

# MAINE STATE LEGISLATURE

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L.D. 2467

(Filing No. H- 717)

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

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COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467,  
Bill, "AN ACT to Amend the Maine Income Tax Law."

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

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'Sec. 1. 5 MRSA §1514, sub-§4, as enacted by PL  
1987, c. 504, §1, is repealed and the following  
enacted in its place:

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

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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.

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B. A transfer from this fund to the General Fund  
to offset the loss of revenue resulting from  
individual income tax reform for the 1988 tax  
year. The amount of this transfer will be equal  
to the amount certified to the fund because of  
increased individual income tax collections  
through the period ending June 30, 1988, less the  
amount transferred in paragraph A to offset  
individual income tax reductions and less the  
amount expended to offset 1987 tax year rebates

COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467

1 and their administrative costs. This transfer  
2 shall be made no later than October 1, 1988.

3 Sec. 2. 36 MRSA §5111, as amended by PL 1987,  
4 c. 504, §7, is repealed and the following enacted in  
5 its place:

6 §5111. Imposition and rate of tax

7 A tax is imposed for each taxable year beginning  
8 on or after January 1, 1988, on the Maine taxable  
9 income of every resident individual of this State.  
10 The amount of the tax is to be determined as follows.

11 1. Single individuals and married persons filing  
12 separate returns. For single individuals and married  
13 persons filing separate returns:

14 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
15 <u>Less than \$6,000</u>	<u>2% of the Maine</u>
16	<u>taxable</u>
17	<u>income</u>
18 <u>At least \$6,000 but less than</u>	<u>\$120 plus 4% of</u>
19 <u>\$10,000</u>	<u>the excess over</u>
20	<u>\$6,000</u>
21 <u>At least \$10,000 but less than</u>	<u>\$280 plus 6% of</u>
22 <u>\$16,250</u>	<u>excess over</u>
23	<u>\$10,000</u>
24 <u>\$16,250 or more</u>	<u>\$655 plus 8% of</u>
25	<u>the excess over</u>
26	<u>\$16,250</u>

27 2. Heads of households. For unmarried individuals  
28 or legally separated individuals who qualify as heads  
29 of households:

30 <u>If Maine taxable income</u>	<u>The tax is:</u>
31 <u>is:</u>	
32 <u>Less than \$10,000</u>	<u>2% of the Maine</u>
33	<u>taxable income</u>

COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467

1	<u>At least \$10,000 but</u>	<u>\$200 plus 4% of</u>
2	<u>less than \$15,000</u>	<u>the excess over</u>
3		<u>\$10,000</u>
4	<u>At least \$15,000 but</u>	<u>\$400 plus 6% of</u>
5	<u>less than \$22,000</u>	<u>the excess over</u>
6		<u>\$15,000</u>
7	<u>\$22,000 or more</u>	<u>\$820 plus 8% of</u>
8		<u>the excess over</u>
9		<u>\$22,000</u>

10           3. Individuals filing married joint return or  
11 surviving spouses. For individuals filing married  
12 joint returns or surviving spouses permitted to file a  
13 joint return:

14	<u>If Maine taxable income</u>	<u>The tax is:</u>
15	<u>is:</u>	
16	<u>Less than \$13,000</u>	<u>2% of the Maine</u>
17		<u>taxable income</u>
18	<u>At least \$13,000 but</u>	<u>\$260 plus 4% of</u>
19	<u>less than \$20,000</u>	<u>the excess over</u>
20		<u>\$13,000</u>
21	<u>At least \$20,000 but</u>	<u>\$540 plus 6% of</u>
22	<u>less than \$30,000</u>	<u>the excess</u>
23		<u>over \$20,000</u>
24	<u>\$30,000 or more</u>	<u>\$1,140 plus 8%</u>
25		<u>of the excess</u>
26		<u>over \$30,000</u>

27           Additionally, a tax is imposed for each taxable  
28 year beginning on or after January 1, 1988, on the  
29 Maine adjusted gross income of every nonresident  
30 individual. The amount of the tax shall equal the tax  
31 computed under this section and chapter 805, as if the  
32 nonresident were a resident, less applicable tax  
33 credits other than that provided by section 5217, and  
34 multiplied by the ratio of the individual's Maine  
35 adjusted gross income, as defined in section 5102,  
36 subsection 1-C, paragraph B, to the nonresident's  
37 entire federal adjusted gross income, as modified by  
38 section 5122.

