

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 161

H.P. 124

House of Representatives, February 14, 1989

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative MAYO of Thomaston.

Cosponsored by Representative CASHMAN of Old Town, Representative NADEAU of Saco and Senator ANDREWS of Cumberland.

STATE OF MAINE

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

An Act to Amend the Maine Income Tax Laws.



1 **Be it enacted by the People of the State of Maine as follows:**

3 **Sec. 1. 36 MRSA §5111**, as repealed and replaced by PL 1987,
5 c. 819, §2, is repealed and the following enacted in its place:

7 **§5111. Imposition and rate of tax**

9 **1. Rate.** A personal income tax is imposed for each taxable
11 year beginning on or after January 1, 1989 on Maine income of
12 resident and nonresident individuals and estates equal to the
13 following:

13	<u>On federal tax liability of:</u>	<u>Maine tax is:</u>
15	<u>\$0 to \$2,000</u>	<u>20% of federal tax</u>
17		<u>liability</u>
19	<u>\$2,001 to \$8,000</u>	<u>25% of federal tax</u>
21		<u>liability which</u>
23		<u>exceeds \$2,000 but</u>
25		<u>does not exceed</u>
27		<u>\$8,000</u>
29	<u>\$8,001 and above</u>	<u>30% of federal tax</u>
31		<u>liability which</u>
33		<u>exceeds \$8,000</u>

35 **2. Adjustments.** In any year in which the laws of the
36 United States would result in a different federal tax liability
37 than would have resulted under the laws in effect on January 1,
38 1989, the State Tax Assessor may adjust the percentages in
39 subsection 1 proportionally so that the total amount of tax
40 collected under this section does not exceed the amount that
41 would have been collected if the laws of the United States for
42 that year were the same as on January 1, 1989.

43 **Sec. 2. 36 MRSA §5113**, as repealed and replaced by PL 1983,
44 c. 571, §19, is repealed.

45 **Sec. 3. 36 MRSA §5121**, as repealed and replaced by PL 1987,
46 c. 819, §4, is repealed.

47 **Sec. 4. 36 MRSA §5122**, as repealed and replaced by PL 1987,
48 c. 739, §§44 and 48 and c. 772, §36, is repealed.

49 **Sec. 5. 36 MRSA §5124-A**, as repealed and replaced by PL 1987,
50 c. 819, §6, is repealed.

51 **Sec. 6. 36 MRSA §5125**, as repealed and replaced by PL 1987,
52 c. 819, §7, is repealed.

1 **Sec. 7. 36 MRSA §5126**, as repealed and replaced by PL 1987,
3 c. 772, §37 and c. 819, §8, is repealed.

5 **Sec. 8. 36 MRSA §5132** is enacted to read:

7 **§5132. Other credits**

9 In addition to the amounts otherwise allowed as credits
11 under this Part, a taxpayer shall be entitled to a credit equal
13 to the amount by which the tax under this Part would be reduced
15 if the following were not subject to taxation under the laws of
17 the United States:

19 1. Certain interest or dividends. Interest or dividends on
21 obligations of the United States and its territories and
23 possessions or of any authority, commission or instrumentality of
25 the United States or on a seller-sponsored loan, as defined by
27 Title 10, chapter 110, to the extent includable in gross income
29 for federal income tax purposes, but exempt from state income
31 taxes under the laws of the United States, provided that the
33 amount subtracted shall be decreased by any expenses incurred in
35 the production of the interest or dividend income to the extent
37 that these expenses, including amortizable bond premiums, are
39 deductible in determining federal adjusted gross income; and

41 2. Social security and railroad retirement benefits.
43 Social security benefits and railroad retirement benefits, to the
45 extent included in federal adjusted gross income.

47 **Sec. 9. 36 MRSA §5142, sub-§1**, as amended by PL 1981, c. 706,
49 §37, is repealed and the following enacted in its place:

51 1. Allocation. The tax on the income of nonresidents shall
53 be the amount calculated under section 5111 on total federal tax
55 liability which is then multiplied by the percentage of federal
57 adjusted gross income derived from sources within this State
59 calculated as follows:

61 A. The net amount of items of income, gain, loss, and
63 deduction entering into the nonresident's federal adjusted
65 gross income which are derived from or connected with
67 sources in this State including:

69 (1) The nonresident's distributive share of
71 partnership income and deductions determined under
73 section 5192;

75 (2) The nonresident's share of estate or trust income
77 and deductions determined under section 5176; and

79 (3) The nonresident's distributive share of the income
81 of an electing small business corporation for federal

1 income tax purposes derived from or connected with
2 sources within this State; and

3
4 B. The portion of the modifications described in section
5 5122, subsections 1 and 2 which relate to income derived
6 from sources in this State, including any modifications
7 attributable to the nonresident as a partner.

8 **Sec. 10. 36 MRSA §5215**, as amended by PL 1987, c. 880, §§1 to
9 3, and c. 772, §39, is repealed.

10 **Sec. 11. 36 MRSA §5218**, as amended by PL 1987, c. 772, §40,
11 is repealed.

12 **Sec. 12. 36 MRSA §5219**, as enacted by PL 1987, c. 504, §32,
13 is repealed.

14 **Sec. 13. 36 MRSA §5219-A**, as enacted by PL 1987, c. 504, §32,
15 is repealed.

16 **Sec. 14. 36 MRSA §5224-A**, as amended by PL 1987, c. 504, §36,
17 is further amended to read:

18 **§5224-A. Return of part-year resident**

19
20 If an individual changes his the individual's status as a
21 resident individual or nonresident individual during his the
22 taxable year, he the individual shall file a nonresident return
23 pursuant to section 5220, subsection 2. His The individual's tax
24 shall be computed, pursuant to section 5111, subsection-4, as if
25 he the individual were a nonresident individual, except that the
26 numerator of the apportionment ratio shall be comprised of his
27 the individual's Maine adjusted gross income, as defined in
28 section 5102, subsection 1-C, paragraph A, for the portion of the
29 taxable year during which he the individual was a resident
30 individual, plus his the individual's Maine adjusted gross income
31 as defined in section 5102, subsection 1-C, paragraph B, for the
32 portion of the taxable year during which he the individual was a
33 nonresident individual. The part-year resident shall also be
34 entitled to the credit provided by section 5217 5217-A, computed
35 as if the individual's Maine adjusted gross income for the entire
36 year were comprised only of that portion which is attributed to
37 the portion of the year during which he the individual was a
38 resident individual.

39
40 **STATEMENT OF FACT**

41
42 This bill provides that the Maine personal income tax will
43 be a percentage of federal tax liability in 3 progressive

- 1 brackets and makes other technical changes to accommodate the new
basis for taxation.
- 3