

# MAINE STATE LEGISLATURE

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SECOND REGULAR SESSION

ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 2183

H. P. 2215

House of Representatives, March 8, 1978

Reported out by the Minority of the Joint Standing Committee on Taxation pursuant to a Joint Order, H. P. 2023.

EDWIN H. PERT, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-EIGHT

AN ACT to Provide for Reform of the State Tax Laws.

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

Sec. 1. 36 MRSA § 1760, sub-§§ 9-B and 9-C are enacted to read:

**9-B. Residential electricity. Sale of the first 500 kilowatt hours of residential electricity per month. For the purpose of this subsection, "residential electricity" shall mean electricity furnished to homes, mobile home, boarding homes and apartment houses;**

**9-C. Residential gas. Sales of gas when bought for cooking and heating in residences. For the purpose of this subsection, "residences" shall mean homes, mobile homes, boarding homes and apartment houses.**

Sec. 2. 36 MRSA § 1765, as last repealed and replaced by PL 1975, c. 765, § 20, is repealed and the following enacted in its place:

**§ 1765. Trade-in credit for vehicles, boats or aircraft**

**When one or more motor vehicles, boats, aircraft or self-propelled vehicles used to harvest lumber is traded in toward the sale price of another motor vehicle, boat, aircraft or self-propelled vehicle used to harvest lumber, the tax imposed by**

chapters 211 to 225 shall be levied only upon the difference between the sale price of the purchased vehicle and the sale price of the vehicle or vehicles taken in trade, except for transactions between dealers involving exchange of the vehicles from inventory.

Sec. 3. 36 MRSA § 2013 is enacted to read:

§ 2013. Refund of sales tax on depreciable machinery and equipment purchases

1. **Definitions.** As used in this section, unless the context otherwise indicates, the following words shall have the following meanings.

A. “Agricultural production” means production of crops for human and animal consumption and production of livestock.

B. “Commercial fishing” means attempting to catch fish or any other marine animals with the intent of disposing of them for profit or trade in commercial channels and does not include subsistence fishing for personal use, sport fishing or charter boat fishing where the vessel is used for carrying sport fishermen to available fishing grounds.

C. “Depreciable machinery and equipment” means that part of the following machinery and equipment for which depreciation is allowable under the Internal Revenue Code:

(1) New or used machinery and equipment for use by the purchaser directly and primarily in agricultural production, including self-propelled vehicles, attachments and equipment for the production of field and orchard crops; new or used machinery and equipment used in production of milk and in animal husbandry and production of livestock, including poultry; or

(2) New or used watercraft used primarily for commercial fishing; and nets, cables, tackle and related equipment necessary to the operation of the vessel for fishing purposes.

2. **Credit authorized.** Any person, association of persons, firm or corporation who purchases depreciable machinery or equipment for use in agricultural production or commercial fishing shall be refunded the amount of sales tax paid by him by presenting to the State Tax Assessor evidence that the machinery or equipment complies with the definitions of subsection 1.

Evidence required by the State Tax Assessor shall include, but not be limited to, a copy or copies of that portion of the purchaser’s most recent filing under the Internal Revenue Code which indicates that the purchaser is in fact engaged in agricultural production or commercial fishing and that the purchased machinery or equipment is depreciable for those purposes.

In the event that any piece of machinery or equipment shall be only partially

depreciable under the Internal Revenue Code, any reimbursement of the sales tax shall be prorated accordingly.

Application for refunds shall be filed with the State Tax Assessor within 15 months of the date of purchase and shall be limited to purchases made subsequent to July 1, 1978.

Sec. 4. 36 MRSA § 5102, sub-§ 8, ¶ D is enacted to read:

D. For the tax years beginning January 1, 1978, an amount equal to the taxpayer's federal new jobs credit as determined under the laws of the United States.

Sec. 5. 36 MRSA § 5111, as repealed and replaced by PL 1975, c. 661, is repealed and the following enacted in its place:

§ 5111. Imposition and rate of tax

A tax is hereby imposed for each taxable year on the entire taxable income of every resident individual of this State and on the taxable income of every nonresident individual which is derived from sources within this State. The amount of the tax shall be determined in accordance with the following table for any taxable year or portion thereof beginning on or after January 1, 1978:

