

MAINE STATE LEGISLATURE

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L.D. 1413

(Filing No. H-330)

STATE OF MAINE
HOUSE OF REPRESENTATIVES
113TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413, Bill, "AN ACT to Return to Maine Income Taxpayers the Additional Tax Payments Associated with Conformity to the United States Internal Revenue Code of 1986 for Tax Year 1987."

Amend the Bill by striking out everything after the enacting clause and inserting in its place the following:

'Sec. 1. 5 MRSA §1514, sub-§4 is enacted to read:

4. Fund adjustments. Adjustments to the fund shall be as follows.

A. A transfer from this fund to the General Fund to offset the loss of revenue attributable to income tax reductions to avoid a windfall for the tax year 1987 is required prior to June 30, 1988, in the amount of \$16,500,000. A transfer from this fund to the General Fund to offset the loss of revenue attributable to taxable income adjustments for individuals, for the tax year 1988, is required prior to June 30, 1989, in the amount of \$4,000,000.

Sec. 2. 36 MRSA §111, sub-§1-A is enacted to read:

1-A. Code. "Code" means the United States Internal Revenue Code of 1986 and amendments to that Code as of December 31, 1986.

Sec. 3. 36 MRSA §2855, sub-§1, as amended by PL 1985, c. 535, §5, is repealed.

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 Sec. 4. 36 MRSA §4062, sub-§1, as repealed and
2 replaced by PL 1985, c. 535, §7, is repealed.

3 Sec. 5. 36 MRSA §5102, sub-§1-D is enacted to
4 read:

5 1-D. Laws of the United States. "Laws of the
6 United States" means the Code, as defined in section
7 111, subsection 1-A, and other provisions of the laws
8 of the United States relating to federal income taxes
9 as of the date specified in section 111, subsection
10 1-A.

11 Sec. 6. 36 MRSA §5102, sub-§11, as amended by PL
12 1985, c. 536, is further amended to read:

13 11. Other terms. Any other term used in this
14 Part has the same meaning as when used in a compara-
15 ble context in the laws of the United States relating
16 to federal income taxes, unless a different meaning
17 is clearly required. ~~Any reference in this Part to~~
18 ~~the laws of the United States shall be construed as a~~
19 ~~reference to the provisions of the United States In-~~
20 ~~ternal Revenue Code of 1954, and amendments thereto~~
21 ~~and other provisions of the laws of the United States~~
22 ~~relating to federal income taxes as of December 31,~~
23 ~~1985. This subsection shall be effective as to items~~
24 ~~of income, deductions, loss or gain accruing in tax-~~
25 ~~able years ending on or after January 1, 1985, but~~
26 ~~only to the extent that those items have been earned,~~
27 ~~received, incurred or accrued on or after that effec-~~
28 ~~tive date. Notwithstanding other provisions of this~~
29 ~~subsection, for taxable years ending in 1981 and~~
30 ~~1982, any reference in this Part to the laws of the~~
31 ~~United States shall be construed as a reference to~~
32 ~~the provisions of the United States Internal Revenue~~
33 ~~Code of 1954, and amendments thereto and other provi-~~
34 ~~sions of the laws of the United States relating to~~
35 ~~federal income taxes as of December 31, 1981, for~~
36 ~~items of income, deductions, loss or gain earned, in-~~
37 ~~curring or accrued within those taxable years. Not-~~
38 ~~withstanding other provisions of this subsection, for~~

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 taxable--years--ending-in-1983, any reference in this
2 Part to the laws of the United States shall be con-
3 strued as a reference to the provisions of the United
4 States--Internal Revenue Code of 1954, and amendments
5 thereto and other--provisions--of--the--laws--of--the
6 United--States relating to federal income taxes as of
7 January 31, 1983 for--items--of--income,--deductions,
8 loss or gain earned, incurred or accrued within those
9 taxable--years,---Notwithstanding other provisions of
10 this subsection, for taxable years ending in 1984,
11 any--reference in this Part to the laws of the United
12 States shall be--construed--as--a--reference--to--the
13 United--States--Internal--Revenue--Code--of--1954 and
14 amendments to that Code and other provisions--of--the
15 laws--of--the--United--States relating to federal income
16 taxes as of September 1, 1984, for items--of--income,
17 deductions,--loss or gain earned, incurred or accrued
18 within those taxable years.

