

MAINE STATE LEGISLATURE

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1 (Governor's Bill)
2 SECOND REGULAR SESSION
3

4 ONE HUNDRED AND TENTH LEGISLATURE
5

6 **Legislative Document**

No. 2017
7

8 H. P. 2074 House of Representatives, February 23, 1982
Referred to the Committee on Taxation. Sent up for concurrence
and ordered printed.

EDWIN H. PERT, Clerk

9 Presented by Representative Post of Owl's Head.

Cosponsors: Senator Pierce of Kennebec, Senator Teague of
Somerset and Representative Benoit of South Portland.

10
11 **STATE OF MAINE**
12

13 IN THE YEAR OF OUR LORD
14 NINETEEN HUNDRED AND EIGHTY-TWO
15

16 **AN ACT to Index Annually the Standard**
17 **Deduction Provision of the Maine Personal**
18 **Income Tax and to Provide for a Statutory**
19 **Referendum.**
20

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

22 **Sec. 1. 36 MRSA §5124-A**, as enacted by PL 1977, c.
23 477, §17, is amended by adding at the end a new paragraph to
24 read:

25 The nominal dollar amounts of this section are subject
26 to annual adjustment under section 5383.

27 **Sec. 2. 36 MRSA §5143-A**, as enacted by PL 1979, c.
28 711, Pt. H, §2, is repealed and the following enacted in
29 its place:

1 §5143-A. Standard deduction

2 The standard deduction for nonresident individuals
3 shall be the same as the standard deduction allowed under
4 section 5124-A to resident individuals, multiplied by a per-
5 centage arrived at by dividing the nonresident's adjusted
6 gross income from sources within the State by the adjusted
7 gross income he would be required to report if he were a
8 resident.

9 Sec. 3. 36 MRSA c. 841 is enacted to read:

10 CHAPTER 841

11 INFLATION ADJUSTMENTS

12 §5381. Findings and purpose

13 The income tax laws of this State, in combination with
14 inflation, have caused inequitable treatment of the tax-
15 payer. Personal income has risen with inflation but the
16 value of the standard deduction has remained constant. As a
17 result, the taxable incomes of most taxpayers have risen
18 while their real purchasing power has remained the same or
19 decreased. The purpose of this chapter is to help correct
20 this situation by requiring that the value of the standard
21 deduction be adjusted in accordance with annual increases in
22 the Personal Consumption Expenditure Index.

23 §5382. Definitions

24 As used in this chapter, unless the context otherwise
25 indicates, the following terms have the following meanings.

26 1. Inflation factor. "Inflation factor" for a given
27 taxable year means the ratio, rounded to the nearest
28 1/1,000, of the Personal Consumption Expenditure Index for
29 the quarter ending June 30th of the calendar year in which
30 the taxable year begins to the Personal Consumption Expendi-
31 ture Index for the quarter ending June 30th of the preceding
32 year, provided that the inflation factor shall not be less
33 than 1.000.

34 2. Personal Consumption Expenditure Index. "Personal
35 Consumption Expenditure Index" means the National Personal
36 Consumption Expenditure Implicit Price Deflator Index,
37 seasonally adjusted, published quarterly by the Bureau of
38 Economic Analysis, United States Department of Commerce. No
39 other inflation factor shall be employed for computing any
40 amount due from any taxpayer pursuant to the Maine Income
41 Tax Law.

1 §5383. Annual adjustments

2 For each taxable year beginning on or after January 1,
3 1982, the State Tax Assessor shall multiply the inflation
4 factor for that taxable year by the dollar amounts of the
5 standard deduction, as provided in section 5124-A, and as
6 adjusted under this chapter for the immediately preceding
7 taxable year. The resulting dollar amounts, rounded to the
8 nearest \$50, shall be used as the standard deduction for
9 that taxable year.

10 **Sec. 4. Statutory referendum procedure; submission at**
11 **statewide election; effective date.** This Act shall be sub-
12 mitted to the legal voters of the State of Maine at the next
13 general election in the month of November following passage
14 of this Act. The city aldermen, town selectmen and
15 plantation assessors of this State shall notify the inhabi-
16 tants of their respective cities, towns and plantations to
17 meet, in the manner prescribed by law for holding a state-
18 wide election, to vote on the acceptance or rejection of
19 this Act by voting on the following question:

20 "Shall the standard deduction provision of the Maine
21 Personal Income Tax be indexed annually?"

22 The legal voters of each city, town and plantation
23 shall vote by ballot on this question, and shall designate
24 their choice by a cross or check mark placed within a corre-
25 sponding square below the word "Yes" or "No." The ballots
26 shall be received, sorted, counted and declared in open
27 ward, town and plantation meetings and returns made to the
28 Secretary of State in the same manner as votes for members
29 of the Legislature. The Governor shall review the returns,
30 and, if it appears that a majority of the legal votes are in
31 favor of the Act, the Governor shall proclaim that fact
32 without delay, and the Act shall become effective 30 days
33 after the date of the proclamation.

34 The Secretary of State shall prepare and furnish to
35 each city, town and plantation all ballots, returns and
36 copies of this Act necessary to carry out the purpose of
37 this referendum.

1

STATEMENT OF FACT

2 The purpose of this bill is to provide for annual ad-
3 justment of the standard deduction according to the annual
4 increase in the United States Personal Consumption Expendi-
5 ture Index.

6 The following funds will reflect estimated revenue
7 losses.

8		<u>1982-83</u>
9	General Fund	\$960,000
10	Local Government Fund	40,000

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