

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

OMC
ROPS

11/14/19

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

L.D. 104

Date: 11/14/19

MAJORITY

(Filing No. S-207)

TAXATION

Reproduced and distributed under the direction of the Secretary of the Senate.

**STATE OF MAINE
SENATE
129TH LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT "A" to S.P. 31, L.D. 104, Bill, "An Act To Expand the Earned Income Tax Credit in Maine"

Amend the bill by striking out the title and substituting the following:

'An Act To Replace the Earned Income Tax Credit with the Maine Work Credit'

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 26 MRSA §42-C is enacted to read:

§42-C. Notification regarding certain income tax credit eligibility

1. Bureau to provide poster or notice. The bureau shall produce and furnish to employers posters or notices in printed form that state that an employee may be eligible for the federal earned income tax credit under the Internal Revenue Code of 1986 and the Maine work credit under Title 36, section 5219-TT and that the employee may apply for the tax credits on the employee's income tax returns.

2. Employer to post notice. An employer shall post and keep posted in a place accessible to the employer's employees a copy of the printed poster or notice furnished by the bureau. An employer who violates this section is subject to the same penalties set forth in section 42-B, subsection 3.

Sec. 2. 36 MRSA §5219-S, sub-§5 is enacted to read:

5. Application. This section applies to tax years beginning before January 1, 2020.

Sec. 3. 36 MRSA §5219-TT is enacted to read:

§5219-TT. Maine work credit

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Eligible caregiver" means a resident individual who claims as a dependent:

COMMITTEE AMENDMENT

ROFS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38

- (1) A qualifying child who is less than 6 years of age; or
- (2) A relative who is at least 70 years of age or who is permanently and totally disabled as defined in the Code, Section 22(e)(3) and who is claimed as a dependent on an eligible individual's tax return.

B. "Eligible individual" means:

- (1) An individual who is eligible for a federal earned income credit; or
- (2) An individual who is at least 18 years of age and less than 25 years of age who does not have a qualifying child.

C. "School" means an institution that has a regular teaching staff, courses of study and a regular student body and that:

- (1) Provides regular full-time education for children from kindergarten to grade 12;
- (2) Is a college or university;
- (3) Provides technical, trade or mechanical instruction; or
- (4) Provides any program of instruction leading to an industry-recognized credential or certificate of value.

D. "Student" means an individual who, during some part of each of any 5 calendar months during the tax year:

- (1) Attends a school as a full-time student; or
- (2) Participates full-time in a training course offered by a school or a state, county or municipal government.

A student attends or participates full-time if the student is enrolled for the number of hours or courses the school considers to be full-time attendance. Attendance or participation includes work in the public or private sector as part of a school's regular course of classroom and practical training.

2. Credit for resident individuals. For tax years beginning on or after January 1, 2020, a resident individual is allowed a credit against the tax otherwise due under this Part calculated in the same manner as the federal earned income credit under the Code, Section 32 with the exceptions to the federal earned income credit specified in subsections 5 to 9. An eligible individual described in subsection 1, paragraph B, subparagraph (2) is eligible for a credit calculated in the same manner as for an individual who is 25 years of age or older.

3. Credit for nonresident individuals. For tax years beginning on or after January 1, 2020, a nonresident individual is allowed a credit against the tax otherwise due under this Part calculated in the same manner as the credit for resident individuals under subsection 2 and multiplied by the ratio of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income as modified by section 5122.

COMMITTEE AMENDMENT

ROFS

1 4. Credit for part-year resident individuals. For tax years beginning on or after
2 January 1, 2020, an individual who files a return as a part-year resident in accordance
3 with section 5224-A is allowed a credit against the tax otherwise due under this Part
4 calculated in the same manner as the credit for resident individuals under subsection 2
5 and multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross
6 income as defined in section 5102, subsection 1-C, paragraph A for that portion of the
7 taxable year during which the individual was a resident plus the individual's Maine
8 adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that
9 portion of the taxable year during which the individual was a nonresident and the
10 denominator of which is the individual's entire federal adjusted gross income as modified
11 by section 5122.

12 5. Earned income amount. For the purposes of calculating a credit under this
13 section, the maximum earned income amount described in the Code, Section 32(b)(2)(A)
14 is:

- 15 A. For an eligible individual with one qualifying child, \$5,185;
- 16 B. For an eligible individual with 2 or more qualifying children, \$7,285; and
- 17 C. For an eligible individual with no qualifying children, \$3,460.

18 6. Phase-out amount. For the purposes of calculating a credit under this section, the
19 phase-out amount described in the Code, Section 32(b)(2)(A) is:

- 20 A. For an eligible individual with one or more qualifying children, \$19,030; and
- 21 B. For an eligible individual with no qualifying children, \$8,560.