19 Sec. 7. 36 MRSA §5111, sub-§4, as enacted by PL
20 1985, c. 783, §20, is amended to read:

21 4. Nonresident individuals. A tax is imposed
22 upon the Maine income of every nonresident individu-
23 al. The amount of the tax shall be equal to the tax
24 computed under this section and chapter 805 as if the
25 nonresident were a resident, less applicable tax
26 credits other than that provided by ~~section 5127,~~
27 ~~subsection 1~~ section 5217, and multiplied by the ra-
28 tio of his Maine adjusted gross income, as defined in
29 section 5102, subsection 1-C, paragraph B, to his en-
30 tire federal adjusted gross income, as modified by
31 section 5122.

32 Sec. 8. 36 MRSA §5121, as enacted by P&SL 1969,
33 c. 154, Section F, §1, is repealed and the following
34 enacted in its place:

35 §5121. Taxable income

36 The entire taxable income of a resident individu-
37 al of this State shall be his federal adjusted gross

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 income as defined in the laws of the United States
2 with the modifications and less the deductions and
3 personal exemptions provided in this chapter. In the
4 case of resident individuals whose Maine adjusted
5 gross income less their allowable federal deduction
6 and exemption amounts does not exceed zero, their
7 Maine taxable income is zero. In this section, the
8 allowable federal deduction for an itemized deduction
9 is the amount defined in section 5125.

10 **Sec. 9. 36 MRSA §5122, sub-§1, 1C,** as amended by
11 PL 1981, c. 706, §34, is repealed.

12 **Sec. 10. 36 MRSA §5122, sub-§2,** as amended by PL
13 1985, c. 737, Pt. A, §102, is further amended to
14 read:

15 **2. Subtractions. ~~For-tax-years-beginning-on--or~~**
16 **~~after-January-17-1977--federal~~ Federal** adjusted gross
17 income shall be reduced by:

18 A. Interest or dividends on obligations of the
19 United States and its territories and possessions
20 or of any authority, commission or instrumentali-
21 ty of the United States or on a seller-sponsored
22 loan, as defined by Title 10, chapter 110, to the
23 extent includable in gross income for federal in-
24 come tax purposes, but exempt from state income
25 taxes under the laws of the United States, pro-
26 vided that the amount subtracted shall be de-
27 creased by any expenses incurred in the produc-
28 tion of the interest or dividend income to the
29 extent that these expenses, including amortizable
30 bond premiums, are deductible in determining fed-
31 eral adjusted gross income;

32 B. An amount equal to the taxpayer's federal new
33 jobs credit as determined under the laws of the
34 United States;

35 C. Social security benefits and tier 1 railroad
36 retirement benefits paid by the United States, to

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 the extent included in federal adjusted gross income;
2 and

3 D. For each of the taxable years ending in 1985
4 through 1987, 1/3 of the amount by which federal
5 adjusted gross income was increased for the taxable
6 year ending in 1984 under subsection 1, paragraph
7 F.

8 **Sec. 11. 36 MRSA §5126, first ¶, as amended by**
9 **PL 1979, c. 615, §4, is further amended to read:**

10 A resident individual shall be allowed an exemption
11 of \$1,000 for each exemption to which he is entitled
12 for the taxable year for federal income tax
13 purposes, ~~except that for a taxable year ending on or~~
14 ~~after December 31, 1978 and on or before November 30,~~
15 ~~1979 the exemption shall be \$1,200 for each federal~~
16 ~~exemption; provided that a resident individual shall~~
17 ~~only be allowed a \$1,200 exemption for each federal~~
18 ~~exemption for no more than one taxable year. This~~
19 ~~section shall not take effect unless actual total~~
20 ~~General Fund revenues for the first 6 months of fiscal~~
21 ~~year 1978-79 meet or exceed the estimates as revised~~
22 ~~by the Governor and approved by the Legislature.~~
23

24 **Sec. 12. 36 MRSA §5126, as amended by I.B. 1983,**
25 **c. 2, §3, is further amended by adding at the end a**
26 **new paragraph to read:**

27 For tax years beginning in 1987, or thereafter, an
28 additional personal exemption is allowable to each
29 individual who, pursuant to the United States Internal
30 Revenue Code, Section 63(f), would, if claiming a
31 standard deduction for the tax year, be entitled to
32 the additional amount provided in either the first
33 paragraph or the higher amount provided in 2nd para-
34 graph. An additional personal exemption is also al-
35 lowable to each individual who, pursuant to the
36 United States Internal Revenue Code, Section 63(f),
37 would, if claiming a standard deduction for the tax

