

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1454

S. P. 524

In Senate, March 24, 1981

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

MAY M. ROSS, Secretary of the Senate

Presented by Senator Wood of York.

STATE OF MAINE

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

AN ACT to Provide Indexing for the State Income Tax.

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 a new paragraph to read:

The nominal dollar amounts of this section are subject to annual adjustment under section 5373.

Sec. 2. 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 5373.

Sec. 3. 36 MRSA § 5126, as last amended by PL 1979, c. 615, § 4, is further 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 5373.

Sec. 4. 36 MRSA c. 843 is enacted to read:

CHAPTER 843
INFLATION ADJUSTMENTS

§ 5371. 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.

§ 5372. Definitions

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

1. **Consumer Price Index.** "Consumer Price Index" means the average over a 12-month period of the National Consumer Price Index for All Urban Consumers published monthly by the United States Department of Labor, Bureau of Labor Statistics.

2. **Inflation factor.** "Inflation factor" means the ratio of the Consumer Price Index, not seasonably adjusted, for the 12-month period ending June 30th of the current taxable year divided by the Consumer Price Index, not seasonably adjusted, for the 12-month period ending June 30th of the immediately preceding taxable year, expressed as a decimal rounded to the nearest one-thousandth.

§ 5373. 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 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 takes effect for tax years beginning on or after January 1, 1982.

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 the 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 for all Urban Consumers as determined by the United States Department of Labor.