

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 1375

S.P. 427

In Senate, March 4, 1997

**An Act to Simplify the Individual Income Tax and Eliminate Filings
with Low Returns.**

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 MILLS of Somerset.

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

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3 **Sec. 1. 36 MRSA §5111, first ¶**, as repealed and replaced by PL
4 1989, c. 495, §1 and affected by c. 596, Pt. J, §7, is amended to
5 read:

6
7 A tax is imposed for each taxable year beginning on or after
8 January 1, 1989 1998, on the Maine taxable income of every
9 resident individual of this State. The amount of the tax is to
10 be determined as follows.

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12 **Sec. 2. 36 MRSA §5111, sub-§1-A**, as enacted by PL 1991, c.
13 591, Pt. YY, §2 and affected by §7, is repealed and the following
14 enacted in its place:

15 **1-A. Single individuals and married persons filing separate**
16 **returns.** For single individuals and married persons filing
17 **separate returns:**

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$4,000</u>	<u>None</u>
<u>At least \$4,000 but less than \$16,000</u>	<u>6% of the excess over \$4,000</u>
<u>\$16,000 or more</u>	<u>\$720 plus 8.5% of the excess over \$16,000</u>

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29 **Sec. 3. 36 MRSA §5111, sub-§2-A**, as enacted by PL 1991, c.
30 591, Pt. YY, §4 and affected by §7, is repealed and the following
31 enacted in its place:

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33 **2-A. Heads of households.** For unmarried individuals or
34 **legally separated individuals who qualify as heads of households:**

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$6,000</u>	<u>None</u>
<u>At least \$6,000 but less than \$24,000</u>	<u>6% of the excess over \$6,000</u>
<u>\$24,000 or more</u>	<u>\$1,080 plus 8.5% of the excess over \$24,000</u>

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47 **Sec. 4. 36 MRSA §5111, sub-§3-A**, as enacted by PL 1991, c.
48 591, Pt. YY, §6 and affected by §7, is repealed and the following
49 enacted in its place:

2 **3-A. Individuals filing married joint return or surviving**
3 **spouses. For individuals filing married joint returns or**
4 **surviving spouses permitted to file a joint return:**

6 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
8 <u>Less than \$8,000</u>	<u>None</u>
10 <u>At least \$8,000 but less</u> <u>than \$32,000</u>	<u>6% of the excess over</u> <u>\$8,000</u>
12 <u>\$32,000 or more</u>	<u>\$1,440 plus 8.5% of the</u> <u>excess over \$32,000</u>

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16 **Sec. 5. 36 MRSA §5126, first ¶**, as repealed and replaced by PL 1989, c. 878, Pt. D, §12, is amended to read:

18 A resident individual ~~shall-be~~ is allowed ~~\$2,000~~ \$2,500 for
20 each exemption to which the individual is entitled for the
22 taxable year for federal income tax purposes, unless the taxpayer
24 is claimed as a dependent on another return. No additional
26 exemption may be allowed for taxpayers over 65 years of age or
28 taxpayers who are blind. The nominal dollar amount of this
section ~~shall-be~~ is subject to annual adjustment under section
5403.

30 **Sec. 6. 36 MRSA §5402, sub-§3**, as amended by PL 1989, c. 495,
32 §6, is further amended to read:

34 **3. Inflation factor.** "Inflation factor" means the
36 percentage adjustment factor plus ~~.965~~ .98

38 **SUMMARY**

40 This bill eliminates all tax returns in the 2% bracket, a
42 category from which the State receives many returns but little
44 revenue. In income brackets for 1995, the most that could be
46 collected from a taxpayer at the top of this bracket was \$83.

The bill collapses the 2 middle brackets of 4 1/2% and 7%
into one bracket of 6%.

The bill increases the personal exemption from its current
level of \$2,100 to \$2,500 for 1998, subject to adjustment
thereafter.

2 The bill changes the inflation adjustment for tax brackets
and the personal exemption by decreasing from 3.5% to 2.0% the
threshold at which an inflation adjustment is made.