

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

Legislative Document

No. 1123

H.P. 811

House of Representatives, April 11, 1989

Reference to the Committee on Taxation suggested and ordered printed.

Ed Pert

EDWIN H. PERT, Clerk

Presented by Representative SMALL of Bath.

Cosponsored by Representative REED of Falmouth, Representative FOSS of Yarmouth and Representative MACOMBER of South Portland.

STATE OF MAINE

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

An Act to Provide Property Tax Relief Through Per Capita Grants to Towns.

(EMERGENCY)



1 **Emergency preamble.** Whereas, Acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
3 as emergencies; and

5 Whereas, it is necessary that the State Tax Assessor take
certain action pursuant to this legislation prior to the
7 expiration of the 90-day period; and

9 Whereas, in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
11 Maine and require the following legislation as immediately
necessary for the preservation of the public peace, health and
13 safety; now, therefore,

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

17 **Sec. 1. 5 MRSA §1514, sub-§2-A is enacted to read:**

19 2-A. Transfers to the Tax Adjustment Reserve Fund; 1990.
Notwithstanding any other provision of law, starting with the tax
21 year 1990, the State Controller shall transfer to the Tax
Adjustment Reserve Fund, without deductions, that portion of
23 undedicated General Fund revenues which is jointly certified by
the State Budget Officer and the State Tax Assessor to be
25 directly attributable to increased individual income tax
collections which result from conformity to the Internal Revenue
27 Code of 1986 and which are over and above the existing personal
exemptions tax credit, in Title 36, section 5126. The Tax
29 Adjustment Reserve Fund shall be segregated by tax year.

31 **Sec. 2. 5 MRSA §1514, sub-§4-A is enacted to read:**

33 4-A. Fund adjustments; 1989. Notwithstanding subsection 4,
for tax year 1989 only, adjustments to the fund shall be as
35 follows.

37 A. A transfer from this fund to the General Fund to offset
the loss of revenue attributable to income tax reductions to
39 avoid a windfall for the tax year 1988 is required prior to
June 30, 1989, in the amount of \$15,000,000.

41 B. The State Controller shall transfer to the General Fund
any balance in this fund on June 30, 1989, which was
43 certified to it in accordance with subsection 2 as revenue
directly attributable to corporate income tax. This
45 transfer will provide additional resources for property tax
47 relief through an appropriation to the General Purpose Aid
to Local Schools Account.

49 C. A transfer from this fund to the General Fund is
51 required to offset the loss of revenue resulting from
individual income tax reform for the 1989 tax year. The

1 amount of this transfer will be equal to the amount
2 certified to the fund because of increased individual income
3 tax collections through the period ending June 30, 1989,
4 plus accrued interest, less the amount transferred in
5 paragraph A to offset individual income tax reductions and
6 less the amount expended to offset 1988 tax year rebates and
7 their administrative costs. This transfer shall be made no
8 later than October 1, 1989.

9
10 D. It is intended that the State Controller transfer the
11 amounts defined in paragraph C from the General Fund balance
12 to undedicated revenue. These transfers shall be made on a
13 monthly basis during the period of January 1990, to June
14 1990, in amounts directly proportional to total individual
15 income tax revenue estimates for those months.

16 **Sec. 3. 5 MRSA §1514, sub-§5 is enacted to read:**

17
18 5. Expenditures from the fund. Appropriations from the Tax
19 Adjustment Reserve Fund may be made by the Legislature provided
20 that funds are appropriated only for property tax relief to
21 municipalities on a per capita basis. For each fiscal year, the
22 Legislature may appropriate only that portion of the Tax
23 Adjustment Reserve Fund attributable to the preceding tax year.

24 **Sec. 4. 36 MRSA §5126-A is enacted to read:**

25 **§5126-A. Personal exemptions tax credit; 1989**

26
27 Notwithstanding section 5126, an individual shall be allowed
28 for tax year 1989 only, a personal exemption tax credit in the
29 amount provided in the following tables for each exemption to
30 which the individual is entitled for federal income tax purposes
31 or as otherwise provided in this section.

32 **1. Single individuals and married persons filing separate**
33 **returns. For single individuals and married persons filing**
34 **separate returns:**

<u>If Maine adjusted</u>	<u>The amount of the tax credit per</u>
<u>gross income is:</u>	<u>allowable personal exemption is:</u>
<u>Less than \$20,000</u>	<u>\$55</u>
<u>At least \$20,000, but</u>	
<u>less than \$25,000</u>	<u>\$65</u>
<u>\$25,000 or more</u>	<u>\$30</u>

48 **2. Heads of households. For unmarried individuals or**
49 **legally separated individuals who qualify as heads of households:**

1	<u>If Maine adjusted</u>	<u>The amount of the tax credit per</u>
	<u>gross income is:</u>	<u>allowable personal exemption is:</u>
3		
	<u>Less than \$30,000</u>	<u>\$55</u>
5		
	<u>At least \$30,000, but</u>	
7	<u>less than \$37,500</u>	<u>\$65</u>
9		
	<u>\$37,500 or more</u>	<u>\$30</u>

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

15	<u>If Maine adjusted</u>	<u>The amount of the tax credit per</u>
	<u>gross income is:</u>	<u>allowable personal exemption is:</u>
17		
	<u>Less than \$40,000</u>	<u>\$55</u>
19		
	<u>At least \$40,000, but</u>	
21	<u>less than \$50,000</u>	<u>\$65</u>
23		
	<u>\$50,000 or more</u>	<u>\$30</u>

25 Individuals entitled to zero personal exemptions for federal
26 income tax purposes are entitled to a single personal exemption
27 tax credits in the amounts determined in accordance with the
28 tables in this section.

29
30 An additional personal exemption tax credit is allowable to
31 each individual who, pursuant to the Internal Revenue Code of
32 1986, Section 63(f), if claiming a standard deduction for the tax
33 year, is entitled to the additional amount provided in either the
34 first paragraph of the Code or the higher amount provided in the
35 3rd paragraph. An additional personal exemption tax credit is
36 also allowable to each individual who, pursuant to the Code,
37 Section 63(f), is, if claiming a standard deduction for the tax
38 year, entitled to the additional amount provided in either the
39 2nd paragraph of the Code or the higher amount provided in the
40 3rd paragraph. For a tax year in which the taxpayer does not
41 file a joint return with that taxpayer's spouse and if the spouse
42 has no gross income for the calendar year in which the taxable
43 year of the taxpayer begins and is not the dependent of another
44 taxpayer, the taxpayer is entitled to claim a personal exemption
45 tax credit for each additional personal exemption allowable to
46 the spouse as provided by this section. In no case does this
47 credit reduce the Maine income tax to less than zero.

49 Emergency clause. In view of the emergency cited in the
50 preamble, this Act shall take effect when approved.

51

1

STATEMENT OF FACT

3 This bill allows for the transfer of funds, starting in
5 1990, to the Tax Adjustment Reserve revenues, attributable to
7 increased individual income tax collection, in excess of personal
 exemptions tax credit as a result of the 1986 changes in federal
 tax law. The funds shall be appropriated for property tax relief
 on a per capita basis.