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 year, be entitled to the additional amount provided
2 in the 2nd paragraph. For a tax year in which the
3 taxpayer does not make a joint return with his spouse
4 and if the spouse for the calendar year in which the
5 taxable year of the taxpayer begins has no gross in-
6 come and is not the dependent of another taxpayer,
7 the taxpayer is entitled to claim any additional per-
8 sonal exemptions allowable to the spouse as provided
9 by this section.

10 Sec. 13. 36 MRSA §5127, as amended by PL 1985,
11 c. 783, §21, is repealed.

12 Sec. 14. 36 MRSA §5130, as amended by PL 1985,
13 c. 691, §33, is repealed.

14 Sec. 15. 36 MRSA §5131 is enacted to read:

15 §5131. Exemption credit

16 For a taxable year beginning in 1987, an individ-
17 ual taxpayer is entitled to a credit against taxes
18 levied for that tax year pursuant to this Part. The
19 amount of the credit is \$9 for each exemption allowa-
20 ble on the return for the same year, but in no case
21 may this credit reduce the Maine income tax to less
22 than zero.

23 Sec. 16. 36 MRSA §5146, as amended by PL 1985,
24 c. 766, §2, is repealed.

25 Sec. 17. 36 MRSA §5165, as enacted by P&SL 1969,
26 c. 154, Section F, §1, is amended to read:

27 §5165. Credit for income tax of another state

28 A resident estate or trust shall be allowed the
29 credit provided ~~in section 5127; relating to an in-~~
30 ~~come tax imposed by another state~~ by section 5217,
31 except that the limitation shall be computed by ref-
32 erence to the taxable income of the estate or trust.

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 **Sec. 18.** 36 MRSA §5200-A, sub-§1, ~~¶B~~, as enacted
2 by PL 1981, c. 704, §4, is amended to read:

3 B. The amount of any net operating loss in the
4 taxable year which has been carried back to pre-
5 vious taxable years pursuant to the ~~United-States~~
6 ~~Internal-Revenue~~ Code, Section 172;

7 **Sec. 19.** 36 MRSA §5200-A, sub-§1, ~~¶C~~, as enacted
8 by PL 1981, c. 704, §4, is amended to read:

9 C. The amount of any deduction claimed for the
10 taxable year under the ~~United-States-Internal~~
11 ~~Revenue~~ Code, Section 172, which has previously
12 been used to offset the modifications provided by
13 this subsection;

14 **Sec. 20.** 36 MRSA §5200-A, sub-§1, ~~¶D~~, as amended
15 by PL 1983, c. 855, §18, is repealed.

16 **Sec. 21.** 36 MRSA §5200-A, sub-§1, ~~¶F~~, as enacted
17 by PL 1983, c. 855, §§19 and 20, is repealed.

18 **Sec. 22.** 36 MRSA §5200-A, sub-§2, ~~¶B~~, as enacted
19 by PL 1981, c. 704, §4, is repealed and the following
20 enacted in its place:

21 B. The amount, "foreign dividend gross-up,"
22 added to income under the Code, Section 78;

23 **Sec. 23.** 36 MRSA §5200-A, sub-§2, ~~¶D~~, as amended
24 by PL 1983, c. 855, §21, is repealed.

25 **Sec. 24.** 36 MRSA §5202-B, as amended by PL 1983,
26 c. 480, Pt. A, §67, is repealed.

27 **Sec. 25.** 36 MRSA §5203, sub-§1, as repealed and
28 replaced by PL 1985, c. 691, §§34 and 48, is amended
29 to read:

30 1. Noncorporate. A tax is imposed, for each
31 taxable year, upon every noncorporate taxpayer re-

1 required to file a return under this Part, equal to the
2 amount by which 3% of the excess of that taxpayer's
3 alternative minimum taxable income, as defined in the
4 ~~United--States-Internal-Revenue Code of-1954~~, Section
5 55(b), ~~as-amended~~, over that taxpayer's exemption
6 amount, as defined in the ~~United-States-Internal~~
7 ~~Revenue Code of-1954~~, Section 55(f), ~~as-amended~~, ex-
8 ceeds that taxpayer's liability for all other taxes,
9 except withholding taxes, under this Part.

