

|              | (EMERGENCY)   |
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|              | FIRST REGULAR SESSION   |
|              | ONE HUNDRED AND ELEVENTH LEGISLATURE  |
| Legi         | slative Document No. 126  |
| Н.Р <i>.</i> | 137House of Representatives, January 10, 1983   |
|              | Received by the Clerk of the House on January 10, 1983. Referred to the mittee on Taxation, and ordered printed pursuant to Joint Rule 14.                |
|              | EDWIN H. PERT, Clerk  |
| Prese        | ented by Representative Higgins of Scarborough.   |
|              | STATE OF MAINE  |
|              | IN THE YEAR OF OUR LORD<br>NINETEEN HUNDRED AND EIGHTY-THREE  |
|              | AN ACT to Delay the Implementation of<br>Income Tax Indexing and Compensate<br>Municipalities for Revenue Losses Resulting<br>from Indexing.              |
|              | <b>Emergency preamble</b> . Whereas, Acts of the Legis-<br>ure do not become effective until 90 days after<br>burnment unless enacted as emergencies; and |
| refe<br>inco | Whereas, the People of the State of Maine have by<br>erendum, approved a measure to index the state<br>ome tax to account for inflation; and              |
| ary          | Whereas, that measure becomes effective on Janu-<br>15, 1983; and   |
| requ         | Whereas, the measure is retroactive to 1981 and<br>lires the refunding of certain taxes; and  |

1 Whereas, there is not sufficient time for the 2 Legislature to consider adequately the means of 3 financing these refunds; and

4 Whereas, in the judgment of the Legislature, 5 these facts create an emergency within the meaning of 6 the Constitution of Maine and require the following 7 legislation as immediately necessary for the preser-8 vation of the public peace, health and safety; now, 9 therefore,

- 10 Be it enacted by the People of the State of Maine as 11 follows:
- 12 Sec. 1. 1982, I.B. 2, as approved by the people 13 November 2, 1982, is repealed.

 14
 Sec. 2. 30 MRSA §5055, sub-§5, as repealed and

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 replaced by PL 1981, c. 522, §§1 and 2, is amended to

 16
 read:

17 5. Treasurer of State. An amount equal to 4% 4.5% of the receipts from the taxes imposed under 18 19 Title 36, Parts 3 and 8, and credited to the General 20 Fund, plus an amount equal to \$237,000 of the receipts from the tax imposed under Title 36, Part 3, 21 shall be transferred by the Treasurer of State to the 22 Local Government Fund on the first day of each month, 23 24 beginning July 1, 1983.

25 The Treasurer of State shall distribute the balance 26 in the Local Government Fund on the 20th day of each 27 month, beginning July 20, 1983.

28 Sec. 3. 36 MRSA §5111, as amended by PL 1977, c.
29 686, §7, is further amended by adding at the end a
30 new paragraph to read:

31 The nominal dollar amounts of this section are 32 subject to annual adjustment under section 5403.

33 Sec. 4. 36 MRSA §5124-A, as enacted by PL 1977, 34 c. 477, §17, is amended by adding at the end a new 35 paragraph to read:

| 1<br>2   | The nominal dollar amounts of this section are subject to annual adjustment under section 5403.  |
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| 3<br>4<br>5  | Sec. 5. 36 MRSA §5126, as amended by PL 1979, c.<br>615, §4, is further amended by adding at the end a<br>new paragraph to read:   |
| 6<br>7   | The nominal dollar amounts of this section are subject to annual adjustment under section 5403.  |
| 8<br>9<br>10   | Sec. 6. 36 MRSA §5143-A, as enacted by PL 1979,<br>c. 711, Pt. H, §2, is amended by adding at the end a<br>new paragraph to read:  |
| 11<br>12   | The nominal dollar amounts of this section are subject to annual adjustment under section 5403.  |
| 13   | Sec. 7. 36 MRSA c. 843 is enacted to read:   |
| 14   | CHAPTER 843  |
| 15   | INFLATION ADJUSTMENTS  |
|  |  |
| 16   | §5501. Findings and purpose  |
| 16<br>17<br>18<br>19<br>20<br>21<br>22<br>23<br>24<br>25<br>26<br>27<br>28<br>29<br>31<br>32<br>31<br>32<br>33<br>34<br>35<br>36 | §5501. Findings and purpose<br>Inflation erodes the value of personal exemptions<br>and deductions in the Maine individual income tax<br>structure and distorts fiscal equity among taxpayers.<br>Inflation-induced increases in individual income tax<br>revenues result in annual collections that exceed the<br>amounts anticipated by legislative actions establish-<br>ing rates, exemptions, deductions and other features<br>of the Maine individual income tax. The income tax<br>laws of this State, in combination with economic<br>inflation, have caused inequitable treatment of the<br>taxpayers because the application of inflexible,<br>statutorily prescribed rates of tax, standard deduc-<br>tion and personal exemption to increasing personal<br>incomes has resulted in increasing the taxpayer's tax<br>liability while the taxpayers purchasing power has<br>remained the same or, in some instances, has<br>decreased. It is the purpose of this chapter to cor-<br>rect this situation by requiring that certain compo-<br>nents of the individual income tax structure be ad-<br>justed in order to compensate for the impact of |