If the taxable income is:	The tax is:
Not over \$2,000	.96% of the taxable income
\$ 2,000 but not over \$ 4,000	\$19.20 plus 1.92% if excess over \$ 2,000
4,000 but not over 6,000	57.60 plus 3.84% of excess over 4,000
6,000 but not over 8,000	134.40 plus 5.76% of excess over 6,000
8,000 but not over 10,000	249.60 plus 6.72% of excess over 8,000
10,000 but not over 15,000	384.00 plus 7.68% of excess over 10,000
15,000 but not over 25,000	768.00 plus 8.64% of excess over 15,000
25,000 or more	1,632.00 plus 9.6% of excess over 25,000

Sec. 6. 36 MRSA § 5115 is enacted to read:

§ 5115. Head of household

For taxable years beginning on and after January 1, 1978, a taxpayer who qualifies to file his federal income tax return as a head of a household may also file as a head of a household with the State. If he does so, his tax shall be equal to ½ the amount imposed by section 5111 on his income if he were single, plus ½ of the amount imposed by section 5111 if he were filing a joint return.

Sec. 7. 36 MRSA § 5122, sub-§ 2, as enacted by P&SL 1969, c. 154, § F, § 1, is repealed and the following enacted in its place:

2. **Subtractions.** For tax years beginning January 1, 1978, federal adjusted gross income shall be reduced by:

A. **Interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt from state income taxes under the laws of the United States, provided that the amount subtracted shall be decreased by any expenses incurred in the production of the interest or dividend income to the extent that these expenses, including amortizable bond premiums, are deductible in determining federal adjusted gross income; or**

B. **An amount equal to the taxpayer's federal new jobs credit as determined under the laws of the United States.**

Sec. 8. 36 MRSA § 5130 and 5131 are enacted to read:

§ 5130. **Retirement credit**

For taxable years beginning on and after January 1, 1978, a resident may receive a credit against state taxes due equal to 20% of any credit he received for any year under the Internal Revenue Code, section 37, credit for the elderly. In no case shall this credit reduce the Maine income tax to less than zero.

§ 5131. **1978 income tax credit**

1. **Credit authorized.** For the tax year beginning January 1, 1978, each individual who files an income tax return in 1979 shall be allowed up to a \$25 credit against the tax otherwise payable by him and married individuals filing a joint income tax return in 1979 shall be allowed up to a \$25 credit against the tax otherwise payable by them. In the case of nonresident individuals, no credit shall exceed an amount which bears the same proportion to the foregoing amounts as the taxpayer's or taxpayers' adjusted gross income derived from sources within this State bears to his or their federal adjusted gross income. In no event shall a credit under this section reduce the tax otherwise payable under this Part to less than zero.

2. **Repeal.** This section shall be repealed on January 1, 1980.

Sec. 9. 36 MRSA § 5200, as 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 hereby imposed upon every "taxable corporation" as follows:

1. **Rate.** 4.9% of Maine net income not in excess of \$25,000 plus 6.86% of any Maine net income in excess of \$25,000 attributable on or after January 1, 1978.

Sec. 10. 36 MRSA § 5205, sub-§ 3, as enacted by PL 1973, c. 788, § 194, is repealed and the following enacted in its place:

3. 5% of taxable income not in excess of \$25,000, plus 7% of the taxable income in excess of \$25,000 attributable on or after January 1, 1974, provided that taxable income, for purposes of this subsection, shall be reduced by the amount of the corporation's or association's federal new jobs credit for tax years beginning on January 1, 1978; and is reduced by the amount of the tax payable by the corporation or association for the taxable year under chapter 817.

Sec. 11. 36 MRSA § 5205, sub-§ § 1 to 3, as enacted by PL 1973, c. 788, § 194, are repealed and the following enacted in their place:

1. Rate. 4.9% of taxable income not in excess of \$25,000, plus 6.86% of the taxable income in excess of \$25,000 attributable on or after January 1, 1978; and is reduced by the amount of the tax payable by the corporation or association for the taxable year under chapter 817.

Sec. 12. 36 MRSA c. 822 is enacted to read:

#### **CHAPTER 822**

#### **TAX CREDITS**

#### **§ 5213. New jobs credit**

1. **Definitions.** As used in this chapter, unless the context otherwise indicates, the following words shall have the following meanings.

- A. "Employing unit" has the same meaning as in Title 26, section 1043.
- B. "Maine Employment Security Commission wages" means the total wages subject to tax under Title 26, section 1221;
- C. "New jobs credit base" means the lesser of:

(1) The excess of Maine Employment Security Commission wages for the taxable year over Maine Employment Security Commission wages for the immediately preceding taxable year, less any excess which is attributable to the statutory increase in Maine Employment Security Commission wages from \$4,200 to \$6,000; or

(2) The excess of Maine Employment Security Commission wages for the taxable year over average Maine Employment Security Commission wages for the 3 preceding taxable years, less any excess which is attributable to the statutory increase in Maine Employment Security Commission wages from \$4,200 to \$6,000.

