

MAINE STATE LEGISLATURE

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(Governor's Bill)

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 1749

H. P. 1514

House of Representatives, May 2, 1977

Referred to Committee on Taxation. Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Twitchell of Norway.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

AN ACT to Amend the Maine Income Tax Law.

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

Sec. 1. 36 MRSA § 5127, as enacted by P&SL 1969, c. 154, § F, is repealed and the following enacted in its place:

§ 5127. Income tax credits

1. Credit for income tax paid to another taxing jurisdiction.

A. A resident individual shall be allowed a credit against the tax otherwise due under this Part for the amount of any income tax imposed on him for the taxable year by another state of the United States, a political subdivision thereof, the District of Columbia or any Canadian Province on income derived from sources therein and which is also subject to tax under this Part.

B. The credit provided under this section shall not exceed the proportion of the tax otherwise due under this Part that the amount of the taxpayer's adjusted gross income derived from sources in the other taxing jurisdiction bears to his entire adjusted gross income as modified by this Part.

2. Income tax credit for child care expenses. A resident individual shall be allowed a credit against the tax otherwise due under this Part in the amount of 15% of the federal tax credit allowable for child care expenses. In no case will this credit reduce the Maine income tax to less than zero.

Sec. 5. 36 MRSA § 5146 is enacted to read:

§ 5146. Child care credit

A nonresident individual shall be allowed a credit against the tax otherwise due under this Part in the amount of 15% of the federal tax credit allowable for child care expenses, except that this credit shall be limited by the percentage that his Maine adjusted gross income bears to his federal adjusted gross income. In no case will this credit reduce the Maine income tax to less than zero.

Sec. 3. 36 MRSA c. 818 is enacted to read:

CHAPTER 818**ADDITIONAL TAXES****§ 5203. Minimum tax for tax preferences**

In addition to any other tax imposed by this Part, a tax is hereby imposed for each taxable year on every taxpayer subject to the federal minimum tax for the preferences as imposed by the Internal Revenue Code, section 56, at the rate of 15% of the federal tax imposed.

§ 5204. Lump-sum retirement plan distributions

In addition to any other tax imposed by this Part, a tax is hereby imposed for each taxable year on every taxpayer who, in accordance with the Internal Revenue Code, section 402(e) (1), elects to compute a separate federal tax on a lump-sum distribution from a retirement plan at the rate of 15% of the separate federal tax imposed on such distribution.

Sec. 4. **Effective date.** This Act shall be effective for tax years beginning in 1977 and thereafter.

STATEMENT OF FACT

Section 1 provides a tax credit to Maine residents for Canadian Provincial Income Taxes on income derived in Canada, along with a resident tax credit for child care expenses. The credit is to be 15% of the federal credit established in the Tax Reform Act of 1976.

Section 2 provides a similar nonresident tax credit for child care expenses.

Section 3 establishes a tax of 15% of the federal tax on tax preferences and imposes a tax of 15% of the federal tax on tax deferred income which is distributed on a lump sum basis.

The net impact of this measure on revenues is estimated to be zero.