

MAINE STATE LEGISLATURE

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116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

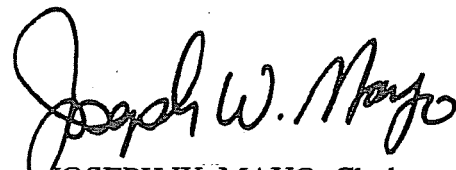
No. 1520

H.P. 1121

House of Representatives, May 17, 1993

**An Act Making Maine Income Tax a Set Percentage of the Federal
Income Tax.**

Reference to the Committee on Taxation suggested and ordered printed.


JOSEPH W. MAYO, Clerk

Presented by Representative SIMONEAU of Thomaston.
Cosponsored by Representative: BOWERS of Washington, Senators: PARADIS of Aroostook,
SUMMERS of Cumberland.

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

2
4 **Sec. 1. 24-A MRSA §5055, sub-§2**, as enacted by PL 1989, c. 556, Pt. B, §4, is repealed.

6 **Sec. 2. 24-A MRSA §5055, sub-§5**, as enacted by PL 1989, c. 556, Pt. B, §4, is amended to read:

8
10 **5. Provision of records.** Any person who holds a group long-term care policy pursuant to or under which premiums are paid in whole or in part by certificate holders or other 3rd parties shall provide to those certificate holders or 3rd parties adequate and timely records to enable those persons to have knowledge of the tax reduction to which they may be entitled under subsection 2 and ~~under Title 36, section 5122.~~

16 **Sec. 3. 36 MRSA §5111**, as amended by PL 1991, c. 824, Pt. A, §§76 to 78 and affected by §§79, 92 and 93, is repealed and the following enacted in its place:

20 **§1511. Imposition and rate of tax**

22 **1. Rate.** A tax is imposed for each taxable year beginning on or after January 1, 1994 on the Maine taxable income of every resident and nonresident individual of this State. The amount of tax is equal to 34% of the taxpayer's federal tax liability.

28 **2. Adjustments.** In any year in which the federal tax laws would result in a different federal tax liability than would have resulted under the laws in effect on January 1, 1994, the State Tax Assessor may recommend to the joint standing committee of the Legislature having jurisdiction over taxation matters an adjustment to the percentage in subsection 1 so that the total amount of tax 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, 1994.

38 **Sec. 4. 36 MRSA §5111-A**, as repealed and replaced by PL 1987, c. 819, §3, is repealed.

40 **Sec. 5. 36 MRSA §5113**, as repealed and replaced by PL 1983, c. 571, §19, is repealed.

44 **Sec. 6. 36 MRSA §5122, sub-§1, ¶A**, as corrected by RR 1991, c. 2, §136, is amended to read:

46 A. Interest or dividends on obligations or securities of
48 any state or of a political subdivision or authority of any
50 state other than this State and its political subdivisions
 and authorities; and

2 **Sec. 7. 36 MRSA §5122, sub-§1, ¶B**, as amended by PL 1981, c.
706, §33, is further amended to read:

4 B. Interest or dividends on obligations of any authority,
commission, instrumentality, territory or possession of the
6 United States which that by the laws of the United States
are exempt from federal income tax but not from state income
8 tax~~†~~.

10 **Sec. 8. 36 MRSA §5122, sub-§1, ¶D**, as amended by PL 1983, c.
855, §15, is repealed.

12 **Sec. 9. 36 MRSA §5122, sub-§1, ¶E**, as amended by PL 1987, c.
14 739, §§44 and 48, is repealed.

16 **Sec. 10. 36 MRSA §5122, sub-§1, ¶F**, as corrected by RR 1991, c.
2, 137, is repealed.

18 **Sec. 11. 36 MRSA §5122, sub-§1, ¶G**, as corrected by RR 1991,
20 c. 2, §138, is repealed.

22 **Sec. 12. 36 MRSA §5122, sub-§1, ¶H**, as amended by PL 1991, c.
591, Pt. N, §5 and affected by §6, is repealed.

24 **Sec. 13. 36 MRSA §5122, sub-§2, ¶A**, as repealed and replaced
26 by PL 1985, c. 737, Pt. A, §102, is amended to read:

28 A. Interest or dividends on obligations of the United
States and its territories and possessions or of any
30 authority, commission or instrumentality of the United
States or on a seller-sponsored loan, as defined by Title
32 10, chapter 110, to the extent includable in gross income
for federal income tax purposes, but exempt from state
34 income taxes under the laws of the United States, provided
that the amount subtracted ~~shall--be~~ is decreased by any
36 expenses incurred in the production of the interest or
dividend income to the extent that these expenses, including
38 amortizable bond premiums, are deductible in determining
federal adjusted gross income~~†~~.

