

MAINE STATE LEGISLATURE

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R & S

L.D. 297

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TAXATION

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

COMMITTEE AMENDMENT "A" to H.P. 219, L.D. 297, Bill, "An Act to Exempt Capital Gains from the Maine Income Tax"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

'Sec. 1. 36 MRSA §5122, sub-§2, ¶K, as amended by PL 1999, c. 521, Pt. C, §5 and affected by §9, is further 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;

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

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

10 **Sec. 2. 36 MRSA §5122, sub-§2, ¶L**, as enacted by PL 1999, c.
12 521, Pt. C, §6 and affected by §9, is amended to read:

14 L. For income tax years beginning on or after January 1,
16 2000, an amount equal to the total premiums spent for
18 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, ; and

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

22 M. Up to \$1,500 of net long-term capital gains.

24 **Sec. 4. Application.** This Act applies to tax years beginning
26 on or after January 1, 2001.'

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

30 **FISCAL NOTE**

32 **2000-01**

34 **REVENUES**

36	General Fund	(\$1,005,151)
	Other Funds	(54,018)

38
40 The income tax exemption for certain net long-term capital
42 gains will decrease individual income tax collections by
44 \$1,059,169 in fiscal year 2000-01, \$4,283,233 in fiscal year
46 2001-02 and \$4,471,788 in fiscal year 2002-03. 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 \$54,018, \$218,445 and \$228,061, respectively. The
resulting net reductions of General Fund revenue will be
\$1,005,151 in fiscal year 2000-01, \$4,064,788 in fiscal year
48 2001-02 and \$4,243,727 in fiscal year 2002-03.

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2 The Bureau of Revenue Services will incur additional costs
estimated to be \$32,000 in fiscal year 2001-02 and \$36,000
4 annually thereafter for a Tax Examiner position beginning in
January 1, 2002 to audit affected returns and for additional
6 programming costs to add lines to the income tax forms and
editing the bureau's database. The bureau will request
8 additional General Fund appropriations to fund these additional
costs.'

10

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SUMMARY

14 This amendment replaces the original bill. The amendment
provides an income tax exemption for individuals of up to \$1,500
16 of net long-term capital gains. The amendment also adds a fiscal
note.

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