

MAINE STATE LEGISLATURE

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LAWS
OF THE
STATE OF MAINE
AS PASSED BY THE

ONE HUNDRED AND TENTH LEGISLATURE

SECOND SPECIAL SESSION

September 25, 1981

AND

THIRD SPECIAL SESSION

December 9, 1981

AND

SECOND REGULAR SESSION

January 6, 1982 to April 13, 1982

AND AT THE

FOURTH SPECIAL SESSION

April 28, 1982 to April 29, 1982

AND AT THE

FIFTH SPECIAL SESSION

May 13, 1982

PUBLISHED BY THE DIRECTOR OF LEGISLATIVE RESEARCH IN
ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,
TITLE 3, SECTION 164, SUBSECTION 6.

J.S. McCarthy Co.
Augusta, Maine
1981

The following initiated legislation

(I.B. 2, L.D. 1737 (1982))

was approved in a referendum,

November 2, 1982

(*not* 1980, as incorrectly stated in the law below)

Question:

Shall the initiated bill become law?

Yes: 240,023

No: 182,939

INITIATED BILL
 approved by the People of the
STATE OF MAINE

on November 2, 1980

INITIATED BILL
 approved by vote of the People of the
 S T A T E O F M A I N E
 on November 2, 1980

AN ACT to Adjust Annually Individual Income Tax Laws to Eliminate Inflation-Induced Increases in Individual State Income Taxes.

Be it enacted by the people of the State of Maine, as follows:

Sec. 1. 36 MRSA § 5111, as last amended by PL 1977, c. 686, § 7, is further amended by adding at the end a new paragraph to read:

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

Sec. 2. 36 MRSA § 5124-A, as enacted by PL 1977, c. 477, § 17, is amended by adding at the end a new paragraph to read:

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

Sec. 3. 36 MRSA § 5126, as last amended by PL 1979, c. 615, § 4, is further amended by adding at the end a new paragraph to read:

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

Sec. 4. 36 MRSA c. 841 is enacted to read:

CHAPTER 841
INFLATION ADJUSTMENTS

§ 5401. Findings and purpose

Inflation erodes the value of personal exemptions and deductions in the Maine individual income tax structure and distorts fiscal equity among taxpayers. Inflation-induced increases in individual income tax revenues result in annual collections that exceed the amounts anticipated by legislative actions establishing rates, exemptions, deductions and other features of the Maine individual income tax. Furthermore, the income tax laws of this State, in combination with economic inflation, have caused inequitable treatment of the taxpayers because the application of inflexible, statutorily prescribed rates of tax, standard deduction and personal exemption to increasing personal incomes has resulted in increasing the taxpayer's tax liability while the taxpayers purchasing power has remained the same or, in some instances, has decreased. It is the purpose of this Act to correct this situation by requiring that certain components of the individual income tax structure be adjusted in order to compensate for the impact of inflation.

§ 5402. Definitions

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

1. **Consumer Price Index.** "Consumer Price Index" means the average over a 12-month period of the National Consumer Price Index, not seasonally adjusted, published monthly by the Bureau of Labor Statistics, United States Department of Labor designated as the "National Consumer Price Index for All Urban Consumers — United States City Average."

2. **Percentage adjustment factor.** "Percentage adjustment factor" means one-half of the percentage increase in the Consumer Price Index for the 12-month period ending June 30th of the current taxable year over the Consumer Price Index for the 12-month period ending June 30th of the immediately preceding taxable year, expressed as a decimal rounded to the nearest one-thousandth.

3. **Inflation factor.** "Inflation factor" means the percentage adjustment factor plus 1. The inflation factor for any taxable year shall not exceed 1.070.

§ 5403. Annual adjustments for inflation.

On or about September 15 of each taxable year, the State Tax Assessor shall multiply the inflation factor for that taxable year by the dollar amounts of both the standard deduction and the personal exemption as adjusted under this chapter in the immediately preceding taxable year. The State Tax Assessor shall also multiply the inflation factor by certain dollar bracket amounts in the tax rate schedule for each filing status, as follows:

1. **Single individuals and married persons filing separate returns.** The inflation factor shall be multiplied by the dollar bracket amounts, as adjusted under this chapter in the immediately preceding taxable year, on the tax rate schedule for single individuals

and married persons filing separate returns, up to and including the dollar bracket amount for taxable income not over \$15,000, as adjusted. In addition, the inflation factor shall be multiplied by the dollar bracket amount for taxable income of \$15,000, as adjusted.

2. Heads of household. The inflation factor shall be multiplied by the dollar bracket amounts, as adjusted under this chapter in the immediately preceding taxable year, on the tax rate schedule for unmarried or legally separated taxpayers who qualify as heads of household, up to and including the dollar bracket amount for taxable income not over \$22,500, as adjusted. In addition, the inflation factor shall be multiplied by the dollar bracket amount for taxable income of \$22,500, as adjusted.

3. Married taxpayers and others filing joint returns. The inflation factor shall be multiplied by the dollar bracket amounts, as adjusted under this chapter in the immediately preceding taxable year, on the tax rate schedule for married taxpayers and widows and widowers filing joint federal returns, up to and including the dollar bracket amount for taxable income over \$30,000, as adjusted. In addition, the inflation factor shall be multiplied by the dollar bracket amount for taxable income of \$30,000, as adjusted.

The dollar amounts of the standard deduction, the personal exemption and the dollar bracket amounts listed above, adjusted by application of the inflation factor and rounded to the nearest \$100, shall be effective for the then current taxable year and shall be incorporated into the income tax forms and instructions of the State Tax Assessor for that taxable year.

If the inflation factor for any taxable year is 1.000 or less, no adjustment shall be made for that taxable year and the dollar amounts of the standard deduction, personal exemption and the dollar bracket amounts of the tax rate schedules listed above shall remain at the prior taxable year's level.

Sec. 5. Effective Date. This chapter shall take effect for tax years beginning on or after January 1, 1981.