

MAINE STATE LEGISLATURE

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(EMERGENCY)

FIRST REGULAR SESSION

ONE HUNDRED AND ELEVENTH LEGISLATURE

Legislative Document No. 126

H.P. 137 House of Representatives, January 10, 1983

Received by the Clerk of the House on January 10, 1983. Referred to the Committee on Taxation, and ordered printed pursuant to Joint Rule 14.

EDWIN H. PERT, Clerk

Presented by Representative Higgins of Scarborough.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND EIGHTY-THREE

**AN ACT to Delay the Implementation of
Income Tax Indexing and Compensate
Municipalities for Revenue Losses Resulting
from Indexing.**

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the People of the State of Maine have by referendum, approved a measure to index the state income tax to account for inflation; and

Whereas, that measure becomes effective on January 15, 1983; and

Whereas, the measure is retroactive to 1981 and requires the refunding of certain taxes; and

1 Whereas, there is not sufficient time for the
2 Legislature to consider adequately the means of
3 financing these refunds; and

4 Whereas, in the judgment of the Legislature,
5 these facts create an emergency within the meaning of
6 the Constitution of Maine and require the following
7 legislation as immediately necessary for the preser-
8 vation of the public peace, health and safety; now,
9 therefore,

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

12 Sec. 1. 1982, I.B. 2, as approved by the people
13 November 2, 1982, is repealed.

14 Sec. 2. 30 MRSA §5055, sub-§5, as repealed and
15 replaced by PL 1981, c. 522, §§1 and 2, is amended to
16 read:

17 5. Treasurer of State. An amount equal to 4%
18 4.5% of the receipts from the taxes imposed under
19 Title 36, Parts 3 and 8, and credited to the General
20 Fund, plus an amount equal to \$237,000 of the
21 receipts from the tax imposed under Title 36, Part 3,
22 shall be transferred by the Treasurer of State to the
23 Local Government Fund on the first day of each month,
24 beginning July 1, 1983.

25 The Treasurer of State shall distribute the balance
26 in the Local Government Fund on the 20th day of each
27 month, beginning July 20, 1983.

28 Sec. 3. 36 MRSA §5111, as amended by PL 1977, c.
29 686, §7, is further amended by adding at the end a
30 new paragraph to read:

31 The nominal dollar amounts of this section are
32 subject to annual adjustment under section 5403.

33 Sec. 4. 36 MRSA §5124-A, as enacted by PL 1977,
34 c. 477, §17, is amended by adding at the end a new
35 paragraph to read:

1 §5502. Definitions

2 As used in this chapter, unless the context indi-
3 icates otherwise, the following terms have the follow-
4 ing meanings.

5 1. Consumer Price Index. "Consumer Price Index"
6 means the average over a 12-month period of the
7 National Consumer Price Index, not seasonally adjust-
8 ed, published monthly by the United States Department
9 of Labor, Bureau of Labor Statistics, designated as
10 the "National Consumer Price Index for all Urban Con-
11 sumers - United States City Average."

12 2. Percentage adjustment factor. "Percentage ad-
13 justment factor" means 1/2 of the percentage increase
14 in the Consumer Price Index for the 12-month period
15 ending June 30th of the current taxable year over the
16 Consumer Price Index for the 12-month period ending
17 June 30th of the immediately preceding taxable year,
18 expressed as a decimal rounded to the nearest
19 1/1,000.

20 3. Inflation factor. "Inflation factor" means the
21 percentage adjustment factor, plus one. The inflation
22 factor for any taxable year shall not exceed 1.070.

23 §5503. Annual adjustments for inflation

24 On or about September 15th of each taxable year,
25 the State Tax Assessor shall multiply the inflation
26 factor for that taxable year by the dollar amounts of
27 both the standard deduction and the personal exemp-
28 tion as adjusted under this chapter in the immedi-
29 ately preceding taxable year. The State Tax Assessor
30 shall also multiply the inflation factor by certain
31 dollar bracket amounts in the tax rate schedule for
32 each filing status, as follows.

33 1. Single individuals and married persons filing
34 separate returns. The inflation factor shall be
35 multiplied by the dollar bracket amounts, as adjusted
36 under this chapter in the immediately preceding tax-
37 able year, on the tax rate schedule for single indi-
38 viduals and married persons filing separate returns,
39 up to and including the dollar bracket amount for
40 taxable income not over \$15,000, as adjusted. In ad-

1 dition, the inflation factor shall be multiplied by
2 the dollar bracket amount for taxable income of
3 \$15,000, as adjusted.

4 2. Heads of households. The inflation factor
5 shall be multiplied by the dollar bracket amounts, as
6 adjusted under this chapter in the immediately pre-
7 ceding taxable year, on the tax rate schedule for
8 unmarried or legally separated taxpayers who qualify
9 as heads of household, up to and including the dollar
10 bracket amount for taxable income not over \$22,500,
11 as adjusted. In addition, the inflation factor shall
12 be multiplied by the dollar bracket amount for tax-
13 able income of \$22,500, as adjusted.

14 3. Married taxpayers and others filing joint
15 returns. The inflation factor shall be multiplied by
16 the dollar bracket amounts, as adjusted under this
17 chapter in the immediately preceding taxable year, on
18 the tax rate schedule for married taxpayers and
19 widows and widowers filing joint federal returns, up
20 to and including the dollar bracket amount for tax-
21 able income not over \$30,000, as adjusted. In addi-
22 tion, the inflation factor shall be multiplied by the
23 dollar bracket amount for taxable income of \$30,000,
24 as adjusted.

25 The dollar amounts of the standard deduction, the
26 personal exemption and the dollar bracket amounts
27 listed in this section, adjusted by application of
28 the inflation factor and rounded to the nearest \$100,
29 shall be effective for the then current taxable year
30 and shall be incorporated into the income tax forms
31 and instructions of the State Tax Assessor for that
32 taxable year.

33 If the inflation factor for any taxable year is
34 1.000 or less, no adjustment shall be made for that
35 taxable year and the dollar amounts of the standard
36 deductions, personal exemption and the dollar bracket
37 amounts of the tax rate schedules listed in this
38 section shall remain at the prior taxable year's
39 level.

40 §5504. Credits

1 its for 1983 and 1984 tax years. It provides for
2 refunds for taxpayers who do not file a return for
3 1983 and 1984. It also increases municipal revenue
4 sharing funds to alleviate the local effects of
5 indexing.

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