



HOUSE OF REPRESENTATIVES

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Testimony of Rep. Maureen Terry introducing
LD 1999, An Act to Ensure the Equitable Treatment of Military Retirement Plan Income
Before the Joint Standing Committee on Taxation

Senator Grohoski, Representative Perry and esteemed colleagues on the Joint Standing Committee on Taxation, I am Rep. Maureen Terry, representing part of Gorham in House District 108. I am here today to present **LD 1999, An Act to Ensure the Equitable Treatment of Military Retirement Plan Income.**

The inspiration for this legislation came from a constituent who reached out to me after discovering that despite years of military service, he was not afforded the same benefits in his retirement plan that many former service members enjoy.

Currently, Maine law provides an exemption from state income tax for military retirement plan benefits. However, many veterans go on to other professions after serving in the military. Sometimes, former service members go on to continue to serve by working for the federal government in a non-military capacity. Unfortunately, these folks will lose out on the tax exempt status of their retirement pensions because of what is essentially a clerical issue. That tax exempt status is determined by the entity that ultimately writes the pension check. If a veteran transfers over to a non-military position, the military is no longer writing those checks, so they are no longer eligible, based on Maine's statute for that exemption. This wonky issue translates to a real loss in income for retirees.

In order to address this issue, I have proposed LD 1999, which simply provides a state income tax exemption for military retirement plan benefits that are included in a federal retirement plan. From a back-end process perspective, all that would be required is that the veteran request a form from the federal government to indicate which portion of their pension income came from the military. That portion of their pension would then be exempt from state income tax.

The current system unintentionally robs some of our veterans of the benefits that they deserve. This fix will make a meaningful difference for members of our community who have served our country and are now looking to retire with the safety and security of their full pensions.