

MAINE STATE LEGISLATURE

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118th MAINE LEGISLATURE

FIRST REGULAR SESSION-1997

Legislative Document

No. 1569

S.P. 507

In Senate, March 18, 1997

An Act to Reform the Corporate Income Tax and Create Employment Incentives.

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.

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

4 **Sec. 1. 36 MRSA §5200**, as amended by PL 1985, c. 675, §§1 and 5, is repealed and the following enacted in its place:

6 **§5200. Imposition and rate of tax**

8 A tax is imposed upon the Maine net income of taxable corporations for each taxable year at the rate of 8.5% of Maine net income for taxable years ending after December 31, 1997.

12 **Sec. 2. 36 MRSA §5219-L** is enacted to read:

14 **§5219-L. Credit for withholding taxes and benefits paid**

16 **1. Credit allowed.** A taxpayer is allowed a credit to be computed as provided in this section against the tax imposed by this Part, subject to the limitations contained in subsections 3 and 4. The credit equals 10% of the state income withholding taxes withheld plus 5% of employee benefits paid during the taxable year for which the credit is allowed.

22 **2. Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

24 **A. "Employee benefits paid"** means the following benefits that are paid by the taxpayer to or on behalf of its Maine resident employees:

26 (1) Health and disability benefits and insurance costs allowable as deductions to the employer under Section 105 of the Code;

28 (2) The cost of retirement programs that are subject to the Employee Retirement Income Security Act of 1974, 29 United States Code, Sections 101 to 1461;

30 (3) The actual cost of benefits provided to employees under the Maine Workers' Compensation Act if the taxpayer is self insured for such risks but only to the extent that such costs exceed 20% of the wages paid by the taxpayer to its employees; and

32 (4) The cost of workers' compensation insurance purchased to cover the taxpayer's employees but only to the extent that such costs exceed 20% of the wages paid by the taxpayer to its employees.

2 B. "State income withholding taxes withheld" means all
taxes required to be withheld pursuant to section 5200.

4 3. Limitations. The amount of the credit that may be used
by a taxpayer for each taxable year may not exceed 50% of the
6 state income tax otherwise owed by the taxpayer under this Part
for that year.

8
10 4. Prohibition. The taxpayer is prohibited from taking
both a tax credit allowed pursuant to this section and any other
12 tax credit allowed in this chapter.

14 **SUMMARY**

16 This bill sets the corporate income tax at a flat rate of
18 8.5%, equal to the top rate payable by individuals. It also
introduces a credit for withholding taxes and employee benefits
20 that may be used to eliminate up to 1/2 of each employer's own
state income tax liability. The credit may be used by any Maine
22 employer and is not limited to corporations. The credit may not
be used in conjunction with any other credit allowed pursuant to
the Maine Revised Statutes, Title 36, chapter 822.