

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)



# 119th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1999

---

Legislative Document

No. 297

H.P. 219

House of Representatives, January 14, 1999

### **An Act to Exempt Capital Gains from the Maine Income Tax.**

---

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in black ink that reads "Joseph W. Mayo".

JOSEPH W. MAYO, Clerk

Presented by Representative BUCK of Yarmouth.

Cosponsored by Representatives: MacDOUGALL of North Berwick, MACK of Standish, SNOWE-MELLO of Poland, WATERHOUSE of Bridgton.

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

2  
3       **Sec. 1. 36 MRSA §5122, sub-§2, ¶J**, as corrected by RR 1997, c.  
4 2, §59, is amended to read:

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

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

12       K. For income tax years beginning on or after January 1,  
13 1997, all items of income, gain, interest, dividends,  
14 royalties and other income of a financial institution  
15 subject to the tax imposed by section 5206, to the extent  
16 that those items are passed through to the taxpayer for  
17 federal income tax purposes, including, if the financial  
18 institution is an S corporation, the taxpayer's pro rata  
19 share and, if the financial institution is a partnership or  
20 limited liability company, the taxpayer's distributive  
21 share. A subtraction may not be made under this paragraph  
22 for:

23  
24       (1) Income of the taxpayer earned on interest-bearing  
25 or similar accounts of the taxpayer at a financial  
26 institution as a customer of that financial institution;

27  
28       (2) Any dividends or other distributions with respect  
29 to a taxpayer's ownership interest in a financial  
30 institution; and

31  
32       (3) Any gain recognized on the disposition by the  
33 taxpayer of an ownership interest in a financial  
34 institution; and

35  
36       **Sec. 3. 36 MRSA §5122, sub-§2, ¶L** is enacted to read:

37  
38       L. An amount equal to any income derived from a capital  
39 gain.

40  
41       **Sec. 4. 36 MRSA §5200-A, sub-§2, ¶H**, as amended by PL 1997, c.  
42 746, §11 and affected by §24, is further amended to read:

43  
44       H. For each taxable year subsequent to the year of the  
45 loss, an amount equal to the absolute value of the net  
46 operating loss arising from tax years beginning on or after  
47 January 1, 1989 but before January 1, 1993 and that,  
48 pursuant to the Code, Section 172, was carried back for  
49 federal income tax purposes, but only to the extent that:  
50

- 2 (1) Maine taxable income is not reduced below zero;
- 4 (2) The taxable year is within the allowable federal  
6 period for carry-over; and
- 8 (3) The amount has not been previously used as a  
modification pursuant to this subsection; and

10 **Sec. 5. 36 MRSA §5200-A, sub-§2, ¶I**, as enacted by PL 1997, c.  
12 746, §12 and affected by §24, is amended to read:

14 I. For income tax years beginning on or after January 1,  
16 1997, all items of income, gain, interest, dividends,  
18 royalties and other income of a financial institution  
20 subject to the tax imposed by section 5206, to the extent  
22 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:

- 24 (1) Income of the taxpayer earned on interest-bearing  
26 or similar accounts of the taxpayer at a financial  
institution as a customer of that financial institution;
- 28 (2) Any dividends or other distributions with respect  
30 to a taxpayer's ownership interest in a financial  
institution; and
- 32 (3) Any gain recognized on the disposition by the  
34 taxpayer of an ownership interest in a financial  
institution; and

36 **Sec. 6. 36 MRSA §5200-A, sub-§2, ¶J** is enacted to read:

38 J. An amount equal to any income derived from a capital  
40 gain.

42 **Sec. 7. Application.** This Act applies to any tax year  
44 beginning on or after January 1, 2000.

46 **SUMMARY**

48 This bill exempts from state taxation all income derived  
from capital gains for individuals and corporations.