In computing its new jobs credit base, a successor-taxpayer shall add to its own Maine Employment Security Commission wages the Maine Employment Security Commission wages of its predecessor.

D. "Successor-taxpayer" means any taxpayer which has acquired within 4 years of its taxable year end in 1978 the organization, trade or business, or 50% or more of the assets thereof, of another taxpayer which, at the time of the acquisition, was an employing unit.

2. Credit. A taxpayer which constitutes an employing unit is allowed a credit in the amount of 2% of that taxpayer's new jobs credit base for the taxable year ending in 1978. The credit shall be applied against the tax imposed by this Part for that taxable year insofar as the credit does not reduce that tax by more than 50%. Any excess credit may be carried forward to the next succeeding taxable year or years, provided that the credit shall in no year reduce the tax otherwise imposed for that year by more than 50%.

3. Repeal. This section shall be repealed on January 1, 1980.

Sec. 13. 36 MRSA § 6108, as repealed and replaced by PL 1973, c. 634, § 3, is amended to read:

§ 6108. Income limitation

No claim otherwise allowable shall be granted to claimants of single member households with household income in excess of \$4,500 \$5,000 in the year for which relief is requested; and no claim otherwise allowable shall be granted to claimants of households of 2 or more members with income in excess of \$5,000 \$6,000 in the year for which relief is requested.

Sec. 14. 36 MRSA § 6112, as last amended by PL 1977, c. 579, § D, § 1, is repealed and the following enacted in its place:

§ 6112. Amount of claim

The claim shall be limited to the amount by which property taxes accrued or rent constituting property taxes accrued in such tax year on the claimant's homestead.

Sec. 15. Appropriation. The following funds shall be appropriated from the General Fund to carry out the purposes of this Act:

1978-79

FINANCE AND ADMINISTRATION,  
DEPARTMENT OF

Bureau of Taxation

Personal Services	(2)	\$25,000
All Other		8,500
Capital Expenditures		1,500
		<hr/>
		\$35,000

**Sec. 16. Appropriation for Elderly Householders Tax and Rent Refund Act.** The following funds shall be appropriated from the General Fund to carry out the purposes of this Act:

1978-79

FINANCE AND ADMINISTRATION,  
DEPARTMENT OF

Elderly Householders Tax and

Rent Refund Act

Bureau of Taxation

All Other

\$1,050,000

**Sec. 17. Effective date.** This Act shall become effective on July 1, 1978.

**Fiscal Note**

The bill provides the following permanent, yearly tax relief:

1. A permanent 4% reduction in Maine's personal income tax, \$5.12 million;
2. A permanent 2% reduction in Maine's corporate income tax, \$.84 million;
3. A new single head of household income tax rate, \$.15 million;
4. An income tax credit for the elderly equal to 20% of the federal income tax credit, \$.125 million;
5. An increase in the elderly householders tax and rent relief program, \$1.05 million;
6. A sales tax exemption on the first 500 KWH of residential electricity, \$2.8 million;
7. A sales tax exemption on the use of residential gas for cooking and heating, \$.2 million;
8. A refund for sales tax paid for commercial fishing equipment, \$.32 million;
9. A refund for sales tax paid for commercial farming equipment, 1.8 million; and
10. A trade-in credit for self-propelled vehicles used to harvest lumber, .2 million.

In addition to the above \$12.605 million permanent tax relief, this bill provides an additional \$7.7 million in "one-time" tax relief:

1. A new jobs tax credit geared particularly to small business for new jobs created during 1978, \$1 million; and

2. A one-time credit for personal income taxes paid of up to \$25 on 1978 income taxes which will be accounted for on the individual returns filed in 1979, \$6.7 million.

The total tax relief provided by this bill is \$20.305 million.

#### STATEMENT OF FACT

The purpose of this bill is to provide permanent and "one-time" tax relief of \$20.305 million. The specific tax relief measures are listed in the bill's fiscal note.

This bill also counteracts the present effect of the federal new jobs credit on Maine taxable income. The federal credit is partially offset by a federal requirement that the taxpayer's normal deduction for wages paid be reduced by the amount of credit. Since Maine does not allow the credit, use of the federal adjusted gross income figure, which includes the credit offset, would place the taxpayer in a worse position for Maine income tax purposes than if the new jobs credit did not exist. This effect would offset the incentive established by the federal credit and tend to frustrate the federal objective of job creation.