

MAINE STATE LEGISLATURE

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129th MAINE LEGISLATURE

FIRST REGULAR SESSION-2019

Legislative Document

No. 903

H.P. 667

House of Representatives, February 19, 2019

**An Act To Improve Corporate Tax Fairness by Amending the Rates
Imposed on Corporate Income**

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative CUDDY of Winterport.
Cosponsored by Senator CHIPMAN of Cumberland and
Representatives: BABINE of Scarborough, SYLVESTER of Portland, TIPPING of Orono,
Senator: President JACKSON of Aroostook.

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

2 **Sec. 1. 36 MRSA §5200, sub-§1-A**, as enacted by PL 2017, c. 474, Pt. E, §2, is
3 amended to read:

4 **1-A. Imposition and rate of tax beginning 2018 and 2019.** For tax years
5 beginning ~~on or after January 1, 2018~~ in 2018 and 2019, a tax is imposed for each taxable
6 year at the following rates on each taxable corporation and on each group of corporations
7 that derives income from a unitary business carried on by 2 or more members of an
8 affiliated group:

9	If the income is:	The tax is:
10	Not over \$350,000	3.5% of the income
11	\$350,000 but not over \$1,050,000	\$12,250 plus 7.93% of the excess over
12		\$350,000
13	\$1,050,000 but not over \$3,500,000	\$67,760 plus 8.33% of the excess over
14		\$1,050,000
15	\$3,500,000 or more	\$271,845 plus 8.93% of the excess over
16		\$3,500,000

17 In the case of an affiliated group of corporations engaged in a unitary business with
18 activity taxable only by Maine, the rates provided in this subsection are applied only to
19 the first \$3,500,000 of the Maine net income of the entire group and must be apportioned
20 equally among the taxable corporations unless those taxable corporations jointly elect a
21 different apportionment. The balance of the Maine net income of the entire group is taxed
22 at 8.93%.

23 In the case of an affiliated group of corporations engaged in a unitary business with
24 activity taxable both within and without this State, the rates provided in this subsection
25 are applied only to the first \$3,500,000 of the net income of the entire group and must be
26 apportioned equally among the taxable corporations unless those taxable corporations
27 jointly elect a different apportionment. The balance of the net income of the entire group
28 is taxed at 8.93%.

29 **Sec. 2. 36 MRSA §5200, sub-§1-B** is enacted to read:

30 **1-B. Imposition and rate of tax beginning 2020.** For tax years beginning on or
31 after January 1, 2020, a tax is imposed for each taxable year at the following rates on
32 each taxable corporation and on each group of corporations that derives income from a
33 unitary business carried on by 2 or more members of an affiliated group:

34	<u>If the income is:</u>	<u>The tax is:</u>
35	<u>Not over \$350,000</u>	<u>3.5% of the income</u>
36	<u>\$350,000 but not over \$1,050,000</u>	<u>\$12,250 plus 7.93% of the excess over</u>
37		<u>\$350,000</u>
38	<u>\$1,050,000 but not over \$2,000,000</u>	<u>\$67,760 plus 8.33% of the excess over</u>
39		<u>\$1,050,000</u>

1	<u>\$2,000,000 but not over \$3,000,000</u>	<u>\$146,895 plus 8.5% of the excess over</u>
2		<u>\$2,000,000</u>
3	<u>\$3,000,000 but not over \$3,500,000</u>	<u>\$231,895 plus 8.75% of the excess over</u>
4		<u>\$3,000,000</u>
5	<u>\$3,500,000 or more</u>	<u>\$275,645 plus 9% of the excess over</u>
6		<u>\$3,500,000</u>

7 In the case of an affiliated group of corporations engaged in a unitary business with
8 activity taxable only by Maine, the rates provided in this subsection are applied only to
9 the first \$3,500,000 of the Maine net income of the entire group and must be apportioned
10 equally among the taxable corporations unless those taxable corporations jointly elect a
11 different apportionment. The balance of the Maine net income of the entire group is taxed
12 at 9%.

13 In the case of an affiliated group of corporations engaged in a unitary business with
14 activity taxable both within and without this State, the rates provided in this subsection
15 are applied only to the first \$3,500,000 of the net income of the entire group and must be
16 apportioned equally among the taxable corporations unless those taxable corporations
17 jointly elect a different apportionment. The balance of the net income of the entire group
18 is taxed at 9%.

19 **Sec. 3. 36 MRSA §5200, sub-§§2 to 4**, as amended by PL 2017, c. 474, Pt. E,
20 §3, are further amended to read:

21 **2. Business activity only within Maine.** For purposes of subsections 1 ~~and~~ 1-A
22 ~~and 1-B~~, with respect to a taxable corporation or group of corporations that derive income
23 from a unitary business carried on by 2 or more members of an affiliated group with
24 income from business activity that is taxable only by Maine, "income" means Maine net
25 income.

26 **3. Business activity within and outside Maine.** For purposes of subsections 1 ~~and~~
27 1-A ~~and 1-B~~, with respect to a taxable corporation with income from business activity
28 that is taxable both within and without this State, "income" means the corporation's net
29 income. The tax amount computed under subsections 1 ~~and~~ 1-A ~~and 1-B~~ must then be
30 apportioned under the provisions of chapter 821 to determine the amount of tax imposed
31 on that corporation.

32 **4. Business activity within and outside Maine; unitary business.** For purposes of
33 subsections 1 ~~and~~ 1-A ~~and 1-B~~, with respect to taxable corporations that derive income
34 from a unitary business carried on by 2 or more members of an affiliated group with
35 business activity that is taxable both within and without this State, "income" means the
36 net income of the entire group. The tax amount computed under subsections 1 ~~and~~ 1-A
37 ~~and 1-B~~ must then be apportioned under the provisions of chapter 821 for the entire group
38 to determine the amount of tax imposed on the taxable corporations.

1 **SUMMARY**

2 This bill establishes 2 new tax brackets and 3 new rates for corporate income tax
3 purposes for tax years beginning on or after January 1, 2020. Under the bill, corporate
4 income between \$2,000,000 and \$3,000,000 is taxed at the rate of 8.5% and corporate
5 income between \$3,000,000 and \$3,500,000 is taxed at the rate of 8.75%; such income is
6 taxed under current law at the rate of 8.33%. The top tax rate, which is imposed on
7 corporate income over \$3,500,000, is increased from 8.93% to 9%.