R.&S.

L.D. 162

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TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
119TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 131, L.D. 162, Bill, "An Act to Make Minor Substantive Changes in the Tax Laws"

Amend the bill in Part A by striking out all of sections 1 and 5.

Further amend the bill in Part A in section 6 by striking out all of the first line (page 2, line 25 in L.D.) and inserting in its place the following:

'**Sec. A-6. 36 MRSA §1760, sub-§81** is enacted to read:'

Further amend the bill in Part A in section 6 in subsection 80 in the first line (page 2, line 27 in L.D.) by striking out the following: "**80.**" and inserting in its place the following: '**81.**'

Further amend the bill in Part A by inserting after section 6 the following:

'**Sec. A-7. 36 MRSA §1861-A,** as corrected by RR 1991, c. 2, §133, is amended to read:

§1861-A. Reporting use tax on individual income tax returns

The assessor shall provide that individuals report use tax on their Maine individual income tax returns. Taxpayers are required to attest to the amount of their use tax liability for the period of the tax return. Alternatively, they may elect to report an amount that is .04% of their Maine adjusted gross income. The table amount does not relate to items with a purchase price in excess of $1,000. Liability arising from such items must be added to the table amount. ~~If a taxpayer fails to attest to an alternate liability on the return, the taxpayer is subject to an increase in income tax liability amounting to .04% of the taxpayer's Maine adjusted gross income.~~ Upon subsequent review, if use tax liability for the period of the return exceeds the amount of liability arising from the return, a credit of the amount of liability arising from the return is allowed subject to the limitation set out in this section. The credit is limited to the amount of liability arising from the return for items with a sales price of $1,000 or less and may be applied only against a liability determined on review with regard to items with a sales price of $1,000 or less.'

Further amend the bill in Part A in section 7 by striking out all of the indented paragraph (page 2, lines 36 to 47 in L.D.) and inserting in its place the following:

'A tax is imposed upon the transfer of real property and tangible personal property situated in this State ~~and upon the transfer of tangible personal property located in this State of every person~~ and held by an individual who at the time of death was not a resident of this State. When real or tangible personal property has been transferred into a trust, the tax imposed by this section applies as if the trust did not exist and the property was personally owned by the decedent. Maine property is subject to the tax imposed by this section to the extent that such property is included in the decedent's gross estate as finally determined for federal estate tax purposes. The amount of this tax is a sum equal to that proportion of the credit for state death taxes provided by ~~section~~ the Code, Section 2011 ~~of the code~~ that the value of Maine real and tangible personal property taxed in this State that qualifies for the credit bears to the value of the decedent's total federal gross estate. All values are as finally determined for federal estate tax purposes. The share of the federal estate death tax credit used to determine the amount of the nonresident individual's estate tax under this section is computed without regard to whether the specific real or tangible personal property located in the State is marital deduction property.'

Further amend the bill in Part A in section 8 in the next to the last line (page 3, line 1 in L.D.) by striking out the following: "80" and inserting in its place the following: '81'

Further amend the bill in Part A in section 8 in the last line (page 3, line 2 in L.D.) by inserting after the following: "review." the following: 'That portion of this Part that amends Title 36, section 1861-A applies to tax years beginning on or after January 1, 1999.'

Further amend the bill by inserting at the end of Part B the following:

'PART C

Sec. C-1. 36 MRSA §2525, sub-§1, as enacted by PL 1989, c. 556, Pt. B, §6, is amended to read:

1. Credit. A taxpayer under this chapter constituting an employing unit is allowed a credit against the tax imposed by this chapter for each taxable year that begins on or after July 10, 1989 and before January 1, 2000 equal to the lowest of the following:

A. Five thousand dollars;

B. Twenty percent of the costs incurred by the taxpayer in providing long-term care policy coverage as part of a benefit package; or

C. One hundred dollars for each employee covered by an employer-provided long-term care policy.

Sec. C-2. 36 MRSA §2525-A is enacted to read:

§2525-A. Employer-provided long-term care benefits on and after January 1, 2000

1. Credit. A taxpayer under this chapter constituting an employing unit is allowed a credit against the tax imposed by this chapter for each taxable year that begins on or after January 1, 2000 equal to the lowest of the following:

A. Five thousand dollars;

B. Twenty percent of the costs incurred by the taxpayer in providing qualified long-term care insurance contract coverage as part of a benefit package; or

C. One hundred dollars for each employee covered by an employer-provided long-term care insurance contract.

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

A. "Employing unit" has the same meaning as in Title 26, section 1043.

R. & S.

B. "Qualified long-term care insurance contract" means a qualified long-term care insurance contract as defined in the Code, Section 7702B(b).

3. Limitation. The amount of the credit that may be used by a taxpayer for a taxable year may not exceed the amount of tax otherwise due under this chapter. Any unused credit may be carried over to the following year or years for a period not to exceed 15 years.

