

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND NINTH LEGISLATURE

Legislative Document

No. 170

S. P. 84

In Senate, January 24, 1979

Referred to the Committee on Taxation. Sent down for concurrence and 2,500 ordered printed.

Presented by Senator O'Leary of Oxford.

Cosponsors: Senators Usher of Cumberland, Emerson of Penobscot.

MAY M. ROSS, Secretary of the Senate

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-NINE

**AN ACT to Provide for Annual Adjustment of Key Personal Income Tax Elements
for Inflation.**

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. 36 MRSA § 5111, as amended by PL 1977, c. 686, § 7, is further amended by adding at the end, the following new paragraph:

Upon determination of the inflation adjustment factor under section 5364, the State Tax Assessor shall multiply each dollar amount set forth in this section, as adjusted in the immediately preceding tax year, by the inflation factor.

Sec. 2. 36 MRSA § 5124-A, as enacted by PL 1977, c. 477, § 17, is amended by adding at the end the following new paragraph:

Upon determination of the inflation adjustment factor under section 5364, the State Tax Assessor shall multiply each dollar amount set forth in this section, as adjusted in the immediately preceding tax year, by the inflation factor.

Sec. 3. 36 MRSA § 5126, as amended by PL 1977, c. 682, § 10, is further amended by adding at the end the following new paragraph:

Upon determination of the inflation adjustment factor under section 5364, the State Tax Assessor shall multiply each dollar amount set forth in this section, as adjusted in the immediately preceding tax year, by the inflation factor.

Sec. 4. 36 MRSA c. 841 is enacted to read:

CHAPTER 841

MAINE INCOME TAX INDEXATION ACT

§ 5361. Short title

This chapter may be cited as the "Maine Income Tax Indexation Act."

§ 5362. Findings and purpose

The income tax laws of this State, in combination with economic inflation, have caused inequitable treatment of the taxpayer because the application of the inflexible, statutorily prescribed rates of tax, standard deduction and personal exemption to increasing personal incomes has resulted in increasing the taxpayer's taxable income although the taxpayer's purchasing power has remained the same or decreased.

It is the purpose of this chapter to correct these situations by requiring that certain elements of the individual income tax structure be adjusted in accordance with annual increases in the Consumer Price Index.

§ 5363. Definitions

As used in this chapter, unless the context indicates otherwise, the following words shall have the following meanings.

1. Consumer Price Index. "Consumer Price Index" means the average over a 12-month period of the National Consumer Price Index published monthly by the Bureau of Labor Statistics, U. S. Department of Labor.

2. Inflation factor. "Inflation factor" means the ratio of the Consumer Price Index for the 12-month period ending on June 30th to the Consumer Price Index for the immediately preceding 12-month period, rounded to the nearest 1,000th.

§ 5364. Annual adjustments for inflation

The State Planning Office shall, annually by November 1st, compute the inflation factor for the most recent period ending on the preceding June 30th and shall certify it to the Governor and the Legislature.

The Legislature shall, annually by March 1st, determine an actual inflation adjustment factor for the tax year beginning the following January 1st.

The State Tax Assessor shall multiply the inflation adjustment factor determined by the Legislature by the dollar amounts of the standard deduction, and the personal exemption and by the dollar amounts of the tax rate schedule as these may have been adjusted for the preceding tax year. The dollar amounts of

the standard deduction, and the present exemption and the dollar amounts of the tax rate schedule adjusted by application of the inflation factor and rounded to the nearest dollar shall be effective for the current tax year and shall be incorporated into the income tax forms and instruction of the State Tax Assessor for each taxable year.

STATEMENT OF FACT

Indexation of the elements of the income tax provided here ensures that the taxpayer will receive, after paying taxes, the full percentage amount of any cost-of-living income increase so long as it does not exceed changes in the Consumer Price Index. This bill provides for legislative indexation, the inflation adjustment to be based on a factor computed by the State Planning Office, using figures supplied by the U. S. Department of Labor in its National Consumer Price Index. The State Tax Assessor is authorized to adjust the elements of the income tax by applying the adjustment factor.