10 Sec. 26. 36 MRSA §5203, sub-§2, as repealed and
11 replaced by PL 1985, c. 691, §§34 and 48, is amended
12 to read:

13 2. Corporate. A tax is imposed, for each tax-
14 able year, upon every corporate taxpayer required to
15 file a return under this Part, equal to the amount by
16 which 2.25% of the sum of that taxpayer's items of
17 tax preference, as defined in the ~~United-States-In-~~
18 ~~ternal-Revenue Code of-1954~~, Section 57, ~~as--amended~~,
19 but excluding the capital gain tax preference item in
20 the ~~United-States-Internal-Revenue Code of-1954~~, Sec-
21 tion 57 ~~7-Subsection(a)(9)(B)~~, exceeds the greater of
22 \$1,500 or that taxpayer's liability for all other
23 taxes, except withholding taxes, under this Part.

24 Sec. 27. 36 MRSA §5204, as enacted by PL 1977,
25 c. 424, §3, is amended to read:

26 §5204. Lump-sum retirement plan distributions

27 In addition to any other tax imposed by this
28 Part, a tax is hereby imposed for each taxable year
29 on every taxpayer who, in accordance with the ~~inter-~~
30 ~~nal-Revenue Code~~, ~~section~~ Section 402(e)(I), elects
31 to compute a separate federal tax on a lump-sum dis-
32 tribution from a retirement plan at the rate of 15%
33 of the separate federal tax imposed on such distribu-
34 tion.

35 Sec. 28. 36 MRSA §5204-A, as enacted by PL 1985,
36 c. 670, is repealed and the following enacted in its

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 place:

2 §5204-A. Early distribution from qualified retire-
3 ment plans

4 The tax imposed under this Part on any individual
5 whose federal income tax for any taxable year is in-
6 creased pursuant to the Code, Section 72(t), as a
7 result of a distribution from a qualified retirement
8 plan shall be increased by an amount equal to 15% of
9 the amount by which the individual's federal income
10 tax was increased as a result of the distribution.

11 **Sec. 29.** 36 MRSA §5206-C, as enacted by PL 1983,
12 c. 842, §5, is repealed.

13 **Sec. 30.** 36 MRSA §5214-A, sub-§1, as enacted by
14 PL 1985, c. 783, §36, is amended to read:

15 1. **General.** A beneficiary of a trust whose ad-
16 justed gross income includes all or part of an accu-
17 mulation distribution by such that trust, as defined
18 in the ~~United-States-Internal-Revenue~~ Code, Section
19 665, or its equivalent, shall be allowed a credit
20 against the tax otherwise due under this Part for all
21 or a proportionate part of any tax paid by the trust
22 under this Part for any preceding taxable year which
23 would not have been payable if the trust had in fact
24 made distribution to its beneficiaries at the times
25 and in the amounts specified in the ~~United-States-In-~~
26 ~~ternal--Revenue~~ Code, Section 666, or its equivalent.

27 **Sec. 31.** 36 MRSA §5215, sub-§2, ~~¶A~~, as enacted
28 by PL 1977, c. 722, is repealed and the following en-
29 acted in its place:

30 A. "Qualified federal credit" means, with re-
31 spect to any taxable year, that portion of the
32 credit allowed by the Code, Section 38 (b)(1),
33 which is directly and solely attributable to
34 qualified investment with a situs in this State.

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 Sec. 32. 36 MRSa §§5217 to 5219-B are enacted to
2 read:

3 §5217. Income tax paid to other taxing jurisdiction.

4 A resident individual is allowed a credit against
5 the tax otherwise due under this Part for the amount
6 of income tax imposed on him for the taxable year by
7 another state of the United States, a political sub-
8 division of any such state, the District of Columbia
9 or any political subdivision of a foreign country
10 which is analogous to a state of the United States
11 with respect to income derived from sources in that
12 taxing jurisdiction which is also subject to tax un-
13 der this Part. The credit, for any of the specified
14 taxing jurisdictions, shall not exceed the proportion
15 of the tax otherwise due under this Part that the
16 amount of the taxpayer's Maine adjusted gross income
17 derived from sources in that taxing jurisdiction
18 bears to his entire Maine adjusted gross income; pro-
19 vided that, when a credit is claimed for taxes paid
20 to both a state and a political subdivision of a
21 state, the total credit allowable for those taxes
22 shall not exceed the proportion of the tax otherwise
23 due under this Part that the amount of the taxpayer's
24 Maine adjusted gross income derived from sources in
25 the other state bears to his entire Maine adjusted
26 gross income.

