

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE
4

5 Legislative Document

No. 2409
6

7 S.P. 893

In Senate, March 30, 1984

8 Reported by The Review Committee on Tax Conformity pursuant to
9 PL 1983, c. 590 and printed under Joint Rule 18.

10 JOY J. O'BRIEN, Secretary of the Senate

11
12 STATE OF MAINE
13

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

17 AN ACT to Provide for Conformity with the
18 United States Internal Revenue Code.
19

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

22 Sec. 1. 36 MRSA §5102, sub-§11, as amended by PL
23 1983, c. 590, §1, is further amended to read:

24 11. Other terms. Any other term used in this
25 Part has the same meaning as when used in a compara-
26 ble context in the laws of the United States relating
27 to federal income taxes, unless a different meaning
28 is clearly required. Any reference in this Part to
29 the laws of the United States shall be construed as a
30 reference to the provisions of the United States In-
31 ternal Revenue Code of 1954, and amendments thereto
32 and other provisions of the laws of the United States
33 relating to federal income taxes as of ~~December 31,~~
34 ~~1980~~ January 31, 1983. This subsection shall be ef-
35 fective as to items of income, deductions, loss or

1 gain accruing in taxable years ending on or after
2 January 1, 1980 but only to the extent that those
3 items have been earned, received, incurred or accrued
4 on or after that effective date. Notwithstanding
5 other provisions of this subsection, for taxable
6 years ending in 1981 and 1982, any reference in this
7 Part to the laws of the United States shall be con-
8 strued as a reference to the provisions of the United
9 States Internal Revenue Code of 1954, and amendments
10 thereto and other provisions of the laws of the
11 United States relating to federal income taxes as of
12 December 31, 1981 for items of income, deductions,
13 loss or gain earned, incurred or accrued within those
14 taxable years. Notwithstanding other provisions of
15 this subsection, for taxable years ending in 1983,
16 any reference in this Part to the laws of the United
17 States shall be construed as a reference to the pro-
18 visions of the United States Internal Revenue Code of
19 1954, and amendments thereto and other provisions of
20 the laws of the United States relating to federal in-
21 come taxes as of January 31, 1983 for items of in-
22 come, deductions, loss or gain earned, incurred or
23 accrued within those taxable years.

24 Sec. 2. 36 MRSA §5122, sub-§1, ¶¶D and E, as en-
25 acted by PL 1981, c. 706, §35, are amended to read:

26 D. The amount of any net operating loss in the
27 taxable year which has been carried back to pre-
28 vious years pursuant to the United States Inter-
29 nal Revenue Code, Section 172; and

30 E. The amount of any deduction claimed for the
31 taxable year under the United States Internal
32 Revenue Code, Section 172 which has previously
33 been used to offset the modifications provided by
34 this subsection; and

35 Sec. 3. 36 MRSA §5122, sub-§1, ¶F is enacted to
36 read:

37 F. For a taxable year ending in 1984, the sum of
38 the following portions of the deductions allowed
39 for that taxable year to the taxpayer under the
40 United States Internal Revenue Code, Section 168:

41 (1) 2.5% of the deductions for 3-year prop-
42 erty;

1 (2) 7.5% of the deductions for 5-year prop-
2 erty;

3 (3) 12.5% of the deductions for 10-year
4 property; and

5 (4) 20% of the deductions for 15-year prop-
6 erty.

7 Sec. 4. 36 MRS §5122, sub-§2, as amended by PL
8 1983, c 519, §25, is further amended to read:

9 2. Subtractions. For tax years beginning on or
10 after January 1, 1977, federal adjusted gross income
11 shall be reduced by:

12 A. Interest or dividends on obligations of the
13 United States and its territories and possessions
14 or of any authority, commission or instrumentali-
15 ty of the United States or on a seller-sponsored
16 loan, as defined by Title 10, section 974, sub-
17 section 16 to the extent includible in gross in-
18 come for federal income tax purposes but exempt
19 from state income taxes under the laws of the
20 United States, provided that the amount sub-
21 tracted shall be decreased by any expenses in-
22 curred in the production of the interest or divi-
23 dend income to the extent that these expenses,
24 including amortizable bond premiums, are deduct-
25 ible in determining federal adjusted gross in-
26 come; ~~and~~

27 B. An amount equal to the taxpayer's federal new
28 jobs credit as determined under the laws of the
29 United States; and

30 C. For each of the taxable years ending in 1985
31 through 1987, 1/3 of the amount by which federal
32 adjusted gross income was increased for the tax-
33 able year ending in 1984 under subsection 1, par-
34 agraph F.

