

MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 1327

H. P. 1061

House of Representatives, March 31, 1977

Presented by Mrs. Najarian of Portland. Committee on Taxation suggested.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

AN ACT to Establish a Business Privilege Tax in Maine.

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the removal of business inventories from the tax base directly affects the favorable business climate of Maine; and

Whereas, the question of the taxation of inventories must be resolved as soon as possible to avoid undue hardship to citizens, businesses or municipalities; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

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

Sec. 1. 36 MRSA § 5200, as last repealed and replaced by PL 1973, c. 788, § 193, is repealed and the following enacted in its place:

§ 5200. Imposition and rate of tax

A tax is imposed on every "corporation" as follows.

1. Net income tax. A net income tax of:

A. 5% of the Maine net income not over \$25,000; plus

B. 6% of the Maine net income not over \$50,000; plus

- C. 7% of the Maine net income not over \$75,000; plus
 - D. 8% of the Maine net income not over \$100,000; plus
 - E. 9% of the Maine net income not over \$125,000; plus
 - F. 10% of all net income over \$125,000; or
2. Fee. A fee of \$100, whichever is greater.

Sec. 1-A. 36 MRSA c. 818 is enacted to read:

CHAPTER 818

A MINIMUM TAX ON TAX PREFERENCE INCOME

§ 5203. Minimum tax on tax preference income

Each taxpayer shall pay to the State a sum equal to 20% of their minimum **tax on tax preferences** paid to the Federal Government under Section 56 (a) of the Internal Revenue Code. If only a portion of the taxpayer's income is taxable by the State, this state tax shall be adjusted proportionately.

Sec. 2. 36 MRSA § 5205, as last repealed and replaced by PL 1973, c. 788, § 194, is repealed and the following enacted in its place:

§ 5205. Franchise tax on banking corporations and loan associations

A tax is imposed for each calendar year or fiscal year ending during that calendar year upon the franchise or privilege of doing business in the State of every corporation which is a bank, savings bank, savings institution, trust company and every savings and loan association, or loan and building association, that has a business location in this State. The tax shall be as follows:

- 1. Net income tax. A net income tax of:
 - A. 5% of the Maine net income not over \$25,000; plus
 - B. 6% of the Maine net income not over \$50,000; plus
 - C. 7% of the Maine net income not over \$75,000; plus
 - D. 8% of the Maine net income not over \$100,000; plus
 - E. 9% of the Maine net income not over \$125,000; plus
 - F. 10% of all net income over \$125,000; or
- 2. Fee. A fee of \$100, whichever is greater.

Sec. 3. 36 MRSA c. 841 is enacted to read:

CHAPTER 841

BUSINESS PRIVILEGE TAX

§ 5401. Title

This chapter shall be known as the "Maine Business Privilege Tax."

§ 5402. Definitions

For the purposes of this chapter, unless the context indicates otherwise, the following words and phrases shall have the following meanings.

1. **Assessor.** "Assessor" means the State Tax Assessor.

2. **Business organization.** "Business organization" means an individual, firm, bank, financial institution, partnership, limited partnership, copartnership, proprietorship, farm proprietorship, joint venture, association, corporation, receiver, estate, trust or any other group or combination acting as a unit, which is organized for profit and which derives economic benefit from the employment of property or labor within the State.

3. **Net business income.** "Net business income" means the net business income required to be reported by business organizations by the United States Internal Revenue Code.

§ 5403. Business activity tax

There is imposed on all business organizations in this State a tax for the privilege of doing business in Maine. For the calendar year 1977 and thereafter, the tax shall be \$100 per business organization.

§ 5404. Monetary exemptions

There shall be exempted from the tax imposed by this chapter any business organizations whose net business income is less than \$4,000.

§ 5405. Corporate exemptions

Any business organization which pays a tax under either chapter 817 or chapter 819 is exempt from the business privilege tax.

§ 5406. Administration

The State Tax Assessor shall establish necessary rules and regulations for the efficient and equitable administration of this chapter.

Emergency clause; retroactivity. In view of the emergency cited in the preamble, this Act shall take effect when approved and be retroactive to January 1, 1977.

STATEMENT OF FACT

This bill is designed to raise new revenues in an amount equal to the cost of reimbursement of lost inventory taxes.

It makes the corporate income tax more accurate as to each corporation's ability to pay and to raise approximately \$5 million in new revenues. It also establishes a minimum corporate tax of \$100.

It levies a business privilege tax of \$100 on all persons engaged in their own business enterprises. Corporations are exempted from this business privilege tax as are organizations whose net business income is below \$4,000.

Finally, it levies a minimum tax on preference ("loophole") income.