# MAINE STATE LEGISLATURE

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# THIRD SPECIAL SESSION

# ONE HUNDRED AND THIRTEENTH LEGISLATURE

## Legislative Document

NO. 2672

H.P. 1974 House of Representatives, September 12, 1988
Approved for introduction by a majority of the
Legislative Council pursuant to Joint Rule 26.
Received by the Clerk of the House on September 9, 1988.
Referred to the Committee on Taxation and ordered printed
pursuant to Joint Rule 14.

EDWIN H. PERT, Clerk

Presented by Representative NADEAU of Lewiston.

Cosponsored by Representatives DORE of Auburn, POULIOT of Lewiston and Senator GAUVREAU of Androscoggin.

#### STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-EIGHT

1 2 3	AN ACT Relating to Municipal General Obligation Securities.	
4 5	Be it enacted by the People of the State of Maine follows:	as
6 7	Sec. 1. 30 MRSA §5152, sub-§9 is enacted read:	to
8	9. Exemption from state taxation. General	

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•	$\cdot$
1 2 3 4 5 6 7 8	obligation securities issued under this section, their transfer and the income from them, including any profits made on their sale, shall at all times be exempt from taxation within the State, whether or not those securities, their transfer or the income from them, including any profits made on their sale, are subject to taxation under the United States Internal Revenue Code, as amended.
9 10	Sec. 2. 30-A MRSA §5772, sub-§9 is enacted to read:
11 12 13 14 15 16 17 18 19	9. Exemption from state taxation. General obligation securities issued under this section, their transfer and the income from them, including any profits made on their sale, shall at all times be exempt from taxation within the State, whether or not those securities, their transfer or the income from them, including any profits made on their sale, are subject to taxation under the United States Internal Revenue Code, as amended.  Sec. 3. Application. Section 1 is repealed and section 2 shall take effect on March 31, 1989.
22	STATEMENT OF FACT
23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38	Until recently, the interest that municipalities in Maine and other states paid on their general obligation bonds was virtually exempt from federal income tax. The Maine income tax treatment of the interest on general obligation bonds issued by Maine municipalities was therefore governed by the automatic exemption for interest that is exempt from federal income tax. Due to recent changes in federal tax law, however, interest on general obligation bonds issued for certain purposes is no longer exempt from federal income tax. Accordingly, the Maine income tax treatment of interest on these bonds would not appear to be governed by the automatic exemption of the Maine Revised Statutes, Title 36, section 5121 and the interest on general obligation bonds issued for certain purposes by Maine municipalities would appear to be included within Maine taxable income under the

current statutory framework.

This bill clarifies that the interest on all general obligation bonds issued by Maine municipalities is exempt from Maine income tax, whether or not it is included in federal adjusted gross income.

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