35 Sec. 5. 36 MRS §5200-A, sub-§1, ¶D, as enacted
36 by PL 1981, c. 704, §4, is amended to read:

37 D. For a taxable year ending in 1982, Subchapter
38 S corporations excepted, the amount of deductions

1 allowed for that taxable year to the taxpayer as
2 the nominal lessor in a safe harbor lease pursu-
3 ant to the United States Internal Revenue Code,
4 Section 168(f)(8), plus 18% of the remaining de-
5 ductions allowed for that taxable year under the
6 United States Internal Revenue Code, Sections 167
7 and 168; and

8 Sec. 6. 36 MRS §5200-A, sub-§1, ¶F, as enacted
9 by PL 1983, c. 590, §2, is amended to read:

10 F. For a taxable year ending in 1983, the sum of
11 the following portions of the deductions allowed
12 for that taxable year to the taxpayer under the
13 United States Internal Revenue Code, Section 168:

14 (1) 5% of the deductions for 3-year proper-
15 ty;

16 (2) 15% of the deductions for 5-year prop-
17 erty;

18 (3) 25% of the deductions for 10-year prop-
19 erty; and

20 (4) 40% of the deductions for 15-year prop-
21 erty; and

22 Sec. 7. 36 MRS §5200-A, sub-§1, ¶G is enacted
23 to read:

24 G. For a taxable year ending in 1984, the sum of
25 the following portions of the deductions allowed
26 for that taxable year to the taxpayer under the
27 United States Internal Revenue Code, Section 168:

28 (1) 2.5% of the deductions for 3-year prop-
29 erty;

30 (2) 7.5% of the deductions for 5-year prop-
31 erty;

32 (3) 12.5% of the deductions for 10-year
33 property; and

34 (4) 20% of the deductions for 15-year prop-
35 erty.

1 Sec. 8. 36 MRSA §5200-A, sub-§2, ¶¶C and D, as
2 enacted by PL 1981, c. 704, §4, are amended to read:

3 C. An amount equal to the taxpayer's new jobs
4 credit as determined under the laws of the United
5 States; and

6 D. For each of the taxable years ending in 1983
7 through 1985, Subchapter S corporations excepted,
8 6% of the deductions allowed under the United
9 States Internal Revenue Code, Sections 167 and
10 168 for the taxable year 1982, excluding the
11 amount of deduction allowed for that taxable year
12 to the nominal lessor in a safe harbor lease pur-
13 suant to the United States Internal Revenue Code,
14 Section 168(f)(8)-; and

15 Sec. 9. 36 MRSA §5200-A, sub-§2, ¶E is enacted
16 to read:

17 E. For each of the taxable years ending in 1985
18 through 1987, 1/3 of the amount by which taxable
19 income was increased for the taxable year ending
20 in 1984 under subsection 1, paragraph G.

21 Sec. 10. 36 MRSA §5206, sub-§3, ¶¶C and D, as
22 enacted by PL 1983, c. 590, §3, are amended to read:

23 C. Increased, for taxable year ending in 1982,
24 by the amount of deductions allowed for that tax
25 year to the taxpayer as nominal lessor in a safe
26 harbor lease pursuant to the United States Inter-
27 nal Revenue Code, Section 168(f)(8) plus 18% of
28 the remaining deductions allowed for that year
29 under the United States Internal Revenue Code,
30 Sections 167 and 168; and

31 D. Increased, for taxable years ending in 1983,
32 by the sum of the following portions of the de-
33 ductions allowed for that taxable year to the
34 taxpayer under the United States Internal Revenue
35 Code, Section 168:

36 (1) 5% of the deductions for 3-year proper-
37 ty;

38 (2) 15% of the deductions for 5-year prop-
39 erty;

1 (3) 25% of the deductions for 10-year prop-
2 erty; and

3 (4) 40% of the deductions for 15-year prop-
4 erty;

5 Sec. 11. 36 MRSA §5206, sub-§3, ¶¶E and F are
6 enacted to read:

7 E. Increased, for taxable years ending in 1984,
8 by the sum of the following portions of the de-
9 ductions allowed for that taxable year to the
10 taxpayer under the United States Internal Revenue
11 Code, Section 168:

12 (1) 2.5% of the deductions for 3-year prop-
13 erty;

14 (2) 7.5% of the deductions for 5-year prop-
15 erty;

16 (3) 12.5% of the deductions for 10-year
17 property; and

18 (4) 20% of the deductions for 15-year prop-
19 erty; and

20 F. Decreased, for each of the taxable years end-
21 ing in 1985 through 1987, by 1/3 of the amount by
22 which taxable income was increased for the tax-
23 able year ending in 1984 under paragraph E.

24 STATEMENT OF FACT

25 The bill contains the recommendations of the Re-
26 view Committee on Tax Conformity established by the
27 First Regular Session of the 111th Legislature to
28 conduct a general review of the issue of state-
29 federal conformity and report its conclusions and
30 recommendations.

31 This bill provides that the date of reference to
32 the United States Internal Revenue Code be changed to
33 January 31, 1983, with no expiration date. The
34 choice of this date incorporates all federal changes
35 except for taxation of certain Social Security bene-

1 fits which would not be subject to income taxation at
2 the state level under this bill.

3 This bill provides that, for taxable years ending
4 in 1984, all individual and corporate taxpayers will
5 add-back a portion of their federal Accelerated Cost
6 Recovery System deductions to state taxable income.
7 The add-back is 1/2 of the add-back for 1983 and is
8 designed so that the total add-back for corporations
9 is equal to the net loss to the General Fund in 1984
10 of corporate conformity. In 1985, there would be
11 full conformity with no add-back required.

12 This bill provides that the add-back of Acceler-
13 ated Cost Recovery System deductions for 1984 may be
14 recovered in equal proportions over the 3 years 1985
15 through 1987.

16 It is estimated that enactment of this bill will
17 result in a loss of revenue to the General Fund in
18 fiscal year 1984-85 of \$5,297,400.

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