27 §5218. Income tax credit for child care expenses.

28 A resident individual shall be allowed a credit
29 against the tax otherwise due under this Part in the
30 amount of 16% of the federal tax credit allowable for
31 child care expenses in tax year 1986; 20% of the fed-
32 eral tax credit allowable for child care expenses in
33 tax year 1987; and 25% of the federal tax credit al-
34 lowable for child care expenses thereafter. In no
35 case may this credit reduce the Maine income tax to
36 less than zero.

37 §5219. Income tax credit for installation of renew-

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 able energy systems.

2 A taxpayer who purchases and installs an active
3 solar system, a passive solar system, a photovoltaic
4 system or a wind energy system or components for any
5 of these systems in this State shall be allowed a
6 credit against the tax otherwise due under this Part
7 equal to 20% of the purchase price of the system, in-
8 cluding sales tax, or \$100, whichever is less. The
9 credit is allowable against taxes due only for the
10 year in which installation is completed and only for
11 the initial purchase of new equipment. No more than
12 one taxpayer may claim the credit for any installa-
13 tion. In no case may this credit be claimed more
14 than once by any taxpayer and in no case may this
15 credit reduce the state income tax to less than zero.
16 This subsection shall remain in effect until January
17 1, 1989.

18 A. An "active solar system" means an assembly of
19 a collector, thermal device and transfer medium
20 which converts solar energy into thermal energy
21 and in which mechanical energy is used to accom-
22 plish the transfer of thermal energy. Active so-
23 lar systems include, but are not limited to, so-
24 lar hot water systems and solar space heating
25 panels that use a fan or pump to circulate the
26 transfer medium. Qualifying systems or compo-
27 nents do not include sunspaces or heat pumps.

28 B. A "passive solar system" means an assembly of
29 a collector, thermal device and transfer medium
30 which converts solar energy into thermal energy
31 in a controlled manner and in which no fans or
32 pumps are used to accomplish the transfer of the
33 thermal energy. Passive solar systems include,
34 but are not limited to, Trombe walls and
35 thermosiphoning air panels. Qualifying compo-
36 nents include, but are not limited to, phase
37 change materials and water storage tubes. The
38 following solar-related items do not qualify as a
39 passive solar system or component: Glazing; win-

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 dows and movable insulation; skylights; solar
2 ponds; swimming pool covers; and masonry walls
3 and floors.

4 C. "Photovoltaic system" means an array of solar
5 cells which convert sunshine directly into elec-
6 tric current. The system may include batteries
7 that store the electricity.

8 D. A "wind energy system" includes any machine
9 which converts available wind energy into elec-
10 trical output form. A wind energy system has 4
11 subsystems:

- 12 (1) A rotor;
13 (2) Power processing components;
14 (3) Tower; and
15 (4) Control components.

16 §5219-A. Retirement and disability credit

17 A resident individual is allowed a credit against
18 the tax otherwise due under this Part equal to 20% of
19 any credit he received for the same taxable year un-
20 der the Code, Section 22. In no case may this cred-
21 it reduce the Maine income tax to less than zero.

22 §5219-B. Conformity credit

23 For a taxable year beginning in 1987, a corporate
24 taxpayer is entitled to receive a credit against
25 taxes levied for that year pursuant to this Part, ex-
26 cept for chapter 819. The amount of the credit is 5%
27 of the amount of the tax otherwise due for the same
28 year.

29 Sec. 33. 36 MRSA §5220, sub-§1, as enacted by
30 P&SL 1969, c. 154, Section F, §1, is repealed and the
31 following enacted in its place:

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 1. Resident individuals. Every resident indi-
2 vidual:

3 A. Who is required to file a federal income tax
4 return for the taxable year; or

5 B. Who has Maine adjusted gross income equal to
6 or greater than the income levels for which a
7 federal income tax return is required pursuant to
8 the United States Internal Revenue Code, Section
9 6012.

