

MAINE STATE LEGISLATURE

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115th MAINE LEGISLATURE

FIRST REGULAR SESSION-1991

Legislative Document

No. 1364

H.P. 942

House of Representatives, April 1, 1991

Reference to the Committee on Taxation suggested and ordered printed.

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

EDWIN H. PERT, Clerk

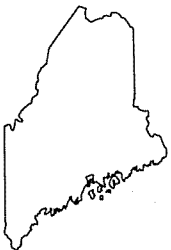
Presented by Representative FARNSWORTH of Hallowell.

Cosponsored by Representative CASHMAN of Old Town, Representative MAYO of Thomaston and Senator TITCOMB of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-ONE

**An Act to Restructure the Personal Income Tax System to Provide
Greater Equity and Progressivity.**



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

2
3 Sec. 1. 36 MRSA §5111, sub-§§1 to 3, as affected by PL 1989, c.
4 596, Pt. J, §7, are repealed and the following enacted in their
5 place:

6
7 1. Single individuals and married persons filing separate
8 returns. For single individuals and married persons filing
9 separate returns:

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$5,000</u>	<u>2% of the Maine taxable income</u>
<u>At least \$5,000 but less than \$9,000</u>	<u>\$100 plus 4.5% of the excess over \$5,000</u>
<u>At least \$9,000 but less than \$18,000</u>	<u>\$280 plus 6.5% of the excess over \$9,000</u>
<u>At least \$18,000 but less than \$36,000</u>	<u>\$865 plus 8.5% of the excess over \$18,000</u>
<u>At least \$36,000 but less than \$50,000</u>	<u>\$2,395 plus 9% of the excess over \$36,000</u>
<u>\$50,000 or more</u>	<u>\$3,655 plus 10% of the excess over \$50,000</u>

30 2. Heads of households. For unmarried individuals or
31 legally separated individuals who qualify as heads of households:

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$7,500</u>	<u>2% of the Maine taxable income</u>
<u>At least \$7,500 but less than \$13,500</u>	<u>\$150 plus 4.5% of the excess over \$7,500</u>
<u>At least \$13,500 but less than \$27,000</u>	<u>\$420 plus 6.5% of the excess over \$13,500</u>
<u>At least \$27,000 but less than \$54,000</u>	<u>\$1,297 plus 8.5% of the excess over \$27,000</u>
<u>At least \$54,000 but less than \$75,000</u>	<u>\$3,592 plus 9% of the excess over \$54,000</u>
<u>\$75,000 or more</u>	<u>\$5,482 plus 10% of the excess over \$75,000</u>

2 **3. Individuals filing married joint return or surviving**
3 **spouses. For individuals filing married joint returns or**
4 **surviving spouses permitted to file a joint return:**

6 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
8 <u>Less than \$10,000</u>	<u>2% of the Maine taxable income</u>
10 <u>At least \$10,000 but less than</u> <u>\$18,000</u>	<u>\$200 plus 4.5% of the excess</u> <u>over \$10,000</u>
12 <u>At least \$18,000 but less than</u> <u>\$36,000</u>	<u>\$560 plus 6.5% of the excess</u> <u>over \$18,000</u>
14 <u>At least \$36,000 but less than</u> <u>\$72,000</u>	<u>\$1,730 plus 8.5% of the excess</u> <u>over \$36,000</u>
16 <u>At least \$72,000 but less than</u> <u>\$100,000</u>	<u>\$4,790 plus 9% of the excess</u> <u>over \$72,000</u>
18 <u>\$100,000 or more</u>	<u>\$7,310 plus 10% of the excess</u> <u>over \$100,000</u>

24 **Sec. 2. 36 MRSA §5403, first ¶,** as amended by PL 1989, c. 495,
26 **§7,** is further amended to read:

28 For tax years beginning in 1989, no annual adjustment is
30 applicable. Thereafter, on or about September 15th of each
32 taxable year, the State Tax Assessor shall multiply the inflation
34 factor for that taxable year by the dollar amounts of the tax
36 rate table specified in section 5111 as adjusted in the prior
38 year. The dollar amounts of the dollar bracket amounts, adjusted
40 by application of the inflation factor and rounded to the nearest
42 \$50, shall be are effective for the then current taxable year and
44 shall must be incorporated into the income tax forms and
 instructions of the State Tax Assessor for that taxable year. If
 the inflation factor for any taxable year is 1.000 or less, no
 adjustment shall may be made for that taxable year in the dollar
 bracket amounts of the tax rate tables as adjusted for the
 previous year; except that if the inflation factor for the same
 taxable year is greater than 1.000 when applied to the last
 previous adjustment, then the State Tax Assessor shall adjust the
 dollar amounts of the tax rate table specified in section 5111 in
 accordance with this paragraph.

46 **Sec. 3. Short title.** This Act may be known as the Tax Equity
48 Act of 1991.

STATEMENT OF FACT

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This bill makes the individual income tax system more equitable and progressive by reducing taxes for some low-income earners and raising them for some upper-income earners. The existing income brackets are modified and 2 new rates and brackets are added to the system. The intent of these changes is to restructure the income tax system in a revenue-neutral manner. The bill also amends the tax indexing policy to ensure that the 3.5% inflation threshold is applied cumulatively rather than annually.