

MAINE STATE LEGISLATURE

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FIRST REGULAR SESSION

ONE HUNDRED AND TENTH LEGISLATURE

Legislative Document

No. 1503

H. P. 1288

House of Representatives, March 27, 1981

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

EDWIN H. PERT, Clerk

Presented by Representative Connolly of Portland.

STATE OF MAINE

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

AN ACT to Reduce the Subsidy Index for the Local Share of the State and Local Allocation by 50% for Residential Property and Shift the Tax Burden to the Individual Income Tax.

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

Sec. 1. 20 MRSA § 4743, sub-§ 10-A is enacted to read:

10-A. Income tax surcharge rate for the local allocation. The "income tax surcharge rate for the local allocation" is a surcharge rate on the individual income tax established by the Legislature under section 4747, subsection 14.

Sec. 2. 20 MRSA § 4743, sub-§§ 16-B and 16-C are enacted to read:

16-B. Residential property tax credit for education. The "residential property tax credit for education" is a credit applied to the individual income tax under Title 36, section 5127, subsection 4.

16-C. Residential property tax credit rate for education. The "residential property tax credit rate for education" is a rate established by the Legislature under section 4747, subsection 13.

Sec. 3. 20 MRSA § 4747, sub-§§ 11 and 12, as enacted by PL 1977, c. 625, § 8, are amended to read:

11. Appropriation for nonpublic school student services. Appropriate the

necessary funds for reimbursement for nonpublic school student services as authorized by section 4750, subsection 6; and

12. Appropriation for pupils placed directly by the State and for institutional residents. Tuition and board for pupils placed directly by the State in accordance with rules and regulations adopted by the commissioner and special education tuition and other tuition for institutional residents of state-operated institutions attending programs in administrative units in accordance with rules and regulations adopted by the commissioner;

Sec. 4. 20 MRSA § 4747, sub-§§ 13 and 14 are enacted to read:

13. Residential property tax credit rate for education. Establish a residential property tax credit rate for education of not less than 50%; and

14. Income tax surcharge rate for the local allocation. Establish an individual income tax surcharge rate which, when multiplied times the taxes collected by the individual income tax established under Title 36, chapters 801 to 807, would yield sufficient revenue to cover the cost of the residential property tax credit given in Title 36, section 5127. The Legislature shall adjust the rate to take into account any surplus or deficit from the previous year.

Sec. 5. 20 MRSA § 4751, sub-§ 2, as enacted by PL 1977, c. 624, § 8, is amended by adding at the end a new sentence to read:

The residential property tax credit rate equals _____ %.

Sec. 6. 36 MRSA § 5116 is enacted to read:

§ 5116. **Income tax surcharge**

The income tax surcharge for the local allocation shall be imposed on every resident individual in the State and on nonresident individuals subject to Maine taxes. The surcharge shall be computed by multiplying the taxpayers tax computed under this chapter by the surcharge rate established under Title 20, section 4747, subsection 14.

Sec. 7. 36 MRSA § 5127, sub-§ 4 is enacted to read:

4. Residential property tax credit for education. The residential property tax credit for education shall be calculated and applied to the income tax as follows.

A. On all residential property, or that proportion of nonresidential property allocated to residential use, the tax assessor in each municipality shall compute a tax credit equal to the residential property tax credit rate for education times the amount of the property tax assessed to cover the local allocation for educational programs as established under Title 20, section 4751.

B. Owners of property shall pass the tax credit on to each renter of a residential unit in the proportion that the value of the rental unit is to the total value of the rental portion of the property and in relation to the proportion of the year which the renter rented the unit.

C. In the case where the tax credit is greater than the income tax due, the State shall pay the difference to the taxpayer.

Sec. 8. 36 MRSA § 5146, as enacted by PL 1977, c. 424, § 2, is repealed and the following enacted in its place:

§ 5146. Income tax credits

A nonresident individual shall be allowed a credit against the tax otherwise due under this Part as follows.

1. Child care credit. A child care credit shall be allowed in the amount of 15% of the federal tax credit allowable for child care expenses, except that this credit shall be limited by the percentage that his Maine adjusted gross income bears to his federal adjusted gross income. In no case may this credit reduce the Maine income tax to less than zero.

2. Residential property tax credit for education. A residential property tax credit for education shall be allowed and shall be:

A. Computed as defined in section 5127; and

B. Multiplied by the percentage which a nonresident individual's gross income from sources within the State is to the adjusted gross income he would be required to report if he were a resident.

Sec. 9. Statutory referendum procedure; submission at statewide election; effective date. This Act shall be submitted to the legal voters of the State of Maine at a statewide election to be held on the Tuesday following the first Monday of November following passage of this Act. The city aldermen, town selectmen and plantation assessors of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Act by voting on the following question:

“Shall the citizens of Maine elect to fund 50% of the local share of the cost of public education through the individual income tax by establishing an “income tax surcharge rate for the local allocation” and a “residential property tax credit for education?”

The legal voters of each city, town and plantation shall vote by ballot on this question, and shall designate their choice by a cross or check mark placed within a corresponding square below the word “Yes” or “No.” The ballots shall be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns and, if it appears that a majority of the legal votes are in favor of the Act, the Governor shall proclaim that fact without delay, and the Act shall become effective 30 days after the date of the proclamation.

The Secretary of State shall prepare and furnish to each city, town and

plantation all ballots, returns and copies of the this Act necessary to carry out the purposes of this referendum.

STATEMENT OF FACT

This bill shifts 50% of the residential property tax burden raised to cover the local share for education to the individual income tax. It does this by allowing a property tax credit for that portion of the property tax allocated to education and establishes an individual income tax surcharge to cover the cost of the property tax credit. By using a tax credit mechanism, summer residents not subject to Maine income tax are still required to pay their full share of local education costs. Landlords are required to pass the tax credit on to renters.