

MAINE STATE LEGISLATURE

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L.D. 161

(Filing No. H-674)

STATE OF MAINE
HOUSE OF REPRESENTATIVES
114TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 124, L.D. 161, Bill, "An Act to Amend the Maine Income Tax Laws"

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

Sec. 1. 36 MRSA §5111, as repealed and replaced by PL 1987, c. 819, §2, is repealed and the following enacted in its place:

§5111. Imposition and rate of tax

A tax is imposed for each taxable year beginning on or after January 1, 1989, on the Maine taxable income of every resident individual of this State. The amount of the tax is to be determined as follows.

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

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$4,000</u>	<u>2% of the Maine taxable income</u>
<u>At least \$4,000 but less than \$8,000</u>	<u>\$80 plus 4.5% of the excess over \$4,000</u>
<u>At least \$8,000 but less than \$16,000</u>	<u>\$260 plus 7% of the excess over \$8,000</u>
<u>\$16,000 or more</u>	<u>\$820 plus 8.5% of the excess over \$16,000</u>

1 §5124-A. Standard deduction; resident

3 The standard deduction of resident taxpayers shall conform
4 to the allowable federal standard deduction of the taxpayer.

5
6 **Sec. 3. 36 MRSA §5126**, as repealed and replaced by PL 1987,
7 c. 772, §37 and c. 819, §8, is repealed and the following enacted
8 in its place:

9 §5126. Personal exemptions

11 A resident individual shall be allowed the same amount of
12 exemption for each exemption to which the individual is entitled
13 for the taxable year for federal income tax purposes, unless the
14 taxpayer is claimed as a dependent on another return. No
15 additional exemption shall be allowed for taxpayers over 65 years
16 of age or blind.

17
18 **Sec. 4. 36 MRSA §5250, sub-§2, ¶B**, as enacted by P&SL 1969, c.
19 154, §F, is amended to read:

20
21 B. The amount of each exemption in this State shall be
22 \$1,000 the same as that determined in section 5126 whether
23 individual is a resident or a nonresident.

24
25 **Sec. 5. 36 MRSA §5402, sub-§1-A**, as amended by PL 1987, c.
26 819, §13, is repealed.

27
28 **Sec. 6. 36 MRSA §5402, sub-§§2 and 3**, as amended by PL 1987, c.
29 430, §1, are further amended to read:

30
31 2. **Percentage adjustment factor.** "Percentage adjustment
32 factor" means ~~1/2~~ of the percentage change in the Consumer Price
33 Index for the 12-month period ending June 30th of the calendar
34 year in which the current taxable year begins over ~~the base-year~~
35 ~~index~~ the Consumer Price Index for the prior 12-month period
36 expressed as a decimal rounded to the nearest one-thousandth.

37
38 3. **Inflation factor.** "Inflation factor" means the
39 percentage adjustment factor plus ~~1~~ .965. ~~The inflation factor~~
40 ~~for any taxable year shall not exceed a 7% change from the prior~~
41 ~~year. In any year when the change exceeds 7%, an inflation factor~~
42 ~~so limited shall be utilized.~~

43
44 **Sec. 7. 36 MRSA §5403**, as repealed and replaced by PL 1987,
45 c. 819, §14, is amended to read:

46 §5403. Annual adjustments for inflation

47
48 For tax years beginning in ~~1988~~ 1989, no annual adjustment
49 is applicable. Thereafter, on or about September 15th of each
50 taxable year, the State Tax Assessor shall multiply the inflation
51

1 factor for that taxable year by the dollar amounts of the tax
2 rate table specified in section 5111 as adjusted in the prior
3 year. The dollar amounts of the dollar bracket amounts, adjusted
4 by application of the inflation factor and rounded to the nearest
5 \$100 \$50, shall be effective for the then current taxable year
6 and shall be incorporated into the income tax forms and
7 instructions of the State Tax Assessor for that taxable year. If
8 the inflation factor for any taxable year is 1.000 or less, no
9 adjustment shall be made for that taxable year in the dollar
10 bracket amounts of the tax rate tables as adjusted for the
11 previous year. ~~The nominal dollar amounts of the tax credits~~
12 ~~provided in sections 5124-A and 5126 are annually subject to~~
13 ~~adjustment based on the conformity of the Maine Income Tax Law to~~
14 ~~the Code. When Maine extends its conformity to the Code for a~~
15 ~~particular taxable year, the credits provided in sections 5124-A~~
16 ~~and 5126 are to be adjusted to equal the corresponding indexed~~
17 ~~federal standard deductions and indexed federal personal~~
18 ~~exemption amount multiplied by 2% and, if the result is not an~~
19 ~~even dollar amount, rounded to the next higher dollar.~~

21 **Sec. 8. Appropriation.** The following funds are appropriated
22 from the General Fund to carry out the purposes of this Act.

23

1989-90

25

FINANCE, DEPARTMENT OF

27

**Individual Income Tax Surplus
29 Return Fund Program**

31

All Other \$16,500,000

33

Provides funds to reimburse the General Fund
34 for revenues lost that otherwise would have
35 been collected except for the changes in
36 income tax rates enacted in this Act. These
37 funds shall not lapse, but shall be carried
38 forward until June 30, 1991, to be used for
39 the same purpose. These funds shall be
40 transferred to the General Fund by the State
41 Controller on a monthly basis to offset the
42 impact of lower monthly revenue collections.

43

45

FISCAL NOTE

47

This bill returns \$51.7 million in windfall collections
48 through changes in the income tax rates and indexing threshold as
49 reported in the Pete Marwick Study. These rate changes are
50 effective in fiscal year 1989-90 and fiscal year 1990-91, but in
51 effect return the fiscal year 1988-89 windfall, too. For this

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1 reason, the windfall funds existing in fiscal year 1988-89 that
3 will become surplus in fiscal year 1989-90 are appropriated to be
used to offset monthly revenue losses.'

5

7

STATEMENT OF FACT

9 This bill incorporates the recommendations of the Peat
Marwick Study regarding return of the windfall through changes in
11 the income tax rates.

Reported by the Majority of the Committee on Taxation
Reproduced and distributed under the direction of the Clerk of the
House
6/21/89 (Filing No. H-674)