

# MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

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ONE HUNDRED AND NINTH LEGISLATURE

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**Legislative Document**

**No. 975**

H. P. 769

House of Representatives, March 2, 1979

On Motion of Mrs. Post of Owl's Head, referred to the Committee on Taxation.  
Sent up for concurrence and ordered printed.

EDWIN H. PERT, Clerk

Presented by Ms. Benoit of South Portland.

Cosponsors: Mrs. Masterton of Cape Elizabeth, Mr. Tarbell of Bangor and  
Mr. Dow of West Gardiner.

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STATE OF MAINE

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IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
SEVENTY-NINE

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**AN ACT to Index the Maine Individual Income Tax Structure.**

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

**Sec. 1. 36 MRSA § 5111**, as last amended by PL 1977, c. 686, § 7, is further amended by adding at the end the following new paragraph:

**The nominal dollar amounts of this section are subject to annual adjustment under section 5363.**

**Sec. 2. 36 MRSA § 5124-A**, as enacted by PL 1977, c. 477, § 17, is amended by adding at the end the following new paragraph:

**The nominal dollar amounts of this section are subject to annual adjustment under section 5363.**

**Sec. 3. 36 MRSA § 5126**, as amended by PL 1977, c. 686, § 10, is further amended by adding at the end the following new paragraph:

**The nominal dollar amounts of this section are subject to annual adjustment under section 5363.**

**Sec. 4. 36 MRSA c. 841** is enacted to read:

## CHAPTER 841

## INFLATION ADJUSTMENTS

## § 5361. Findings and purpose

The income tax laws of this State, in combination with economic inflation, have caused inequitable treatment of the taxpayer because the application of the inflexible, statutorily prescribed rates of tax, standard deduction and personal exemption to increasing personal incomes has resulted in increasing the taxpayer's taxable income although the taxpayer's purchasing power has remained the same or decreased. It is the purpose of this chapter to correct these situations by requiring that certain elements of the individual income tax structure be adjusted in accordance with annual increases in the Consumer Price Index.

## § 5362. Definitions

As used in this chapter, unless the context indicates otherwise, the following terms shall have the following meanings.

1. Base year index. "Base year index" means the Consumer Price Index for the period from July 1, 1977 through June 30, 1978; namely, 187.667.

2. Consumer Price Index. "Consumer Price Index" means the average over a 12-month period of the National Consumer Price Index published monthly by the Bureau of Labor Statistics, U.S. Department of Labor; after January 1, 1978, the National Consumer Price Index for All Urban Consumers shall be used in the averaging process.

3. Inflation factor. "Inflation factor" means the ratio of the Consumer Price Index for the 12-month period ending June 30th of the current year divided by the base year index, rounded to the nearest one-thousandth.

## § 5263. Annual adjustments for inflation

The State Planning Office shall annually, by September 15th, compute and certify to the Governor and the Legislature the inflation factor. Before the May 1st following this certification the Legislature shall set an inflation adjustment factor. The State Tax Assessor thereupon shall multiply the inflation adjustment factor so determined by the Legislature by the dollar amounts of the standard deduction, the personal exemption and by the dollar amounts of the tax rate schedule. The dollar amounts of the standard deduction, the personal exemption and the dollar amounts of the tax rate schedule adjusted by application of the inflation factor and rounded to the nearest \$100 shall be effective for the next tax year following the Legislature's determination of the inflation adjustment factor and shall be incorporated into the income tax forms and instructions of the State Tax Assessor for that taxable year.

If the Legislature fails to set an inflation adjustment factor by May 1st the inflation adjustment factor for the following tax year shall be that certified by the State Planning Office.

**Sec. 5. Effective date.** This chapter shall take effect for tax years beginning on or after January 1, 1980.

#### STATEMENT OF FACT

This bill provides for the annual indexation of the individual income tax system. This will insure that the structure of the income tax system will not adversely affect taxpayers who receive cost-of-living income increases which do not exceed changes in the Consumer Price Index. Adjustments to the tax structure will be based upon an inflation factor to be computed by the State Planning Office based upon the National Consumer Price Index as determined by the U.S. Department of Labor.