39           Sec. 3. 36 MRS §5111-A, as amended by PL 1975,

COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467

1 c. 765, §26, is repealed and the following enacted in  
2 its place:

3 §5111-A. Alternative method of computation

4 In lieu of a tax computed exactly according to the  
5 rates set forth in section 5111, taxpayers may utilize  
6 a tax table. The State Tax Assessor shall prepare and  
7 issue tables approximating as near as practicable the  
8 tax computed using section 5111 for this express  
9 purpose.

10 **Sec. 4.** 36 MRSA §5121, as repealed and replaced  
11 by PL 1987, c. 504, §8, is repealed and the following  
12 enacted in its place:

13 §5121. Taxable income

14 The entire taxable income of a resident individual  
15 of this State shall be that resident's Maine adjusted  
16 gross income less any excess itemized deductions as  
17 defined in section 5125. If an individual's excess  
18 itemized deductions exceed the Maine adjusted gross  
19 income, the Maine taxable income is zero.

20 **Sec. 5.** 36 MRSA §5123, as enacted by P&SL 1969,  
21 c. 154, §F, §1, is repealed.

22 **Sec. 6.** 36 MRSA §5124-A, as amended by PL 1987,  
23 c. 497, §§48 and 49, is repealed and the following  
24 enacted in its place:

25 §5124-A. Standard deduction tax credit

26 All individuals shall be entitled to a standard  
27 deduction tax credit. The standard deduction tax  
28 credit amount shall be as follows:

29 1. Married persons; joint return. Married  
30 persons, joint return or surviving spouses, credit is  
31 \$100;

32 2. Unmarried or legally separated heads of  
33 households. Unmarried or legally separated heads of  
34 households, credit is \$88;

35 3. Single individuals. Single individuals,

COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467

1 credit is \$60; or

2 4. Married persons; separate returns. Married  
3 persons, separate returns, credit is \$50.

4 In no case does this credit reduce the Maine income  
5 tax to less than zero.

6 5. Certain individuals; deduction limitation.  
7 Individuals who are entitled to a personal exemption  
8 amount of zero for federal income tax purposes are  
9 limited to a standard deduction tax credit not to  
10 exceed the greater of:

11 A. \$10; or

12 B. The individual's earned income times 2% not to  
13 exceed that individual's standard deduction tax  
14 credit except for this subsection.

15 Sec. 7. 36 MRSA §5125, as enacted by P&SL 1969,  
16 c. 154, §F, §1, is repealed and the following enacted  
17 in its place:

18 §5125. Itemized deductions

19 1. General. If an individual has itemized  
20 deductions from adjusted gross income in determining  
21 the federal taxable income for the taxable year, the  
22 individual is entitled in determining the tax under  
23 this Part to claim an itemized deduction amount  
24 consistent with this section.

25 2. Spouses. Spouses, both of whom are required  
26 to file returns under this Part, shall be allowed to  
27 claim itemized deductions only if both do so. The  
28 total of itemized deductions allowable for determining  
29 federal income tax as adjusted by this section may be  
30 taken by either or divided between them, as they may  
31 elect, if their federal income tax is determined on a  
32 joint return but their tax pursuant to this Part is  
33 determined on married separate returns.

34 3. Amount. The amount of the itemized deductions  
35 shall be determined as follows.

36 A. The sum of the individual's allowable federal

1 itemized deductions shall be:

2 (1) Reduced by any amount representing  
3 income taxes imposed by this State or any  
4 other taxing jurisdiction and interest or  
5 expenses incurred in the production of income  
6 exempt from tax under this Part;

7 (2) Increased by any amount of interest or  
8 expense incurred in the production of income  
9 taxable under this Part but exempt from  
10 federal income tax, and which has not been  
11 deducted in determining federal adjusted  
12 gross income; and

13 (3) Reduced by the federal standard  
14 deduction which is otherwise allowed by the  
15 Code, Section 63(c).

16 **Sec. 8.** 36 MRSA §5126, as amended by PL 1987,  
17 c. 504, §§11 and 12, is repealed and the following  
18 enacted in its place:

19 §5126. Personal exemptions tax credit

20 An individual shall be allowed a personal  
21 exemption tax credit of \$40 for each exemption to  
22 which the individual is entitled for the taxable year  
23 for federal income tax purposes.

