

MAINE STATE LEGISLATURE

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117th MAINE LEGISLATURE

SECOND REGULAR SESSION-1996

Legislative Document

No. 1674

S.P. 639

In Senate, January 9, 1996

**An Act to Allow Voluntary Withholding of Federal and State Income
Taxes from Unemployment Compensation Benefits.**

Submitted by the Department of Labor pursuant to Joint Rule 24.
Reference to the Committee on Labor suggested and ordered printed.

A handwritten signature in cursive script that reads "May M. Ross".

MAY M. ROSS
Secretary of the Senate

Presented by Senator BEGLEY of Lincoln.
Cosponsored by Representative HATCH of Skowhegan.

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

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4 **Sec. 1. 26 MRSA §1191, sub-§9** is enacted to read:

6 9. Voluntary withholding of income tax. Individuals must
8 be notified that federal, state and local income tax may be
withheld from payments made on or after January 1, 1997 as
follows.

10 A. An individual filing a new claim for unemployment
12 compensation must be advised at the time of filing the
claim, that:

14 (1) Unemployment compensation is subject to federal
16 and state income taxes;

18 (2) Requirements exist pertaining to estimated tax
payments;

20 (3) The individual may elect to have federal income
22 tax deducted and withheld from the individual's payment
of unemployment compensation at the amount specified in
24 the federal Internal Revenue Code;

26 (4) The individual may elect to have state income tax
deducted and withheld from the individual's payment of
28 unemployment compensation at the rate of 5%; and

30 (5) The individual must be permitted to change a
previously elected withholding status.

32 B. Amounts deducted and withheld from unemployment
34 compensation remain in the unemployment compensation fund
until transferred to the federal or state taxing authority
36 as a payment of income tax.

38 C. The commissioner shall follow all procedures specified
by the United States Department of Labor and the federal
40 Internal Revenue Service pertaining to the deducting and
withholding of income tax.

42 D. Amounts may be deducted and withheld under this
44 subsection only after amounts are deducted and withheld for
any overpayments, child support obligations, food stamp
46 overissues or any other amounts required to be deducted and
withheld under this chapter.

48 For purposes of this subsection, the term "unemployment
50 compensation" means any compensation payable under this chapter,
including amounts payable by the commissioner pursuant to an

2 agreement under any federal law providing for compensation,
3 assistance or allowances with respect to unemployment.

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STATEMENT OF FACT

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10 The Federal Government enacted Public Law 103-465, commonly
11 called GATT, in December 1994. That legislation requires states
12 to deduct and withhold federal income tax from unemployment
13 compensation benefits, if the recipient so desires, beginning on
14 January 1, 1997. States also have the option of deducting and
15 withholding state income taxes. This bill is necessary to bring
16 the State's unemployment law into conformity with federal law.
The failure to conform with federal law carries heavy penalties
including lost of administrative funds and employer tax credits.