



HONORING OUR VETERANS

Frequently Asked Questions about Maine's Veterans' Pension Income Tax Exemption

Our nation's veterans earned our respect through a career of public service and sacrifice, and Governor Paul R. LePage wants to make Maine an attractive destination for both current and future military retirees. Earlier this year, the governor proposed a comprehensive two-year budget that contained an important provision that **fully eliminated the income tax on military pensions**. Below are some frequently asked questions about this recent law change.

Q: What is the new law? A: Military pension benefits, including survivor benefits, will be completely exempt from the State of Maine's income tax beginning on January 1, 2016. With this important reform, Maine joins 22 other states that honor their veterans by not taxing their pensions.

Q: Who is eligible to claim this exemption? A: Military retirees and their survivors who receive military pension benefits as a result of service in the active or reserve components of the Army, Navy, Air Force, Marines or Coast Guard.

Q: When does it go into effect? A: January 1, 2016.

Q: How were military pensions treated previously? A: Military retirement pension payments were subject to the \$10,000 pension exemption available to all Maine taxpayers

Q: What about the \$35,000 cap? A: **There is no \$35,000 cap.** Military pensions will be fully exempt from Maine's income tax. Additionally, veterans with civilian employee retirement plans may continue to utilize the \$10,000 pension exemption for qualifying retirement plans.

Q: What about federal civilian retirees who are also retired veterans? A: To be exempt from the State of Maine's income tax, military pension payments must be made by the federal Defense Finance and Accounting Service. Military pension benefits rolled over into civilian retirement plans are eligible for only the \$10,000 exemption.

