

# MAINE STATE LEGISLATURE

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*m*  
*R. O. S.*

L.D. 1484

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DATE: June 4, 1999 (Filing No. S-433 )

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**STATE OF MAINE  
SENATE  
119TH LEGISLATURE  
FIRST REGULAR SESSION**

SENATE AMENDMENT "B" to H.P. 1053, L.D. 1484, Bill, "An Act to Conform the Maine Tax Laws for 1998 With the United States Internal Revenue Code"

Amend the bill by inserting after section 1 the following:

**Sec. 2. 36 MRSA §5122, sub-§1, ¶J**, as amended by PL 1997, c. 746, §2 and affected by §24, is further amended to read:

J. The amount claimed as a business expense that is included in the investment credit for the high-technology investment tax credit; and

**Sec. 3. 36 MRSA §5122, sub-§1, ¶K**, as enacted by PL 1997, c. 746, §3 and affected by §24, is amended to read:

K. For income tax years beginning on or after January 1, 1997, all items of loss, deduction and other expense 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. An addition may not be made under this paragraph for any losses recognized on the disposition by a taxpayer of an ownership interest in a financial institution, and

**Sec. 4. 36 MRSA §5122, sub-§1, ¶L** is enacted to read:

**SENATE AMENDMENT**

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2           L. For income tax years beginning on or after January 1,  
3           1999, but before January 1, 2000, an amount equal to 25% of  
4           any amount allowed to a self-employed individual as a  
5           deduction for health insurance expenses pursuant to Section  
6           162(1) of the Code; for income tax years beginning on or  
7           after January 1, 2000, but before January 1, 2002, an amount  
8           equal to 16.67% of any amount allowed as a deduction  
9           pursuant to Section 162(1) of the Code; for income tax years  
10           beginning on or after January 1, 2002, but before January 1,  
11           2003, an amount equal to 14.28% of any amount allowed as a  
12           deduction pursuant to Section 162(1) of the Code; for income  
13           tax years beginning on or after January 1, 2003, but before  
14           January 1, 2006, an amount equal to 20% of any amount  
15           allowed as a deduction pursuant to Section 162(1) of the  
16           Code; and for income tax years beginning on or after January  
17           1, 2006, but before January 1, 2007, an amount equal to 10%  
18           of any amount allowed as a deduction pursuant to Section  
19           162(1) of the Code.'

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

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**FISCAL NOTE**

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26           This amendment changes laws regarding conformity for the  
27           deductibility of health insurance expenses for self-employed  
28           taxpayers, which resulted in reductions of individual income tax  
29           collections. As amended, this bill will increase individual  
30           income and corporate income tax collections by \$193,396 in fiscal  
31           year 1999-00 and \$132,464 in fiscal year 2000-01. The net  
32           increase of these tax collections will increase the amounts  
33           transferred to the Local Government Fund for state-municipal  
34           revenue sharing in those years by \$9,863 and \$6,756,  
35           respectively. The resulting net increases of General Fund  
36           revenue will be \$183,533 in fiscal year 1999-00 and \$125,708 in  
37           fiscal year 2000-01.

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**SUMMARY**

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43           This amendment requires self-employed individuals to  
44           increase Maine adjusted gross income by a percentage of the  
45           deduction allowed for health insurance expenses for federal

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income tax purposes. The percentage decreases from 25% for tax  
years beginning in 1999 to 0% for tax years beginning on or after  
January 1, 2007.

SPONSORED BY: Michael H. Michaud  
(Senator MICHAUD) *JB*

COUNTY: Penobscot

# SENATE AMENDMENT