122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document	**No. 782**
H.P. 559	House of Representatives, February 15, 2005

An Act To Provide a Capital Gains Tax Exemption for the Sale of a Business or Unimproved Property for a Taxpayer 50 Years of Age or Older

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND
Clerk

Presented by Representative SCHATZ of Blue Hill.
Cosponsored by Representatives: CLARK of Millinocket, PILON of Saco, SAVIELLO of Wilton, THOMPSON of China.

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

Sec. 1. 36 MRSA §5122, sub-§2, ¶Q, as corrected by RR 2003, c. 1, §38, is amended to read:

Q. A fraction of any amount previously added back by the taxpayer to federal adjusted gross income pursuant to subsection 1, paragraph N.

(1) With respect to property first placed in service during taxable years beginning in 2002, the adjustment under this paragraph is available for each year during the recovery period, beginning 2 years after the beginning of the taxable year during which the property was first placed in service. The fraction is equal to the amount added back under subsection 1, paragraph N with respect to the property, divided by the number of years in the recovery period minus 2.

(2) With respect to all other property, for the taxable year immediately following the taxable year during which the property was first placed in service, the fraction allowed by this paragraph is equal to 5% of the amount added back under subsection 1, paragraph N with respect to the property. For each subsequent taxable year during the recovery period, the fraction is equal to 95% of the amount added back under subsection 1, paragraph N with respect to the property, divided by the number of years in the recovery period minus 2.

In the case of property expensed pursuant to Section 179 of the Code, the term "recovery period" means the recovery period that would have been applicable to the property had Section 179 not been applied; ~~and~~

Sec. 2. 36 MRSA §5122, sub-§2, ¶T, as amended by PL 2003, c. 705, §12 and affected by §14, is further amended to read:

T. For income tax years beginning on or after January 1, 2002 and before January 1, 2004, an amount equal to the total premiums spent for long-term care insurance policies certified under Title 24-A, section 5075-A as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to section 5125.

For income tax years beginning on or after January 1, 2004, an amount equal to the total premiums spent for qualified long-term care insurance contracts certified under Title 24-A, section 5075-A, as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(1) and by the long-term care premiums claimed as an itemized deduction pursuant to section 5125~~,~~; and

Sec. 3. 36 MRSA §5122, sub-§2, ¶U is enacted to read:

U. For income tax years beginning on or after January 1, 2006, an amount equal to the total capital gains realized from the sale of a business or the sale of unimproved property as long as at least one taxpayer listed on the income tax return is 50 years of age or older on December 31st of the tax year. The amount subtracted pursuant to this paragraph must be reduced by any amount claimed as a deduction for federal income tax purposes. The total aggregate amount subtracted pursuant to this paragraph may not exceed $500,000 per taxpayer.

SUMMARY

This bill exempts from the individual income tax capital gains associated with the sale of a business or unimproved real or personal property if the taxpayer is 50 years of age or older. It also establishes a lifetime exemption limit of $500,000 per taxpayer.