10 **Sec. 34.** 36 MRSA §5220, sub-§2, as amended by PL
11 1985, c. 783, §38, is repealed and the following en-
12 acted in its place;

13 2. Nonresident individuals. Every nonresident
14 individual who has Maine adjusted gross income from
15 sources within this State equal to or greater than
16 the income levels for which a federal income tax re-
17 turn is required pursuant to the United States Inter-
18 nal Revenue Code, Section 6012.

19 **Sec. 35.** 36 MRSA §5220, sub-§6 is enacted to
20 read:

21 6. Certain taxable entities. Every taxable en-
22 tity, as defined by section 5206-B, subsection 4,
23 which is required to file a federal income tax re-
24 turn. The State Tax Assessor may, in his discretion,
25 allow 2 or more taxable entities which are members of
26 an affiliated group to file a consolidated return.

27 **Sec. 36.** 36 MRSA §5224-A, as repealed and re-
28 placed by PL 1985, c. 783, §41, is amended to read:

29 §5224-A. Return of part-year resident

30 If an individual changes his status as a resident
31 individual or nonresident individual during his tax-
32 able year, he shall file a nonresident return pursu-

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 ant to section 5220, subsection 2. His tax shall be
2 computed, pursuant to section 5111, subsection 4, as
3 if he were a nonresident individual, except that the
4 numerator of the apportionment ratio shall be com-
5 prised of his Maine adjusted gross income, as defined
6 in section 5102, subsection 1-C, paragraph A, for the
7 portion of the taxable year during which he was a
8 resident individual, plus his Maine adjusted gross
9 income as defined in section 5102, subsection 1-C,
10 paragraph B, for the portion of the taxable year dur-
11 ing which he was a nonresident individual. The part-
12 year resident shall also be entitled to the credit
13 provided by ~~section 5127, subsection 1~~ section 5217,
14 computed as if the individual's Maine adjusted gross
15 income for the entire year were comprised only of
16 that portion which is attributed to the portion of
17 the year during which he was a resident individual.

18 **Sec. 37. 36 MRS §5250, sub-§1, as enacted by PL**
19 **1981, c. 371, §1, is amended to read:**

20 1. General. Every employer maintaining an office
21 or transacting business within this State and making
22 payment of any wages taxable under this part to a
23 resident or nonresident individual shall, if required
24 to withhold federal income tax from such wages, de-
25 duct and withhold from such wages for each payroll
26 period a tax computed in such manner as to result, so
27 far as practicable, in withholding from the
28 employee's wages during each calendar year an amount
29 substantially equivalent to the tax reasonably esti-
30 mated to be due from the employee under this part
31 with respect to the amount of such wages included in
32 his adjusted gross income during the calendar year.
33 The method of determining the amount to be withheld
34 shall be prescribed by regulations of the assessor.
35 This section shall not apply to shares of a lobster
36 boat's catch apportioned by a lobster boat operator
37 to a sternman. This section does not apply to wages
38 from which a tax is required to be deducted and with-
39 held under the ~~United States Internal--Revenue~~ Code,
40 Sections 1441 and 1442.

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 Sec. 38. 36 MRSA §5255-B, as amended by PL 1985,
2 c. 535, §28, is further amended to read:

3 §5255-B. Certain items of income under the United
4 States Internal Revenue Code

5 Any person maintaining an office or transacting
6 business within this State and who is required to de-
7 duct and withhold a tax on items of income under the
8 ~~United-States-Internal-Revenue~~ Code, other than wages
9 subject to withholding as provided in section 5250,
10 shall deduct and withhold from such items to the ex-
11 tent they constitute Maine net income a tax equal to
12 5% thereof, unless withholding pursuant to the ~~United~~
13 ~~States--Internal--Revenue~~ Code is based on other than
14 a flat rate amount. In that event, the State's with-
15 holding procedure should estimate taxable income
16 using the same approach to exemptions as the ~~United~~
17 ~~States-Internal-Revenue~~ Code and the amount of tax to
18 be withheld should be calculated in accordance with
19 withholding methods prescribed pursuant to section
20 5250.