40 **Sec. 14. 36 MRSA §5122, sub-§2, ¶B**, as repealed and replaced
42 by PL 1985, c. 506, Pt. A, §78, is repealed.

44 **Sec. 15. 36 MRSA §5122, sub-§2, ¶C**, as repealed and replaced
by PL 1989, c. 556, Pt. B, §7, is repealed.

46 **Sec. 16. 36 MRSA §5122, sub-§2, ¶D**, as amended by PL 1989, c.
48 556, Pt. B, §8, is repealed.

50 **Sec. 17. 36 MRSA §5122, sub-§2, ¶E**, as repealed and replaced
by PL 1989, c. 880, Pt. G, §2, is repealed.

52

2 **Sec. 18.** 36 MRSA §5122, sub-§2, ¶F, as repealed and replaced by
PL 1989, c. 880, Pt. G, §3, is repealed.

4 **Sec. 19.** 36 MRSA §5122, sub-§2, ¶G, as enacted by PL 1989, c.
880, Pt. G, §4, is repealed.

6 **Sec. 20.** 36 MRSA §5122, sub-§2, ¶H, as amended by PL 1991, c.
8 591, Pt. N, §7 and affected by §8, is repealed.

10 **Sec. 21.** 36 MRSA §5124-A, as repealed and replaced by PL
1989, c. 495, §2 and affected by c. 596, Pt. J, §7, is repealed.

12 **Sec. 22.** 36 §5125, as repealed and replaced by PL 1987, c.
14 819, §7, is repealed.

16 **Sec. 23.** 36 MRSA §5126, as repealed and replaced by PL 1989,
c. 878, Pt. D, §12, is repealed.

18 **Sec. 24.** 36 MRSA §5256, sub-§2, as amended by PL 1989, c. 596,
20 Pt. J, §6, is further amended to read:

22 **2. Change of taxable year.** If a taxpayer's taxable year is
24 changed for federal income tax purposes, the taxable year for
purposes of the tax imposed by this Part shall must be similarly
26 changed. The income tax for a period of less than 12 months
resulting from a change in accounting period is computed by first
28 determining the taxable income for the period. That taxable
income is then multiplied by 12 and divided by the number of
30 months in the period of less than 12 months. A tax is computed
on the resulting taxable income. The tax is then divided by 12
32 and multiplied by the number of months in the period of less than
12 months. The result is the tax liability before credits.
34 Itemized deductions for the period of less than 12 months shall
~~must be reduced as provided in section 5125, subsection 3,~~
~~paragraph A, subparagraph (3)~~ the amount allowable for
36 determining federal income tax, except that the amount
established by the Code, Section 63(c) shall must be divided by
38 12 and multiplied by the number of months in the period of less
than 12 months. Standard deduction and personal exemption
40 amounts shall must be divided by 12 and multiplied by the number
of months in the period of less than 12 months.

42 **Sec. 25.** 36 MRSA §5275, sub-§2, as amended by PL 1979, c. 378,
44 §44, is further amended to read:

46 **2. An amount greater than shown deductions.** As the amount
48 of the itemized deductions ~~referred to in section 5125~~ allowable
for determining federal income tax shown on the return for any
taxable year an amount greater than such those deductions
50 actually shown, he the individual will pay a penalty of \$50 for
such that statement, unless:

2 A. Such The statement did not result in a decrease in the
amounts deducted and withheld, i or

4 B. The taxes imposed with respect to the individual under
6 this Part for the succeeding taxable year do not exceed the
sum of the payments of estimated tax which that are
8 considered payments on account of such those taxes.

10 **Sec. 26. Application.** This Act applies to any tax year
beginning on or after January 1, 1994.

12 **Sec. 27. Review by State Tax Assessor.** The State Tax Assessor
14 shall review the Maine Revised Statutes, Title 36, Part 8 to
ensure compliance with the changes contained in this Act. The
16 State Tax Assessor shall report the findings together with any
necessary implementing legislation to the Second Regular Session
18 of the 116th Legislature by December 1, 1993.

20 **STATEMENT OF FACT**

22 This bill eliminates the current system of individual income
24 tax collections and replaces it with a percentage of federal tax
liability, a method similar to that used in the states of Vermont
26 and Rhode Island.