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THE MAINE SENATE  
131st Legislature

**Testimony of Senator Richard A. Bennett**

Presenting L.D. 1720, "An Act to Phase Out the Insurance Premium Tax on Annuities"  
May 11, 2023

Senator Grohoski, Representative Perry, and Members of the Joint Standing Committee on Taxation: I am Senator Rick Bennett of Oxford, and I have the honor of serving 14 communities across Androscoggin, Cumberland and Oxford Counties in western Maine in the State Senate. I am here to present L.D. 1720, "An Act to Phase Out the Insurance Premium Tax on Annuities."

For most people, Social Security payments and individual savings are not enough to support them through retirement. Annuities, the only financial product in the marketplace that can guarantee lifetime income, are an increasingly popular solution to the retirement shortfall so many see looming. As baby boomers reach retirement age and life expectancies extend, the trend over time has been to repeal annuity taxes. Phasing out the state's annuity tax will help ease Mainers' fears about paying for their retirement years.

- The existing annuity tax makes it harder for people in Maine to protect their families' financial futures and safeguard their savings.
- Maine's annuity tax places the greatest burden on small business owners, the self-employed, and workers without employer-sponsored retirement plans. These annuities are funded with after-tax dollars. Unlike retirement plan contributions, an annuity tax subjects these types of retirement plans to a second tax that is not imposed on employer-sponsored plans funded with pre-tax dollars.
- Annuities are the only retirement product that guarantees a paycheck for life, competing against non-taxed products that cannot offer this protection. Maine's annuity tax discourages and punishes those who want to guarantee to protect their families and retirement. Phasing out the annuity tax will make annuities more affordable, encouraging people to secure their retirement savings.

With LD 1720, Maine proposes to leave the small minority of states that tax annuities and join with nearly all other states in promoting retirement security. Only 7 states (California, Colorado, Florida, Maine, Nevada, South Dakota and Wyoming) continue to impose this burden on their retirees.

Those of you who served on this Committee in the 130<sup>th</sup> Legislature may recall that this same bill was introduced and received a 12-1 "Ought to Pass As Amended" Report. It was enacted under the hammer in the House and Engrossed under the hammer in the Senate, at which point it was placed on the Special Appropriations Table. I urge the Committee to give its unanimous support to LD 1720. I look forward to the opportunity to advocate for approval of this legislation at the Appropriations Committee and to see this important measure become law.