Sec. C-3. 36 MRSA §5122, sub-§2, ¶G, as amended by PL 1995, c. 639, §15, is further amended to read:

G. For income tax years commencing on or after January 1, 1989 and before January 1, 2000, an amount equal to the total premiums spent for insurance policies for long-term care that have been certified by the Superintendent of Insurance as complying with Title 24-A, chapter 68;

Sec. C-4. 36 MRSA §5122, sub-§2, J, as corrected by RR 1997, c. 2, §59, is amended to read:

J. Any amount constituting a qualified withdrawal from an account established pursuant to Title 20-A, chapter 417-E and used for paying higher education expenses; ~~and~~

Sec. C-5. 36 MRSA §5122, sub-§2, ¶K, as reallocated by RR 1997, c. 2, §60 and affected by §61, is amended to read:

K. For income tax years beginning on or after January 1, 1997, all items of income, gain, interest, dividends, royalties and other income of a financial institution subject to the tax imposed by section 5206, to the extent that those items are passed through to the taxpayer for federal income tax purposes, including, if the financial institution is an S corporation, the taxpayer's pro rata share and, if the financial institution is a partnership or limited liability company, the taxpayer's distributive share. A subtraction may not be made under this paragraph for:

(1) Income of the taxpayer earned on interest-bearing or similar accounts of the taxpayer at a financial institution as a customer of that financial institution;

(2) Any dividends or other distributions with respect to a taxpayer's ownership interest in a financial institution; and

(3) Any gain recognized on the disposition by the taxpayer of an ownership interest in a financial institution. ; and

Sec. C-6. 36 MRSA §5122, sub-§2, §L is enacted to read:

L. For income tax years beginning on or after January 1, 2000, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to Section 5125.

Sec. C-7. 36 MRSA §5217-B, sub-§1, as enacted by PL 1989, c. 556, Pt. B, §11, is amended to read:

1. Credit. A taxpayer constituting an employing unit is allowed a credit against the tax imposed by this Part for each taxable year that begins on or after July 10, 1989 and before January 1, 2000 equal to the lowest of the following:

A. Five thousand dollars;

B. Twenty percent of the costs incurred by the taxpayer in providing long-term care policy coverage as part of a benefit package; or

C. One hundred dollars for each employee covered by an employer-provided long-term care policy.

Sec. C-8. 36 MRSA §5217-C is enacted to read:

§5217-C. Employer-provided long-term care benefits on and after January 1, 2000

1. Credit. A taxpayer constituting an employing unit is allowed a credit against the tax imposed by this Part for each taxable year that begins on or after January 1, 2000 equal to the lowest of the following:

A. Five thousand dollars;

B. Twenty percent of the costs incurred by the taxpayer in providing qualified long-term care insurance contract coverage as part of a benefit package; or

C. One hundred dollars for each employee covered by an employer-provided long-term care insurance contract.

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

A. "Employing unit" has the same meaning as in Title 26, section 1043.

B. "Qualified long-term care insurance contract" means a qualified long-term care insurance contract as defined in the Code, Section 7702B(b).

3. Limitation. The amount of the credit that may be used by a taxpayer for a taxable year may not exceed the amount of tax otherwise due under this Part. Any unused credit may be carried over to the following year or years for a period not to exceed 15 years.

Sec. C-9. Application. Notwithstanding the provisions of this Part, a taxpayer who purchased a long-term care policy prior to the effective date of this Act that was certified by the Bureau of Insurance as deductible for Maine income tax purposes may continue to deduct the premiums for the certified policy to the same extent as was allowed prior to the enactment of the Act, as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to the Maine Revised Statutes, Title 36, section 5125.'

Further amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

Further amend the bill by inserting at the end before the summary the following:

'FISCAL NOTE

	1999-00	2000-01
REVENUES		
General Fund	$299,876	$2,458,683
Other Funds	3,218	80,540

This bill will result in net increases of General Fund revenue of $299,876 in fiscal year 1999-00 and $2,458,683 in fiscal year 2000-01 and net increases of revenue set aside in the

Local Government Fund for state-municipal revenue sharing of $3,218 in fiscal year 1999-00 and $80,540 in fiscal year 2000-01.

The sales and use tax changes in this bill will decrease sales and use tax collections by $1,255,890 in fiscal year 1999-00 and $521,008 in fiscal year 2000-01. The reduction of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those years by $64,050 and $26,571, respectively. The resulting net reductions of General Fund revenue will be $1,191,840 in fiscal year 1999-00 and $494,437 in fiscal year 2000-01.

The individual income tax changes in this bill will increase individual income tax collections by $1,320,845 in fiscal year 1999-00 and $2,109,307 in fiscal year 2000-01. The increase of these tax collections will increase the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those years by $67,363 and $107,574, respectively. The resulting net increase of General Fund revenue will be $1,253,482 in fiscal year 1999-00 and $2,001,733 in fiscal year 2000-01.

The corporate income tax changes in this bill will decrease corporate income tax collections by $1,861 in fiscal year 1999-00 and $9,076 in fiscal year 2000-01. The decrease of these tax collections will decrease the amounts transferred to the Local Government Fund for state-municipal revenue sharing in those years by $95 and $463, respectively. The resulting net decrease of General Fund revenue will be $1,766 in fiscal year 1999-00 and $8,613 in fiscal year 2000-01.

The estate tax changes in this bill will increase General Fund revenue by $240,000 in fiscal year 1999-00 and $960,000 in fiscal year 2000-01.

The Bureau of Revenue Services will incur some minor additional costs to implement the changes in this bill. These costs can be absorbed within the bureau's existing budgeted resources.'

SUMMARY

This amendment deletes section A-1 of the bill because it is unnecessary.

It deletes section A-5 because information obtained after the bill was introduced indicates that the section can not be legally supported.

It adds a provision eliminating statutory language that requires the automatic calculation of an income tax liability attributable to use tax on the individual income tax return if the taxpayer fails to attest to an alternate amount.

It substitutes language relating to estate tax to provide more explicit language providing that property will not escape the reach of the estate tax solely because the property has been transferred into a trust and to clarify that the property still must be included in the decedent's gross federal estate in order for the estate tax to apply.

It adds Part C allowing a subtraction from Maine adjusted gross income for the cost of a long-term care policy that federal law allows to be included in itemized deductions for medical expenses. This Part also amends the existing long-term care credits for insurance companies and corporations in order to bring them into conformity with the federal definitions.

It also adds a fiscal note to the bill.