

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
110TH LEGISLATURE
FIRST REGULAR SESSION

L.D. 1074
(Filing No. H-431)

COMMITTEE AMENDMENT "A" to H.P. 907, L.D. 1074, Bill,
"AN ACT to Adjust Annually Individual Income Tax Laws to
Eliminate Inflation Induced Increases in Individual State
Income Taxes."

Amend the Bill by striking out everything after the
enacting clause and inserting in its place the following:

'Sec. 1. 36 MRSA §5124-A, as enacted by PL 1977,
c. 477, §17, is amended by adding at the end a new paragraph
to read:

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

Sec. 2. 36 MRSA §5143-A, as enacted by PL 1979, c. 711,
Pt. H, §2, is repealed and the following enacted in its place:
§5143-A. Standard deduction

The standard deduction for nonresident individuals shall
be the same as the standard deduction allowed under section
5124-A to resident individuals, multiplied by a percentage
arrived at by dividing the nonresident's adjusted gross income
from sources within the State by the adjusted gross income he
would be required to report if he were a resident.

Sec. 3. 36 MRSA c. 845 is enacted to read:

CHAPTER 845

INFLATION ADJUSTMENTS

§5381. Findings and purpose

The income tax laws of this State, in combination with
inflation, have caused inequitable treatment of the taxpayer.
Personal income has risen with inflation but the value of the

standard deduction has remained constant. As a result, the taxable incomes of most taxpayers have risen while their real purchasing power has remained the same or decreased. The purpose of this chapter is to help correct this situation by requiring that the value of the standard deduction be adjusted in accordance with annual increases in the Personal Consumption Expenditure Index.

§5382. Definitions

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

1. Inflation factor. "Inflation factor" for a given taxable year means the ratio, rounded to the nearest 1/1,000, of the Personal Consumption Expenditure Index for the quarter ending June 30th of that taxable year to the Personal Consumption Expenditure Index for the quarter ending June 30th of the year preceding that taxable year, provided that the inflation factor shall be not less than 1.000.

2. Personal Consumption Expenditure Index. "Personal Consumption Expenditure Index" means the National Personal Consumption Expenditure Implicit Price Deflator Index, seasonally adjusted, published quarterly by the Bureau of Economic Analysis of the United States Department of Commerce.

§5383. Annual adjustments

1. Standard deduction. For each taxable year beginning on or after January 1, 1982, the State Tax Assessor shall multiply the inflation factor for that taxable year by the dollar amounts of the standard deduction as provided in section 5124-A and as adjusted under this chapter for the immediately

preceding taxable year. The resulting dollar amounts, rounded to the nearest \$50, shall be used as the standard deduction for that taxable year.

Fiscal Note

It is estimated that enactment of this bill will result in the following reduction in income tax revenues:

	<u>1982-83</u>
General Fund	\$ 960,000
Local Government Fund	40,000

Statement of Fact

The purpose of this amendment is to eliminate the provisions requiring indexation of the personal exemption and the tax brackets from the original bill, and to substitute the Department of Commerce Personal Consumption Expenditure Index for the Department of Labor Consumer Price Index as the means for measuring inflation, for the reason that the former provides a more accurate measure of changes in <---> real consumer purchasing power. The amendment retains the provision for indexation of the standard deduction contained in the original bill.

Reported by Report "A" of the Committee on Taxation.
Reproduced and distributed under the direction of the Clerk of the House.

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