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MAINE ASSOCIATION OF RETIREES

MAR

DATE: February 6, 2025

TO: Senator Margaret Rotundo
Senator Nicole Grohoski
Representative Drew Gattine
Representative Kristen Cloutier
Members, Committees on Appropriations and Fiscal Affairs and Taxation

FROM: William H. Laubenstein, III
President, Maine Association of Retirees

SUBJECT: Part H of LD 210, An Act Making Unified Appropriations and Allocations from the General Fund and Other Funds for the Expenditures of State Government and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2025, June 30, 2026, and June 30, 2027

Senators Rotondo and Grohoski and Representatives Gattine and Cloutier, and Members of the Committee on Appropriations and Fiscal Affairs and the Committee on Taxation. My name is William H. Laubenstein, III. I am President of the Maine Association of Retirees (MAR) whose membership includes retired State employees, educators, municipalities and other public service retirees.

MAR opposes Part H of the proposed budget. While private sector employees receiving social security income enjoy the ability to deduct most of their social security income from adjusted state income tax, most Maine public sector employees did not have that same ability with regard to MainePERS retiree income. Those employees did not contribute to social security during their years of public service. Instead, they earned future retirement benefits exclusively under the Maine Public Employee Retirement System. The maximum income tax deduction for MainePERS retirement benefits has changed several times over the years, but was always less than the maximum deduction for social security benefits. That was corrected when Title 36 M.R.S. section 5122(2) (M-2) was amended in 2023.[1] The amendment provided for a long overdue maximum deductibility of MainePERS retirement benefits—plus any social security benefits the individual may receive based on other employment—up to the deductibility limit applicable to social security benefits.

Part H proposes a formula to reduce the deductibility of state retirement benefits but not social security benefits. While this formula would apply only individuals with over $100,000 of total state adjusted income from all sources ($200,000 for married persons filing jointly), it nevertheless results in an unjustifiable reduction in retirement benefits and unwinds the well-deserved enhanced benefits enacted in 2023. For these reasons, MAR urges the Legislature to reject the proposed changes to the deduction in public retirees' pension benefits.

Leading the Way for Maine Retirees

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