

# MAINE STATE LEGISLATURE

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ONE HUNDRED AND SEVENTH LEGISLATURE

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Legislative Document

No. 1665

H. P. 1363

House of Representatives, April 3, 1975

On motion of Mr. Bustin of Augusta, referred to the Committee on Taxation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Dow of West Gardiner.

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STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-FIVE

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AN ACT Providing for a Change in Standard Deductions in the Maine  
Income Tax Law.

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

Sec. 1. 36 MRSA § 5124, as enacted by P&SL 1969, c. 154, § F, is repealed and the following enacted in place thereof:

§ 5124. Standard deduction

The standard deduction of a resident individual or of a resident husband and wife who file a joint return shall be as defined under Internal Revenue Code, section 141, except that the percentage standard deduction shall be based on adjusted gross income as modified by this part.

Sec. 2. 36 MRSA § 5143, as enacted by P&SL 1969, c. 154, § F, is repealed and the following enacted in place thereof:

§ 5143. Standard deduction

The standard deduction of a nonresident individual or husband and wife who file a joint return shall be as defined under Internal Revenue Code, section 141, except that the percentage standard deduction shall be based on adjusted gross income from sources within this State.

Sec. 3. 36 MRSA § 5220, sub- § 1, ¶¶ B and C, as enacted by P&SL 1969, c. 154, § F, are repealed and the following enacted in place thereof:

B. Who has adjusted gross income as modified by this Part of more than \$2,300 if single or more than \$3,300 if married and filing a joint return, or

C. Who having attained the age of 65 before the close of his taxable year has adjusted gross income as modified by this Part of more than \$3,300 if single and more than \$4,300 if married and filing a joint return and his spouse has not attained the age of 65 and more than \$5,300 if both have attained the age of 65 before the close of the taxable year.

Sec. 4. Effective date. This Act shall apply to taxable years beginning on or after January 1, 1976.

#### FISCAL NOTE

It is estimated that the passage of this Act will result in a loss of revenue to the State of \$3,432,000 for the fiscal year 1976-1977. There would be no additional cost of administration.

#### STATEMENT OF FACT

The purpose of this Act is to update Maine's Income Tax Law regarding standard deductions to conform to current Federal Income Tax Law regarding standard deductions.

#### Technical Explanation :

The percentage standard deduction of 10% of adjusted gross income to a maximum of \$1,000 was introduced to the Federal Internal Revenue Code to provide taxpayers with the ability to use this method of deduction as opposed to the more burdensome method of itemizing deductions. Due particularly to increased home ownership, the percentage standard deduction has become inadequate. Eighty-two percent of all taxpayers used the standard deduction in 1944 while in 1969 only 58% used the standard deduction. Congress, therefore, increased the percentage in 1971 to 13% to a maximum of \$1,500 and through the Revenue Bill of 1971 has increased that percentage to 15% for years 1972 and thereafter to a maximum \$2,000 with a minimum of \$1,300. Maine Income Tax Law does not allow a person to itemize deductions for state purposes and use a percentage amount for federal purposes. The obvious reason for this is that we, the State of Maine, do not want to become embroiled in auditing amounts taken as itemized deductions.

In the event we do not change our law, many individuals in all tax brackets who would have been able to secure a larger deduction through itemization under the old law, i.e., would not be able to deduct them for Maine law as our limitation as it exists now is 10% to a maximum of \$1,000.