

MAINE STATE LEGISLATURE

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1 FIRST REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 1585
6

7 H.P. 1189

House of Representatives, May 9, 1983

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

EDWIN H. PERT, Clerk

10 Presented by Representative Andrews of Portland.

Cosponsors: Representative Kilcoyne of Gardiner, Senator Bustin of
11 Kennebec and Representative Gauvreau of Lewiston.

12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-THREE
16

17 AN ACT to Restructure the Personal and
18 Corporate Income Tax System.
19

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

22 Sec. 1. 36 MRSa §5111, as amended 1982, I.B. 2,
23 §1, is further amended by inserting before the next
24 to the last paragraph from the end a new paragraph to
25 read:

26 The effective date of change from the foregoing
27 rate table to the next following rate table shall be
28 January 1, 1983, the amount of tax for any taxable
29 year or portion thereof on or after January 1, 1983,
30 shall be determined in accordance with the following
31 table:

32 If the taxable income is:

The tax is:

33 Not over \$2,000

1% of the taxable
34 income

1	<u>\$2,000 but not over</u>	<u>\$20 + 2% of excess</u>
2	<u> \$4,000</u>	<u>over \$2,000</u>
3	<u>\$4,000 but not over</u>	<u>\$60 + 3% of excess</u>
4	<u> \$6,000</u>	<u>over \$4,000</u>
5	<u>\$6,000 but not over</u>	<u>\$120 + 6% of excess</u>
6	<u> \$8,000</u>	<u>over \$6,000</u>
7	<u>\$8,000 but not over</u>	<u>\$240 + 7% of excess</u>
8	<u> \$10,000</u>	<u>over \$8,000</u>
9	<u>\$10,000 but not over</u>	<u>\$380 + 8% of excess</u>
10	<u> \$15,000</u>	<u>over \$10,000</u>
11	<u>\$15,000 but not over</u>	<u>\$780 + 9.2% of excess</u>
12	<u> \$25,000</u>	<u>over \$15,000</u>
13	<u>\$25,000 but not over</u>	<u>\$1,700 + 10% of excess</u>
14	<u> \$35,000</u>	<u>over \$25,000</u>
15	<u>\$35,000 but not over</u>	<u>\$2,700 + 12% of excess</u>
16	<u> \$45,000</u>	<u>over \$35,000</u>
17	<u>\$45,000 but not over</u>	<u>\$3,900 + 14% of excess</u>
18	<u> \$55,000</u>	<u>over \$45,000</u>
19	<u>\$55,000 or more</u>	<u>\$5,300 + 16% of excess</u>
20		<u>over \$55,000</u>

21 Sec. 2. 36 MRSA §5200, as repealed and replaced
22 by PL 1981, c. 706, §39, is repealed and the follow-
23 ing enacted in its place:

24 §5200. Imposition and rate of tax

25 A tax is imposed upon the Maine net income of
26 taxable corporations for each taxable year at the
27 following rates:

28	<u>If the Maine net income is:</u>	<u>The tax</u>
29	<u>is:</u>	
30	<u>Not over \$25,000</u>	<u>3.5%</u>
31	<u>\$25,000 but not over \$75,000</u>	<u>7.93%</u>
32	<u>\$75,000 or more</u>	<u>8.33%</u>

33 Sec. 3. 36 MRSA §5206, sub-§1, as amended by PL
34 1981, c. 704, §6, is further amended to read:

35 1. Rate. 4-95% of taxable income plus 1-98% of
36 the taxable income in excess of \$25,000, provided
37 that taxable The rates to be applied to taxable
38 income under this chapter shall be the same as those
39 specified in section 5200. Taxable income, for pur-
40 poses of this subsection, shall be reduced by the
41 amount of the corporation's or association's federal

1 new jobs credit for tax years beginning on or after
2 January 1, 1978; shall be reduced by the amount of
3 the corporation's or association's credit for invest-
4 ment in the Maine Capital Corporation for tax years
5 beginning on or after January 1, 1979; shall be
6 increased, for the tax year ending in 1982, by the
7 amount of deductions allowed for that tax year to the
8 taxpayer as nominal lessor in a safe harbor lease
9 pursuant to the United States Internal Revenue Code,
10 Section 168(f)(8), plus 18% of the remaining deduc-
11 tions allowed for that tax year under the United
12 States Internal Revenue Code, Sections 167 and 168,
13 shall be decreased, for each of the tax years ending
14 in 1983 through 1985, by 6% of the deductions allowed
15 under the United States Internal Revenue Code, Sec-
16 tions 167 and 168 for the taxpayer's tax year ending
17 in 1982, excluding the amount of deductions allowed
18 for that tax year to the nominal lessor in a safe
19 harbor lease pursuant to the United States Internal
20 Revenue Code, Section 168(f)(8); and is reduced by
21 the amount of the tax payable by the corporation or
22 association for the taxable year under chapter 817.

23 STATEMENT OF FACT

24 The purpose of this bill is to make Maine's per-
25 sonal and corporate income tax structure fairer by
26 basing it more on the ability to pay. It is also
27 designed to reduce the corporate income tax for Maine
28 businesses that earn less than \$25,000 per year in
29 taxable income. Over 80% of Maine businesses who
30 filed a corporate income tax last year, earned less
31 than \$25,000. Finally, the bill will generate addi-
32 tional revenue for the General Fund.

33 Section 1 adds 3 new brackets to the top of
34 Maine's personal income tax structure. Individual
35 taxpayers who earn less than \$35,000 or joint filers
36 who earn less than \$70,000 in taxable income, will
37 not be affected by this change.

1 Section 2 reduces the rate of the first corporate
2 income tax bracket, under \$25,000, from 4.95% to
3 3.5%. The rate of the 2nd bracket, \$25,000 -
4 \$75,000, will increase from 6.93% to 7.93%. A
5 bracket will be added for corporations earning a tax-
6 able income of over \$75,000, at a rate of 8.33%.
7 Currently, Maine has the lowest corporate income tax
8 in New England.

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