22 7. Credit percentage. For the purposes of calculating a credit under this section, the
23 credit percentage described in the Code, Section 32(b)(1) is:

- 24 A. For an eligible individual with one qualifying child, 15.64%;
- 25 B. For an eligible individual with 2 qualifying children, 18.4%;
- 26 C. For an eligible individual with 3 or more qualifying children, 20.7%; and
- 27 D. For an eligible individual with no qualifying children, 10.71%.

28 8. Phase-out percentage. For the purposes of calculating a credit under this section,
29 the phase-out percentage described in the Code, Section 32(b)(1) is:

- 30 A. For an eligible individual with one qualifying child, 2.254%;
- 31 B. For an eligible individual with 2 qualifying children, 3.727%;
- 32 C. For an eligible individual with 3 or more qualifying children, 4.192%; and
- 33 D. For an eligible individual with no qualifying children, 1.966%.

34 9. Students and eligible caregivers. For a student or an eligible caregiver with
35 qualifying income that is less than the applicable earned income amount under subsection
36 5, the minimum credit under this section is 50% of the earned income amount under
37 subsection 5 multiplied by the applicable credit percentage under subsection 7.

38 10. Refundability. The credit allowed under subsections 2 and 4 is refundable.

ROFS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39

Sec. 4. 36 MRSA §5403, sub-§§7 and 8, as enacted by PL 2017, c. 474, Pt. B, §24, are amended to read:

7. Personal exemptions. Beginning in 2018 and each year thereafter, by the dollar amounts contained in section 5126-A, subsection 1, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; ~~and~~

8. Personal exemption phase-out. Beginning in 2018 and each year thereafter, by the dollar amount of the applicable amounts specified in section 5126-A, subsection 2, paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; and

Sec. 5. 36 MRSA §5403, sub-§9 is enacted to read:

9. Maine work credit. Beginning in 2021 and each year thereafter, by the dollar amounts of the earned income amount and the phase-out amount specified for the Maine work credit in section 5219-TT, subsections 5 and 6 except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2019.

Sec. 6. Appropriations and allocations. The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF
Revenue Services, Bureau of 0002**

Initiative: Provides funding for one Senior Tax Examiner position, 2 Tax Examiner II positions, 2 Tax Examiner positions and related computer programming and All Other to review and process filings for the newly created Maine work income tax credit.

GENERAL FUND	2019-20	2020-21
POSITIONS - LEGISLATIVE COUNT	0.000	5.000
Personal Services	\$0	\$331,155
All Other	\$0	\$249,960
GENERAL FUND TOTAL	\$0	\$581,115

Amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

ROFS

1
2
3
4
5
6
7
8
9
10
11
12
13

SUMMARY

This amendment, which is the majority report, replaces the provisions of the bill amending the earned income tax credit with the Maine work credit. The Maine work credit is similar to the federal earned income tax credit but uses different factors for calculating the credit that are intended to produce a state credit for individuals with qualifying children that is approximately 23% of the federal credit and for individuals with no qualifying children that is approximately 70% of the federal credit. The bill also provides eligibility for individuals who are at least 18 years of age but less than 25 years of age who have no qualifying children and creates a minimum credit for students and eligible caregivers.

The amendment also adds an appropriations and allocations section.

FISCAL NOTE REQUIRED

(See attached)



129th MAINE LEGISLATURE

LD 104

LR 163(02)

An Act To Expand the Earned Income Tax Credit in Maine

Fiscal Note for Bill as Amended by Committee Amendment "A" (5297)

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2019-20	FY 2020-21	Projections FY 2021-22	Projections FY 2022-23
Net Cost (Savings)				
General Fund	\$0	\$67,318,615	\$64,552,089	\$64,533,822
Appropriations/Allocations				
General Fund	\$0	\$581,115	\$370,089	\$380,322
Revenue				
General Fund	\$0	(\$66,737,500)	(\$64,182,000)	(\$64,153,500)
Other Special Revenue Funds	\$0	(\$3,512,500)	(\$3,378,000)	(\$3,376,500)

Fiscal Detail and Notes

The bill creates the Maine work credit and would result in a reduction in General Fund revenue of \$66,737,500 in fiscal year 2020-21 and a reduction in Local Government Fund revenue of \$3,512,500 in fiscal year 2020-21. The bill includes a General Fund appropriation of \$581,120 in fiscal year 2020-21 for one Senior Tax Examiner position, 2 Tax Examiner II positions, 2 Tax Examiner positions and related computer programming and All Other to review and process filings related to the new credit.

Additional costs to the Department of Labor to produce and furnish the required poster or notice can be absorbed within existing budgeted resources.