

# MAINE STATE LEGISLATURE

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# 116th MAINE LEGISLATURE

## SECOND REGULAR SESSION-1994

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Legislative Document

No. 1973

S.P. 744

In Senate, March 9, 1994

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**An Act to Create an Income Tax Stabilization Program.**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator SUMMERS of Cumberland. (GOVERNOR'S BILL).  
Cosponsored by Senators: BUTLAND of Cumberland, CAHILL of Sagadahoc, CARPENTER  
of York, HALL of Piscataquis, Representative: MURPHY of Berwick.

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

2  
4 Sec. 1. 36 MRS §5111-B is enacted to read:

6 §5111-B. Revenue targeting

8 1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

10 A. "Adjustment factor" means a number applicable to a tax year determined by dividing the target revenue for the numerically identical fiscal year by the tax revenue for that fiscal year, rounded to the nearest 1/1,000.

12 B. "Target revenue" means \$582,100,000 for fiscal year 1993-94 and \$606,100,000 for subsequent fiscal years.

14 C. "Tax revenue" means undedicated General Fund individual income tax revenue arising pursuant to this Part.

16 2. Rate adjustment. Annually, by September 15th, the State Tax Assessor shall determine for the then current tax year whether tax revenue for the fiscal year ending the prior June 30th exceeded the target revenue. If target revenue was exceeded, the State Tax Assessor shall adjust the tax rates as specified in the tax rate tables in section 5111, as adjusted for the prior tax year pursuant to this section, by multiplying the percentage rates by the current tax year's adjustment factor.

18 3. Revenue Targeting Fund. The Revenue Targeting Fund is established to carry out the purposes of this section. For fiscal year 1993-94, tax revenue exceeding \$582,100,000 and, for fiscal year 1994-95 and each subsequent fiscal year up to and including the fiscal year ending during the calendar tax year in which the limitation pursuant to subsection 4 is reached, tax revenue exceeding \$606,100,000 must be deposited to the Revenue Targeting Fund, the balance of which does not lapse but carries to the subsequent fiscal year. Tax year 1993-94 and subsequent tax year individual income tax refunds must be paid from this fund until the fund balance carried forward from the prior fiscal year is reduced to zero.

20 4. Limitation. The cumulative rate reduction attributable to this section may not exceed 20% of the tax year 1993 rates. In any fiscal year in which the determination is made pursuant to section 1811 that the present fiscal year estimated General Fund revenues exceed those of the prior fiscal year by 8% or more, no rate adjustment pursuant to subsection 2 is made.

2 5. Rounding. Adjustments in tax rates arising pursuant to  
3 this section are to be rounded to the nearest 1/10 of a percent,  
4 and the total dollar amount of the tax on taxable income equal to  
5 the lower limit of the income brackets is to be rounded to the  
6 nearest dollar.

8  
10 **STATEMENT OF FACT**

12 In order to retain and attract jobs in the State, this bill  
13 proposes to stabilize individual income tax receipts until a  
14 reduction of 20% is achieved in the future. The bill provides a  
15 mechanism to reduce individual income tax rates periodically  
16 until they are 20% less than the 1993 rates, without reducing the  
17 anticipated receipt of revenue.

18 The mechanism to achieve the periodic reductions is an  
19 adjustment factor using the current revenue target for fiscal  
20 year 1993-94 of about \$582,000,000 and for fiscal year 1994-95  
21 and thereafter of about \$606,000,000. A comparison of the actual  
22 fiscal year revenue excess to the target amount provides the  
23 measure by which tax rates are to be adjusted downward for the  
24 tax year. This process repeats itself annually until the  
25 cumulative 20% reduction is reached. In any fiscal year in which  
26 the General Fund revenues exceed 8% of the prior year's revenues,  
27 the sales tax reduction mechanism will take effect, lowering the  
28 sales tax to 5% and no rate adjustment will be made that year to  
29 the individual income tax.

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36 This document has not yet been reviewed to determine the  
need for cross-reference, stylistic and other technical  
amendments to conform existing law to current drafting standards.