

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)



# 114th MAINE LEGISLATURE

FIRST REGULAR SESSION - 1989

---

Legislative Document

No. 1297

H.P. 931

House of Representatives, April 24, 1989

Reference to the Committee on Taxation suggested and ordered printed.

*Ed Pert*

EDWIN H. PERT, Clerk

Presented by Representative WHITCOMB of Waldo.

Cosponsored by Senator EMERSON of Penobscot and Senator TWITCHELL of Oxford.

---

STATE OF MAINE

---

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

---

**An Act to Eliminate Tax Increases Attributable to the 1988 Maine  
Individual Income Tax Law.**

---

(EMERGENCY)



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

5       Whereas, it is the intent of the Legislature and the  
6 Governor to eliminate tax increases attributable to the 1988  
7 Maine individual income tax laws by returning refunds to the  
8 people of the State of Maine as soon as possible; and

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

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

17  
18 **Be it enacted by the People of the State of Maine as follows:**

19  
20 **Sec. 1. 36 MRSA c. 843 is enacted to read:**

21  
22   **CHAPTER 843**

23   **1988 TAX ADJUSTMENT ACT**

24                       **§5450. Tax adjustment procedure**

25  
26               The following procedure shall be used to identify the  
27 taxpayers to be considered for a tax adjustment, the method for  
28 determining the amount of the adjustment and the manner of  
29 adjustment.

30               1. Eligibility for consideration. An individual who files,  
31 no later than October 15, 1989, a Maine individual income tax  
32 return for the calendar year 1988 or who files, before its due  
33 date with any valid extension, a Maine individual income tax  
34 return for a fiscal period beginning in 1988 is eligible for  
35 consideration for the adjustment provided by this chapter.

36               2. Adjustment amount. Notwithstanding any other provision  
37 of this Part, the 1988 tax year liability, exclusive of interest  
38 and penalties, of an individual income tax payer shall not exceed  
39 the amount computed as follows:

40               A. Subtract from the taxpayer's 1988 adjusted gross income  
41 \$1,000 for each of the taxpayer's 1988 Maine personal  
42 exemptions;

43               B. Subtract from the resulting amount, if the taxpayer uses  
44 a Maine standard deduction for 1988, the deduction allowed  
45

1 by section 5124-A for tax years beginning in 1987 based on  
2 the taxpayer's 1988 adjusted gross income or, if the  
3 taxpayer uses a Maine itemized deduction for 1988, the  
4 taxpayer's 1988 federal itemized deduction amount with  
5 adjustments required by section 5125 for tax years beginning  
6 in 1987;

7  
8 C. Apply the resulting amount to the 1987 tax tables, using  
9 the taxpayer's 1988 filing status;

10  
11 D. Adjust the resulting amount for all other considerations  
12 necessary to determine tax liability for tax years beginning  
13 in 1988; and

14  
15 E. If the resulting amount is less than the amount of tax  
16 paid by the taxpayer for the 1988 tax year, the State Tax  
17 Assessor shall refund the excess.

18  
19 3. Manner of return. The State Tax Assessor shall perform  
20 the calculations required by this chapter within 30 days of the  
21 effective date of this Act on returns then present on the  
22 computer system. No check may be issued for any amount less than  
23 \$5. Individuals whose income tax returns are processed after  
24 this initial refund who are entitled to a refund will be  
25 forwarded the appropriate check as soon as administratively  
26 convenient. Refund amounts determined for individuals are  
27 subject to setoff against outstanding tax liabilities.

28  
29 **Sec. 2. Appropriation.** The following funds are appropriated  
30 from the General Fund to carry out the purposes of this Act.

31  
32 **1989-90**

33 **FINANCE, DEPARTMENT OF**

34 **Bureau of Accounts and**  
35 **Controls**

36  
37  
38  
39 All Other \$1,650

40 Provides funds to cover administrative costs.

41  
42 **Bureau of Taxation**

43  
44 Personal Services \$18,650  
45 All Other 20,712

46  
47  
48  
49 TOTAL \$39,362

50 Provides funds to cover administrative costs.

1	<b>DEPARTMENT OF FINANCE</b>	
	<b>TOTAL</b>	<u>\$41,012</u>
3	<b>TREASURER OF STATE, OFFICE OF</b>	
5	<b>Administration - Treasury</b>	
7		
9	All Other	\$825
11	Provides funds to cover administrative costs.	
13	<b>OFFICE OF TREASURER OF STATE</b>	
	<b>TOTAL</b>	<u>\$825</u>
15	<b>TOTAL APPROPRIATIONS</b>	<u>\$41,837</u>

17           **Emergency clause.** In view of the emergency cited in the  
19 preamble, this Act shall take effect when approved.

21   **FISCAL NOTE**

23           This program is estimated to have an impact on those  
25 taxpayers whose 1988 Maine individual income tax is higher using  
the 1988 tax law than the 1987 tax law. The cost of eliminating  
27 this increase is a \$2.5 million loss of individual income tax  
revenue to the General Fund. This adjustment is only applicable  
29 for tax year 1988. Funds to implement this proposal are included  
in the Governor's budget.

33   **STATEMENT OF FACT**

35           This bill eliminates the 1988 tax law increases that some  
taxpayers experience. It provides that the Bureau of Taxation  
37 will automatically make the alternate computation of tax  
liability using 1988 taxpayer financial information and the 1987  
39 tax law as it would have applied in 1988. Individuals whose  
liability is less under this approach would have their liability  
41 limited by the simulated 1987 liability. If entitled, they would  
receive a tax refund.