

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 115

H. P. 86

House of Representatives, January 6, 1981

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

EDWIN H. PERT, Clerk

Presented by Mr. A. F. Nelson of New Sweden.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-ONE

AN ACT to Provide a Limited Exemption From Maine Income Taxes on Interest Earned on Accounts in Maine Financial Institutions and on Certain Dividends.

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

36 MRSA § 5122, sub-§ 2, as repealed and replaced by PL 1977, c. 686, § 9, is amended to read:

2. Subtractions. ~~For tax years beginning on or after January 1, 1977, federal~~ Federal adjusted gross income shall be reduced by:

A. For tax years beginning on or after January 1, 1977, ~~Interest 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 if 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; ~~and~~

B. For tax years beginning on or after January 1, 1977, ~~An~~ an amount equal to the taxpayer's federal new jobs credit as determined under the laws of the United States; ~~and~~

C. For tax years beginning on or after January 1, 1981, interest on savings accounts, savings deposits, NOW accounts, time deposits, certificates of deposit or other passbook or nonpassbook accounts or special purpose accounts which bear interest and are maintained in a financial institution, and dividends on share accounts in credit unions and dividends of the type eligible for partial exclusion from federal gross income under the United States Internal Revenue Code, Section 116, up to and including the following aggregate amount for each taxable year:

(1) For single individuals, married persons filing separate returns and trusts and estates, \$200, less the amount by which the federal gross income of the taxpayer is decreased in accordance with the United States Internal Revenue Code, Section 116;

(2) For unmarried or legally separated taxpayers who qualify as heads of household, \$300, less the amount by which the federal gross income of the taxpayer is decreased in accordance with the United States Internal Revenue Code, Section 116; and

(3) For married taxpayers, widows and widowers filing joint income tax returns, \$400, less the amount by which the federal gross income of the taxpayers or taxpayer, as the case may be, is decreased in accordance with the United States Revenue Code, Section 116.

“Financial institution” means a savings bank, trust company, industrial bank, savings and loan association, commercial bank or credit union organized under the laws of the State or organized under provisions of federal law and maintaining an office in this State.

STATEMENT OF FACT

This bill allows a limited exclusion from Maine income taxes of certain interest on savings accounts and certain dividends up to an aggregate amount of \$200 to \$400. Adjustments are made to account for the same dividends.