) "Pension deduction amount" means \$10,000.

(e) "Primary recipient" means the individual upon whose earnings or contributions the retirement plan benefits, or civil service 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) or, for tax years beginning on or after January 1, 2020, civil service retirement plan benefits for which a subtraction is allowed under paragraph C-1;

Sec. 3. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Revenue Services, Bureau of 0002

Initiative: Provides one-time funding for computer programming costs to add an additional line to the individual income tax form.

GENERAL FUND	2019-20	2020-21
All Other	\$0	\$11,000
GENERAL FUND TOTAL	<hr/> \$0	<hr/> \$11,000

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

SUMMARY

This amendment establishes an income tax exemption for civil service retirement plan benefits that do not participate in the federal Social Security program in recognition of the fact that the current law provides an income exemption for all Social Security benefits in addition to a \$10,000 pension exemption for retirement plan benefits. The amendment phases in greater parity in treatment of the 2 types of pension systems by increasing the civil service pension deduction amount by \$5,000 per year until 2024 when it reaches the maximum annual benefit that an individual retiring at retirement age would receive under the federal Social Security Act.

This amendment also adds an appropriation for computer programming costs to add an additional line to the individual income tax form.

FISCAL NOTE REQUIRED **(See attached)**