



127th MAINE LEGISLATURE

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Legislative Document

No. 1070

S.P. 373

In Senate, March 24, 2015

An Act To Retain More Retirees in Maine

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Heather J.R. Priest".

HEATHER J.R. PRIEST
Secretary of the Senate

Presented by Representative SCHNECK of Bangor.
Cosponsored by Senators: BURNS of Washington, DAVIS of Piscataquis, HAMPER of
Oxford, KATZ of Kennebec, Representatives: BLACK of Wilton, HILLIARD of Belgrade.

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

2 **Sec. 1. 36 MRSA §4102, sub-§5**, as enacted by PL 2011, c. 380, Pt. M, §9, is
3 repealed and the following enacted in its place:

4 **5. Maine exclusion amount.** "Maine exclusion amount" means:

5 A. For deaths occurring before January 1, 2015, \$2,000,000;

6 B. For deaths occurring in 2015, \$3,000,000;

7 C. For deaths occurring in 2016, \$4,000,000;

8 D. For deaths occurring in 2017, \$5,000,000; and

9 E. For deaths occurring on or after January 1, 2018, an amount equal to the
10 applicable federal exclusion amount.

11 **Sec. 2. 36 MRSA §5122, sub-§2, ¶M-1**, as amended by PL 2013, c. 546, §13, is
12 further amended to read:

13 M-1. For tax years beginning on or after January 1, 2014, and before January 1,
14 2015, for each individual who is a primary recipient of retirement plan benefits under
15 an employee retirement plan or an individual retirement account, an amount that is
16 the lesser of the aggregate of retirement plan benefits under employee retirement
17 plans or individual retirement accounts included in the individual's federal adjusted
18 gross income and the pension deduction amount reduced by the total amount of the
19 individual's social security benefits and railroad retirement benefits paid by the
20 United States, but not less than \$0. The social security benefits and railroad
21 retirement benefits reduction does not apply to benefits paid under a military
22 retirement plan.

23 For purposes of this paragraph, the following terms have the following meanings.

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

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

36 (3) "Military retirement plan" means retirement plan benefits received as a result
37 of service in the active or reserve components of the Army, Navy, Air Force,
38 Marines or Coast Guard.

1 (4) "Pension deduction amount" means \$10,000 for tax years beginning on or
2 after January 1, 2014.

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

6 (6) "Retirement plan benefits" means employee retirement plan benefits, except
7 pick-up contributions for which a subtraction is allowed under paragraph E,
8 reported as pension or annuity income for federal income tax purposes and
9 individual retirement account benefits reported as individual retirement account
10 distributions for federal income tax purposes. "Retirement plan benefits" does
11 not include distributions that are subject to the tax imposed by the Code, Section
12 72(t);

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

14 M-2. For tax years beginning on or after January 1, 2015 and before January 1, 2018,
15 for each individual who is a primary recipient of retirement plan benefits under an
16 employee retirement plan or an individual retirement account, an amount that is the
17 lesser of the aggregate of retirement plan benefits under employee retirement plans or
18 individual retirement accounts included in the individual's federal adjusted gross
19 income and the pension deduction amount. For tax years beginning on or after
20 January 1, 2018, for each individual who is a primary recipient of retirement plan
21 benefits under an employee retirement plan or an individual retirement account, an
22 amount that is the aggregate of retirement plan benefits under employee retirement
23 plans or individual retirement accounts included in the individual's federal adjusted
24 gross income.

25 For purposes of this paragraph, the following terms have the following meanings.

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

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

38 (3) "Pension deduction amount" means \$10,000 for tax years beginning in 2015,
39 \$25,000 for tax years beginning in 2016 and \$40,000 for tax years beginning in
40 2017.

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

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

8 **Sec. 4. 36 MRSA §5122, sub-§2, ¶HH**, as amended by PL 2013, c. 331, Pt. C,
 9 §32, is further amended to read:

10 HH. To the extent included in federal adjusted gross income, annuity payments made
 11 to the survivor of a deceased member of the military who died as the result of service
 12 in active or reserve components of the United States Army, Navy, Air Force, Marines
 13 or Coast Guard under a survivor benefit plan or reserve component survivor benefit
 14 plan pursuant to 10 United States Code, Chapter 73 reduced by any amount claimed
 15 as a modification under paragraph M ~~or~~, M-1 or M-2;

16 **SUMMARY**

17 This bill reduces taxes for retirees by phasing out over 4 years the income tax on
 18 retirement benefit plan and individual retirement account benefits. The bill also phases in
 19 over 4 years complete conformity of the Maine estate tax with the exclusion amount
 20 under the federal estate tax.