

**TESTIMONY OF  
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date: *February 27, 2025*

LD 366 – “*An Act to Ensure Consistency of Income Tax Deductions for Retired  
Members of the Uniformed Services*”

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Senator Grohoski, Representative Cloutier, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am testifying at the request of the Administration Neither For Nor Against LD 366, “*An Act to Ensure Consistency of Income Tax Deductions for Retired Members of the Uniformed Services.*”

This bill expands the Maine pension income deduction by extending the definition of “military retirement plan” to include benefits received as a result of service in the active or reserve components of the United States Department of Commerce, the National Oceanic and Atmospheric Administration, and the United States Public Health Service.

It is not clear whether the bill intends to limit the deduction to the uniformed services of the United States Department of Commerce, the National Oceanic and Atmospheric Administration, and the United States Public Health Service or if the deduction is to apply more broadly. In either case, the intended recipients of the deduction should be clarified.

Currently, military retirement pay is fully exempt from Maine individual income tax. Military retirement plans include benefits received as a result of

service in the active or reserve components of the United States Army, Navy, Air Force, Marines, Coast Guard, or Space Force. The pension income deduction for non-military pension income is limited to the maximum annual benefit that an individual may receive at retirement age under the federal Social Security Act reduced by the amount of social security benefits received by the taxpayer.

The Administration notes the following technical issues:

- The bill does not contain an application date.
- The bill should clarify whether the increased pension income deduction applies only to retirees of the applicable United States Commissioned Corps of Uniformed Services, or if the increased pension income deduction applies to all retirees receiving pension benefits as a result of service performed at any of these federal agencies.
- Section 1 of the bill is unnecessary because 36 M.R.S. § 5122(2)(M) only applies to tax years beginning before January 1, 2014.

The preliminary estimated fiscal impact is a revenue loss of less than \$100,000 per year.

The preliminary estimated administrative costs are nominal and can be absorbed within current budgetary allotments.

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.