

# MAINE STATE LEGISLATURE

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# 118th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1997

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Legislative Document

No. 111

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H.P. 86

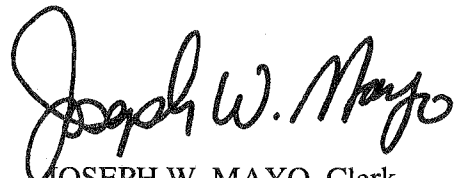
House of Representatives, January 9, 1997

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### An Act to Exempt Capital Gains from the Maine Income Tax.

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Reference to the Committee on Taxation suggested and ordered printed.

  
JOSEPH W. MAYO, Clerk

Presented by Representative WATERHOUSE of Bridgton.

Cosponsored by Representatives: BUCK of Yarmouth, MURPHY of Kennebunk, O'NEAL of Limestone, VIGUE of Winslow, WINSOR of Norway, Senator: KIEFFER of Aroostook.

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

2  
4       **Sec. 1. 36 MRSA §5122, sub-§2, ¶H,** as amended by PL 1995, c.  
639, §16, is further amended to read:

6       H. For each taxable year subsequent to the year of the  
8       loss, an amount equal to the absolute value of the net  
10       operating loss arising from tax years beginning on or after  
12       January 1, 1989, but before January 1, 1993, for which  
14       federal adjusted gross income was increased in accordance  
16       with subsection 1, paragraph H and that pursuant to the  
18       Code, Section 172 was carried back for federal income tax  
20       purposes, but only to the extent that:

14               (1) Maine taxable income is not reduced below zero;

16               (2) The taxable year is within the allowable federal  
18       period for carry-over; and

20               (3) The amount has not been previously used as a  
22       modification pursuant to this subsection; and

22       **Sec. 2. 36 MRSA §5122, sub-§2, ¶I,** as enacted by PL 1995, c.  
24       639, §17, is amended to read:

26       I. For income tax years beginning on or after January 1,  
28       1991, an amount equal to the amount by which federal taxable  
30       income was reduced because of vessel earnings from fishing  
32       operations that were contributed to a capital construction  
34       fund; and

32       **Sec. 3. 36 MRSA §5122, sub-§2, ¶J** is enacted to read:

34       J. An amount equal to any income derived from a capital  
36       gain.

36       **Sec. 4. 36 MRSA §5200-A, sub-§2, ¶G,** as amended by PL 1991, c.  
38       548, Pt. A, §29, is further amended to read:

40       G. Fifty percent of the apportionable dividend income the  
42       taxpayer received during the taxable year from an affiliated  
44       corporation that is not included with the taxpayer in a  
46       Maine combined report, except that this modification must be  
48       phased in over 5 years in accordance with the following  
50       schedule:

Taxable year beginning in:	Subtractable dividend income:
1989	10%
1990	20%

2	1991	30%
	1992	40%
4	1993 or thereafter	50%; and

6 **Sec. 5. 36 MRSA §5200-A, sub-§2, ¶H**, as amended by PL 1995, c.  
639, §20, is further amended to read:

8 H. For each taxable year subsequent to the year of the  
10 loss, an amount equal to the absolute value of the net  
12 operating loss arising from tax years beginning on or after  
14 January 1, 1989 but before January 1, 1993 and that,  
pursuant to the Code, Section 172, was carried back for  
federal income tax purposes, but only to the extent that:

- 16 (1) Maine taxable income is not reduced below zero;
- 18 (2) The taxable year is within the allowable federal  
period for carry-over; and
- 20 (3) The amount has not been previously used as a  
22 modification pursuant to this subsection; and

24 **Sec. 6. 36 MRSA §5200-A, sub-§2, ¶I** is enacted to read:

26 I. An amount equal to any income derived from a capital  
gain.

28 **Sec. 7. Application.** This Act applies to any tax year  
30 beginning on or after January 1, 1998.

32 **SUMMARY**

34 This bill exempts from state taxation all income derived  
36 from capital gains for individuals and corporations.