## 1 §5502. Definitions

| 2              | As used in this chapter, unless the context indi-   |
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| 3              | cates otherwise, the following terms have the follow-   |
| 4              | ing meanings.   |
| 5              | 1. Consumer Price Index. "Consumer Price Index"   |
| 6              | means the average over a 12-month period of the   |
| 7              | National Consumer Price Index, not seasonally adjust-   |
| 8              | ed, published monthly by the United States Department   |
| 9              | of Labor, Bureau of Labor Statistics, designated as   |
| 10             | the "National Consumer Price Index for all Urban Con-   |
| 11             | sumers - United States City Average."   |
| 12             | 2. Percentage adjustment factor. "Percentage ad-  |
| 13             | justment factor" means 1/2 of the percentage increase   |
| 14             | in the Consumer Price Index for the 12-month period   |
| 15             | ending June 30th of the current taxable year over the   |
| 16             | Consumer Price Index for the 12-month period ending   |
| 17             | June 30th of the immediately preceding taxable year,  |
| 18             | expressed as a decimal rounded to the nearest   |
| 19             | 1/1,000.  |
| 20<br>21<br>22 | 3. Inflation factor. "Inflation factor" means the percentage adjustment factor, plus one. The inflation factor for any taxable year shall not exceed 1.070. |
| 23             | §5503. Annual adjustments for inflation   |
| 24             | On or about September 15th of each taxable year,  |
| 25             | the State Tax Assessor shall multiply the inflation   |
| 26             | factor for that taxable year by the dollar amounts of   |
| 27             | both the standard deduction and the personal exemp-   |
| 28             | tion as adjusted under this chapter in the immedi-  |
| 29             | ately preceding taxable year. The State Tax Assessor  |
| 30             | shall also multiply the inflation factor by certain   |
| 31             | dollar bracket amounts in the tax rate schedule for   |
| 32             | each filing status, as follows.   |
| 33             | 1. Single individuals and married persons filing  |
| 34             | separate returns. The inflation factor shall be   |
| 35             | multiplied by the dollar bracket amounts, as adjusted   |
| 36             | under this chapter in the immediately preceding tax-  |
| 37             | able year, on the tax rate schedule for single indi-  |
| 38             | viduals and married persons filing separate returns,  |
| 39             | up to and including the dollar bracket amount for   |
| 40             | taxable income not over \$15,000, as adjusted. In ad-   |

dition, the inflation factor shall be multiplied by the dollar bracket amount for taxable income of \$15,000, as adjusted.

4 2. Heads of households. The inflation factor 5 shall be multiplied by the dollar bracket amounts, as adjusted under this chapter in the immediately pre-6 7 ceding taxable year, on the tax rate schedule for unmarried or legally separated taxpayers who qualify as heads of household, up to and including the dollar 8 9 bracket amount for taxable income not over \$22,500, 10 as adjusted. In addition, the inflation factor shall be multiplied by the dollar bracket amount for tax-11 12 13 able income of \$22,500, as adjusted.

14 3. Married taxpayers and others filing joint 15 returns. The inflation factor shall be multiplied by 16 the dollar bracket amounts, as adjusted under this 17 chapter in the immediately preceding taxable year, on the tax rate schedule for married taxpayers and 18 19 widows and widowers filing joint federal returns, up to and including the dollar bracket amount for tax-20 able income not over \$30,000, as adjusted. In addi-21 22 tion, the inflation factor shall be multiplied by the 23 dollar bracket amount for taxable income of \$30,000, 24 as adjusted.

25 The dollar amounts of the standard deduction, the 26 personal exemption and the dollar bracket amounts 27 listed in this section, adjusted by application of the inflation factor and rounded to the nearest \$100, 28 29 shall be effective for the then current taxable year 30 and shall be incorporated into the income tax forms and instructions of the State Tax Assessor for that 31 32 taxable year.

33 If the inflation factor for any taxable year is 34 1.000 or less, no adjustment shall be made for that 35 taxable year and the dollar amounts of the standard 36 deductions, personal exemption and the dollar bracket 37 amounts of the tax rate schedules listed in this 38 section shall remain at the prior taxable year's 39 level.

40 §5504. Credits

1 Taxpayers who have paid a tax for a tax year 2 beginning in 1981 or 1982, shall be entitled to an 3 adjustment as follows.

1. Credit for 1981. Taxpayers who paid a tax for
a tax year beginning in 1981 shall be entitled to a
credit against the taxes due for the 1983 tax year.
The amount of the credit shall be the difference
between the amount paid for 1981 and the amount that
would have been due had the adjustments provided in
section 5503 been made.

2. Credit for 1982. Taxpayers who paid a tax for a tax year beginning in 1982 shall be entitled to a credit against the taxes due for the 1984 tax year. The amount of the credit shall be the difference between the amount paid for 1982 and the amount that would have been due had the adjustments provided in section 5503 been made.

18 §5505. Refunds

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19 A taxpayer who is not required to file a tax return for a tax year beginning in 1983 or 1984 may 20 21 apply to the State Tax Assessor for a refund equal to 22 the difference between the amount paid for 1981 or 23 1982 and the amount that would have been due had the adjustments provided in section 5503 been made. 24 25 Application for a refund must be made between the date when the taxpayer's tax year would have ended 26 and the date when the taxpayer's return would have 27 28 been due if he had been required to file. Personal representatives may apply for the refund on behalf of 29 30 the estate of a deceased taxpayer.

31 **Emergency clause.** In view of the emergency 32 cited in the preamble, section 1 of this Act shall 33 take effect when approved, and all other sections 34 shall take effect on July 1, 1983, for tax years 35 beginning on or after January 1, 1981.

## STATEMENT OF FACT

This bill postpones the implementation of income tax indexing until July 1, 1983, and provides that rebates due for 1981 and 1982 shall be taken as cred1 its for 1983 and 1984 tax years. It provides for 2 refunds for taxpayers who do not file a return for 3 1983 and 1984. It also increases municipal revenue 4 sharing funds to alleviate the local effects of 5 indexing.

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