

# MAINE STATE LEGISLATURE

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# 114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

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Legislative Document

No. 631

H.P. 466

House of Representatives, March 6, 1989

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Ed Pert".

EDWIN H. PERT, Clerk

Presented by Representative HIGGINS of Scarborough.  
Cosponsored by Representative JACKSON of Harrison.

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STATE OF MAINE

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

---

An Act to Amend the Income Tax Laws.

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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3 **Sec. 1. 36 MRSA §5111**, as repealed and replaced by PL 1987,  
5 c. 819, §2, is repealed and the following enacted in its place: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**  
**resident and nonresident individuals and estates equal to 25% of**  
**federal tax liability.**

13 **2. Adjustments.** In any year in which the laws of the  
15 **United States would result in a different federal tax liability**  
**than would have resulted under the laws in effect on January 1,**  
17 **1989, the State Tax Assessor may adjust the percentages in**  
**subsection 1 proportionally so that the total amount of tax**  
19 **collected under this section does not exceed the amount that**  
**would have been collected if the laws of the United States for**  
**that year were the same as on January 1, 1989.**

21 **Sec. 2. 36 MRSA §5113**, as repealed and replaced by PL 1983,  
23 c. 571, §19, is repealed.

25 **Sec. 3. 36 MRSA §5121**, as repealed and replaced by PL 1987,  
27 c. 819, §4, is repealed.

29 **Sec. 4. 36 MRSA §5122**, as amended by PL 1987, c. 772, §36, is  
repealed.

31 **Sec. 5. 36 MRSA §5124-A**, as amended by PL 1987, c. 819, §6,  
33 is repealed.

35 **Sec. 6. 36 MRSA §5125**, as repealed and replaced by PL 1987,  
c. 819, §7, is repealed.

37 **Sec. 7. 36 MRSA §5126**, as repealed and replaced by PL 1987,  
39 c. 819, §8, is repealed.

41 **Sec. 8. 36 MRSA §5126-A** is enacted to read:

43 **§5126-A. Personal exemption credit for elderly and blind persons**

45 **A person entitled to an additional amount of standard**  
**deduction under the Code, Section 63(f), based on age or**  
47 **blindness is entitled to a personal exemption credit under this**  
**section in the following amount:**

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



1           1. ~~Allocation. The adjusted-gross-income-of-a-nonresident~~  
2           ~~derived-from-sources-within-this-State-shall-be-the-sum-of-the~~  
3           ~~following tax on nonresidents shall be that percentage of the~~  
4           ~~amount calculated under section 5111 which is equal to the~~  
5           ~~percentage of total federal adjusted gross income derived from~~  
6           ~~sources within this State calculated as follows:~~

7  
8           A. The net amount of items of income, gain, loss, and  
9           deduction entering into his the nonresident's federal  
10           adjusted gross income which are derived from or connected  
11           with sources in this State including (i) his the  
12           nonresident's distributive share of partnership income and  
13           deductions determined under section 5192, (ii) his the  
14           nonresident's share of estate or trust income and deductions  
15           determined under section 5176, and (iii) his the  
16           nonresident's distributive share of the income of an  
17           electing small business corporation for federal income tax  
18           purposes derived from or connected with sources within this  
19           State; and

20           B. The portion of the modifications described in section  
21           5122, subsections 1 and 2, which relate to income derived  
22           from sources in this State, including any modifications  
23           attributable to him the nonresident as a partner.

24  
25           2. **Attribution.** Items of income, gain, loss, and deduction  
26           derived from or connected with sources within this State are  
27           those items attributable to:

28           A. The ownership or disposition of any interest in real or  
29           tangible personal property in this State; and

30           B. A business, trade, profession or occupation carried on  
31           in this State.

32  
33           3. **Intangibles.** Income from intangible personal property,  
34           including annuities, dividends, interest and gains from the  
35           disposition of intangible personal property, shall constitute  
36           income derived from sources within this State only to the extent  
37           that such that income is from property employed in a business,  
38           trade, profession, or occupation carried on in this State.

39  
40           4. **Deductions for losses.** Deductions with respect to  
41           capital losses, net long-term capital gains, and net operating  
42           losses shall be based solely on income, gains, losses and  
43           deductions derived from or connected with sources in this State,  
44           under regulations to be prescribed by the assessor, but otherwise  
45           shall be determined in the same manner as the corresponding  
46           federal deductions.

47  
48           6. **Apportionment.** If a business, trade, profession or  
49           occupation is carried on partly within and partly without this

1 State, the items of income and deduction derived from or  
2 connected with sources within this State shall be determined as  
3 apportioned to this State under chapter 821 or, in the case of  
4 the rendering of purely personal services by an individual, under  
5 regulations to be prescribed by the assessor.

7 7. Service in Armed Forces. Compensation paid by the United  
8 States for service in the Armed Forces of the United States  
9 performed by a nonresident shall not constitute income derived  
10 from sources within this State.

11 Sec. 11. 36 MRSA §5215, as amended by PL 1987, c. 880, §3, is  
12 repealed.

15 Sec. 12. 36 MRSA §5218, as amended by PL 1987, c. 772, §40,  
16 is repealed.

17 Sec. 13. 36 MRSA §§5219 and 5219-A, as enacted by PL 1987, c.  
18 504, §32, are repealed.

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

23 §5224-A. Return of part-year resident

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

45  
46  
47 STATEMENT OF FACT

49 This bill provides that the Maine personal income tax will  
50 be a percentage of federal tax liability and makes other  
51 technical changes to accommodate the new basis for taxation.