



DATE: May 18, 2023

TO: Senator Nicole Grohoski  
Representative Joseph Perry  
Members, Joint Standing Committee on Taxation

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

SUBJECT: LD 1882, An Act to Increase the Deduction from Income for Pension Benefits

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Senator Grohoski, Representative Perry and members of the Joint Standing 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, retired teachers and other public service retirees.

MAR supports LD 1882, An Act to Increase the Deduction from Income for Pension Benefits. In 2021, the Legislature recognized the impact of economic uncertainty on State public service retirees in several ways, including increasing the deduction incrementally from income for pension benefits in tax years 2022 (\$25,000), 2023 (\$30,000) and on or after 2024 (\$35,000). LD 1882, by raising the deduction for 2023 to \$35,000 and on or after January 1, 2024 to \$50,000, is an acknowledgement that the financial situation of State public service retirees continues to be precarious as they are faced with increased cost-of-living due to record high inflation.

To put LD 1882 in context, Maine does not tax Social Security benefits but does tax Maine Public Employee Retirement System (MainePERS) pension benefits. In addition, retirees receiving Social Security benefits must contend with the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) which further reduces retirement income. It should be noted too that the IRS only taxes a portion of Social Security benefits but taxes 100% of MainePERS pension benefits. MAR is fully aware that the Legislature cannot fix the GPO or the WEP but it can lessen the financial burden on retirees by enacting LD 1882.

MAR is well aware that there are several bills now before the Joint Committee on Labor and Housing that address the financial hardships facing public service retirees. Positive action on one or more of these bills along with LD 1882 would be a clear demonstration to retirees that the State of Maine appreciates the work retirees have done for the people of Maine.

Thank you for your consideration of this testimony. I would be happy to answer your questions and MAR will be available for the Work Session.

### ***Leading the Way for Maine Retirees***

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