

MAINE STATE LEGISLATURE

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FIRST SPECIAL SESSION

ONE HUNDRED AND SEVENTH LEGISLATURE

Legislative Document

No. 2137

H. P. 1952 House of Representatives, January 29, 1976
Referred to Committee on Taxation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Farnham of Hampden.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SIX

AN ACT Relating to an Increase in the Corporate and
Individual Income Tax Rates.

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

Sec. 1. 36 MRSA § 5111, as enacted by P&SL 1969, c. 154, § F, is amended by adding at the end the following new paragraphs:

The effective date of change from the foregoing rate table to the next following rate table shall be January 1, 1976. The amount of tax for any taxable year or portion thereof in the period on or after January 1, 1976 to on or before December 31, 1976 shall be determined in accordance with the following table:

If the taxable income is:	The tax is:
Not over \$1,000	1% of the taxable income
\$1,000 but not over \$2,000	\$10 plus 1.5% of excess over \$1,000
\$2,000 but not over \$4,000	\$25 plus 2.5% of excess over \$2,000
\$4,000 but not over \$5,000	\$75 plus 3.0% of excess over \$4,000
\$5,000 but not over \$6,000	\$105 plus 3.5% of excess over \$5,000

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If the taxable income is :	The tax is :
\$6,000 but not over \$8,000	\$140 plus 4.0% of excess over \$6,000
\$8,000 but not over \$10,000	\$220 plus 4.5% of excess over \$8,000
\$10,000 but not over \$11,000	\$310 plus 5.0% of excess over \$10,000
\$11,000 but not over \$15,000	\$360 plus 5.5% of excess over \$11,000
\$15,000 but not over \$25,000	\$580 plus 6.0% of excess over \$15,000
\$25,000 but not over \$50,000	\$1,180 plus 7.0% of excess over \$25,000
\$50,000 or more	\$2,930 plus 8.0% of excess over \$50,000

The effective date of change from the next foregoing rate table to the next following rate table shall be January 1, 1977. The amount of tax for any taxable year or portion thereof on or after January 1, 1977 shall be determined in accordance with the following table :

If the taxable income is :	The tax is :
Not over \$1,000	1% of the taxable income
\$1,000 but not over \$2,000	\$10 plus 2% of excess over \$1,000
\$2,000 but not over \$4,000	\$30 plus 3% of excess over \$2,000
\$4,000 but not over \$6,000	\$90 plus 4% of excess over \$4,000
\$6,000 but not over \$8,000	\$170 plus 5% of excess over \$6,000
\$8,000 but not over \$11,000	\$270 plus 6% of excess over \$8,000
\$11,000 but not over \$15,000	\$450 plus 7% of excess over \$11,000
\$15,000 but not over \$25,000	\$730 plus 8% of excess over \$15,000
\$25,000 but not over \$50,000	\$1,530 plus 9% of excess over \$25,000
\$50,000 or more	\$3,780 plus 10% of excess over \$50,000

The amount of tax imposed for a taxable year containing a change in rate requiring a use of 2 of the foregoing tables shall be determined as set forth in section 5234.

Sec. 2. 36 MRSA § 5200, sub-§ 4 is enacted to read:

4. 6% of Maine net income not in excess of \$25,000, plus 8% of any Maine net income in excess of \$25,000 attributable on or after July 1, 1976.

Sec. 3. 36 MRSA § 5234 is enacted to read:

§ 5234. Fiscal year tax determination

If any rate of tax imposed by this Part changes, and if the taxable year includes the effective date of change (unless that date is the first day of the taxable year), then the tax for such taxable year shall be a sum composed of an amount equal to the tax computed for the entire taxable year at the old rate times the proportion, determined by days, of the taxable year at the old rate plus an amount equal to the tax computed for the entire taxable year at the new rate times the proportion, determined by days, of the taxable year at the new rate.

Sec. 4. Appropriation. There is appropriated from the General Fund to the Department of Finance and Administration, Bureau of Taxation, the sum of \$164,500 to carry out the purposes of this Act. The breakdown shall be as follows:

	1976-77
FINANCE AND ADMINISTRATION, DEPARTMENT OF	
Bureau of Taxation	
Personal Services	(3) \$ 35,000
All Other	126,500
Capital Expenditures	3,000
	\$164,500

FISCAL NOTE

It is estimated that the individual and corporate tax increases would result in the following additional revenue.

	1976-77
Individual Income Tax	\$30,000,000
Corporate Income Tax	3,000,000
	\$33,000,000

STATEMENT OF FACT

The State faces serious financial problems which, if not realistically faced by the Legislature, will have a detrimental effect on the State's credit rating. The tax increase proposed in this bill will take care of the anticipated shortfall as determined by the Appropriation Committee's subcommittee which studied the funding of state agencies. They arrived at a need for \$19,272,000. To this sum must be added a substantial increase in state employees' salaries and this could total \$18,000,000 for the biennium as the increases should be retroactive to January 1, 1976. Revenue sharing should be increased to 6% from the present 4% to hold property taxes at the present level or even be slightly lower in most municipalities, thus giving a time for taxpayers' income to catch up with the rapid increase in property taxes during the period 1965-73.

Salaries of judges, constitutional officers and department heads are unusually low, making it very difficult to attract and retain competent qualified people for these positions. Overall, the need is far greater than the amounts this bill will produce.