24 For tax years beginning in 1987, or thereafter, an  
25 additional personal exemption tax credit is allowable  
26 to each individual who, pursuant to the Code, Section  
27 63(f), if claiming a standard deduction for the tax  
28 year, would be entitled to the additional amount  
29 provided in either the first paragraph of the Code or  
30 the higher amount provided in the 3rd paragraph. An  
31 additional personal exemption tax credit is also  
32 allowable to each individual who, pursuant to the  
33 Code, Section 63(f), would, if claiming a standard  
34 deduction for the tax year, be entitled to the  
35 additional amount provided in either the 2nd paragraph  
36 of the Code or the higher amount provided in the 3rd  
37 paragraph. For a tax year in which the taxpayer does  
38 not make a joint return with that taxpayer's spouse  
39 and if the spouse has no gross income for the calendar  
40 year in which the taxable year of the taxpayer begins

COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467

1 and is not the dependent of another taxpayer, the  
2 taxpayer is entitled to claim a personal exemption tax  
3 credit for each additional personal exemption  
4 allowable to the spouse as provided by this section.  
5 In no case does this credit reduce the Maine income  
6 tax to less than zero.

7       Sec. 9.   36 MRSA §5131, as enacted by PL 1987,  
8 c. 504, §15, is repealed.

9       Sec. 10.  36 MRSA §5220, sub-§1, as repealed and  
10 replaced by PL 1987, c. 504, §33, is amended to read:

11       1.   Resident individuals.       Every resident  
12 individual:

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

15       B.   Who has Maine adjusted gross income equal to  
16 or greater than the income levels for which a  
17 federal income tax return is required pursuant to  
18 the United States Internal Revenue Code, Section  
19 6012, pursuant to this Part, has a Maine  
20 individual income tax liability for the taxable  
21 year.

22       Sec. 11.  36 MRSA §5220, sub-§2, as repealed and  
23 replaced by PL 1987, c. 504, §34, is repealed and the  
24 following enacted in its place:

25       2.   Nonresident individuals.   Every nonresident  
26 individual who, pursuant to this Part, has a Maine  
27 individual income tax liability for the taxable year.

28       Sec. 12.  36 MRSA §5241, as amended by PL 1979,  
29 c. 541, Pt. A, §241, is further amended to read:

30 §5241. Partnership and S corporation returns

31       Every partnership and S corporation having a  
32 resident partner or shareholder or having any income  
33 derived from sources in this State, determined in  
34 accordance with the applicable rules of section 5142  
35 as in the case of a nonresident individual, shall  
36 if required by the assessor, make a return for the  
37 taxable year setting forth all items of income, gain,



COMMITTEE AMENDMENT "A" to H.P. 1803, L.D. 2467

1 loss, and deduction, and the names and addresses of  
2 the individuals whether residents or nonresidents who  
3 would be entitled to share in the net income if  
4 distributed and the amount of the distributive share  
5 of each individual and such other pertinent  
6 information as the assessor may prescribe by  
7 regulations and instructions. Such The appropriate  
8 return shall be filed on or before the 15th day of the  
9 4th month for partnerships or the 15th day of the 3rd  
10 month for S corporations following the close of each  
11 taxable year. For purposes of this section, "taxable  
12 year" means a year or period which would be a taxable  
13 year of the partnership or S corporation if it were  
14 subject to tax under this Part. The State Tax  
15 Assessor may elect to waive the requirement to file a  
16 Maine return as established in this section for any  
17 particular tax year and in its place require the  
18 partnership or S corporation to file a copy of its  
19 federal partnership or S corporation return.

20 **Sec. 13. 36 MRSA §5402, sub-§1-A, as enacted by**  
21 **PL 1987, c. 430, §1, is amended to read:**

22 **1-A. Base year index. "Base year index" means**  
23 **the Consumer Price Index for the period July 1,**  
24 **±985 1987, through June 30, ±986 1988.**

25 **Sec. 14. 36 MRSA §5403, as amended by PL 1987,**  
26 **c. 430, §2, is repealed and the following enacted in**  
27 **its place:**

28 **§5403. Annual adjustments for inflation**

29 **For tax years beginning in 1988, no annual**  
30 **adjustment is applicable. Thereafter, on or about**  
31 **September 15th of each taxable year, the State Tax**  
32 **Assessor shall multiply the inflation factor for that**  
33 **taxable year by the dollar amounts of the tax rate**  
34 **table specified in section 5111. The dollar amounts**  
35 **of the dollar bracket amounts, adjusted by application**  
36 **of the inflation factor and rounded to the nearest**  
37 **\$100, shall be effective for the then current taxable**  
38 **year and shall be incorporated into the income tax**  
39 **forms and instructions of the State Tax Assessor for**  
40 **that taxable year. If the inflation factor for any**  
41 **taxable year is 1.000 or less, no adjustment shall be**  
42 **made for that taxable year in the dollar bracket**

