

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 837

H.P. 612

House of Representatives, February 6, 1997

**An Act to Exempt from the Income Tax a Student's Earned Income Used
for Educational Purposes.**

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative CAMERON of Rumford.
Cosponsored by Representatives: BRUNO of Raymond, CROSS of Dover-Foxcroft, JOY of
Crystal, MAYO of Bath, TRUE of Fryeburg, Senator: GOLDTHWAIT of Hancock.

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

4 **Sec. 1. 20-A MRSA §12671, sub-§1, ¶¶ B and C,** as enacted by PL 1989, c. 698, §73 and affected by §76, are amended to read:

6 B. Provides, to the extent of available resources,
8 counseling services throughout the State in accessible
locations to assist eligible participants; and

10 C. Provides to eligible participants information concerning
12 career options, educational programs and post-secondary
schools; and

14 **Sec. 2. 20-A MRSA §12671, sub-§1, ¶D** is enacted to read:

16 D. Provides to an eligible participant an individual
18 account within the fund established in subsection 2, the
20 proceeds of which must be paid to the post-secondary school
22 of the participant's choice. Withdrawal of a participant's
individual account for any purpose other than post-secondary
education expenses must be reported to the State Tax
Assessor as taxable income of the recipient.

24 **Sec. 3. 36 MRSA §5122, sub-§2, ¶H,** as amended by PL 1995, c.
26 639, §16, is further amended to read:

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

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

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

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

44 **Sec. 4. 36 MRSA §5122, sub-§2, ¶I,** as enacted by PL 1995, c.
46 639, §17, is amended to read:

48 I. For income tax years beginning on or after January 1,
50 1991, an amount equal to the amount by which federal taxable
income was reduced because of vessel earnings from fishing
operations that were contributed to a capital construction
fund; and

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Sec. 5. 36 MRSA §5122, sub-§2, ¶J is enacted to read:

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J. An amount equal to the amount of earned income deposited in a special individual account administered by the Finance Authority of Maine pursuant to Title 20-A, section 12671, if the taxpayer is a full-time post-secondary student as defined by the Code and the Finance Authority of Maine. A withdrawal of any amount from this account for use other than paying post-secondary school expenses is subject to tax in the year of withdrawal.

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SUMMARY

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This bill creates an income tax deduction program for earned income used by full-time students to pay post-secondary school expenses. The program is to be administered by the Finance Authority of Maine.

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