

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 Increase the Maximum
Pension Deduction for State Income Tax'**

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

'Sec. 1. 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, 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 or Coast Guard.

(d) "Pension deduction amount" means \$10,000, except that, for tax years beginning on or after January 1, 2019 but before January 1, 2024, "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, 2024, "pension deduction amount" means \$35,000.

(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 §5403, sub-§§7 and 8, as enacted by PL 2017, c. 474, Pt. B, §24, are 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~~

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. 3. 36 MRSA §5403, sub-§9 is enacted to read:

9. Pension deduction. Beginning in 2023 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, 2024, 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, 2023.'

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

SUMMARY

This amendment 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 2019 tax year. The \$35,000 pension deduction amount that applies after the 2023 tax year is subject to an annual inflation adjustment.

FISCAL NOTE REQUIRED

(See attached)