21 Sec. 39. Application. This Act shall apply to
22 taxable years ending on or after January 1, 1987.

1 FISCAL NOTE

2 This bill will conform the state income tax laws
3 to the United States Internal Revenue Code of 1986.
4 This will result in additional income taxes collected
5 estimated at \$16,500,000, \$30,900,000 and \$29,300,000
6 in fiscal years 1986-87, 1987-88, and 1988-89, re-
7 spectively. These additional revenues will be trans-
8 ferred to the Tax Adjustment Reserve Fund when certi-
9 fied for increases to the fund of \$47,400,000 in fis-
10 cal year 1987-88 and \$29,300,000 in fiscal year
11 1988-89.

12 The redefinition of taxable income, an exemption
13 tax credit and corporate tax credit shall require
14 transfers from the Tax Adjustment Reserve Fund of
15 \$16,500,000 in fiscal year 1987-88 and \$4,000,000 in
16 fiscal year 1988-89. The net increases to the Tax
17 Adjustment Reserve Fund will be \$30,900,000 in fiscal
18 year 1987-88 and \$25,300,000 in fiscal year 1988-89.'

19 STATEMENT OF FACT

20 This amendment is designed to conform the Maine
21 income tax laws to the United States Internal Revenue
22 Code of 1986 and to provide the mechanism for return-
23 ing to both individual and corporate income taxpayers
24 the full amount of additional collections associated
25 with conformity.

26 Section 1 provides a transfer of \$16,500,000 in
27 fiscal year 1987-88 from the Tax Adjustment Reserve
28 Fund. It also provides for a transfer from the fund
29 of \$4,000,000 in fiscal year 1988-89 to cover the
30 cost of eliminating from state income tax persons who
31 are eliminated from federal income tax liability in

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

1 that year.

2 Section 2 enacts a new abbreviated definition for
3 the United States Internal Revenue Code which will
4 apply to all Maine tax laws contained in the Maine
5 Revised Statutes, Title 36.

6 Sections 3 and 4 repeal a definition made
7 superfluous by section 2.

8 Section 5 creates a new definition to replace
9 language currently appearing in Title 36, section
10 5102, subsection 11.

11 Section 6 repeals language relocated by section 3
12 and several obsolete provisions.

13 Section 7 corrects a reference to a provision re-
14 located by sections 13 and 32.

15 Section 8 provides that, for persons whose Maine
16 adjusted gross income less allowable federal deduc-
17 tion and exemption amounts to less than zero, their
18 Maine taxable income is zero.

19 Section 9 repeals an obsolete provision.

20 Section 10 repeals superfluous language.

21 Section 11 repeals obsolete provisions.

22 Section 12 extends the allowance of an additional
23 personal exemption for elderly and blind persons.

24 Sections 13 and 32 relocate credit provisions to
25 chapter 822, "Tax Credits."

26 Sections 14 and 32 relocate existing credit pro-
27 visions to eliminate superfluous language and relo-
28 cate provisions to chapter 822.

29 Section 15 provides a credit equal to \$9 for each

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

- 1 exemption claimed on a taxpayer's 1987 tax return.
- 2 Section 16 repeals provisions made superfluous by
3 Title 36, section 5111, subsection 4.
- 4 Section 17 conforms existing provisions to real-
5 location made by section 13 and 32.
- 6 Sections 18 and 19 repeal superfluous language.
- 7 Sections 20 and 21 repeal obsolete provisions.
- 8 Section 22 clarifies existing provisions and re-
9 peals superfluous language.
- 10 Sections 23 and 24 repeal obsolete provisions.
- 11 Sections 25 to 27 repeal superfluous language.
- 12 Section 28 amends the additional tax on early
13 distributions from individual retirement accounts to
14 include early distributions from all qualified re-
15 tirement plans.
- 16 Section 29 repeals an obsolete provision.
- 17 Section 30 repeals superfluous language.
- 18 Section 31 repeals superfluous and obsolete lan-
19 guage.
- 20 Section 32 relocates credit sections and extends
21 to retirement credit to disabled persons who are eli-
22 gible for a federal credit. It also provides a 5%
23 tax credit for corporations to return the corporate
24 portion of increased revenues due to conformity.
- 25 Sections 33 and 34 amend the provisions relating
26 to who is required to file a state income tax return.
- 27 Section 35 corrects statutory conflicts.

COMMITTEE AMENDMENT "A" to H.P. 1050, L.D. 1413

- 1 Section 36 corrects a reference to a provision
- 2 relocated by sections 13 and 32.
- 3 Section 37 and 38 repeal superfluous language.
- 4 Section 39 sets the application date of the bill.
- 5 3422061187

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