



120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document

No. 723

H.P. 568

House of Representatives, February 13, 2001

An Act to Establish a Flat Tax Rate for the Maine Income Tax.

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. Mac Failand

MILLICENT M. MacFARLAND, Clerk

Presented by Representative CRESSEY of Baldwin. Cosponsored by Representatives: DUPREY of Hampden, HEIDRICH of Oxford, KASPRZAK of Newport, MENDROS of Lewiston, SNOWE-MELLO of Poland, WATERHOUSE of Bridgton.

В	e it enacted by the Pe ople of the State of Maine as follows:
\$!	Sec. 1. 36 MRSA §5111, as amended by PL 1999, c. 731, Pt. T, §2 to 7, is repealed.
С	Sec. 2. 36 MRSA §5111-A, as repealed and replaced by PL 1987, . 819, §3, is repealed.
	Sec.3. 36 MRSA §5111-C is enacted to read:
<u>S</u>	5111-C. Imposition and rate of tax
0	1. Resident. A tax is imposed for each taxable year eginning on or after January 1, 2002 on the Maine taxable income f every resident individual of this State. The amount of the ax is 5%.
	2. Additional tax. Additionally, a tax is imposed for each axable year beginning on or after January 1, 1989, on the Maine djusted gross income of every nonresident individual. The
<u>ar</u> <u>cl</u>	mount of the tax equals the tax computed under this section and hapter 805, as if the nonresident were a resident, multiplied by
<u>d</u>	he ratio of the individual's Maine adjusted gross income, as efined in section 5102, subsection 1-C, paragraph B, to the onresident's entire federal adjusted gross income, as modified
	y section 5122.
	Sec. 4. 36 MRSA §5124-A, as amended by PL 1989, c. 596, Pt. , §7, is repealed and following enacted in its place:
2	5124-A. Standard deduction; resident
	The standard deduction for resident taxpayers who are arried persons filing jointly is \$30,000, the standard deduction or persons filing as heads of households is \$20,000 and the
	tandard deduction for all other resident taxpayers is \$10,000.
Q	Sec. 5. 36 MRSA §5126, as amended by PL 1999, c. 401, Pt. QQ, §1, is repealed.
	Sec. 6. 36 MRSA §5160, as amended by PL 1993, c. 395, §19, is
f	urther amended to read:
Ş	5160. Imposition of tax
	The tax is imposed, at the rates rate provided by section $111 \pm 5111 - C$ for resident individuals, upon the taxable income of
e	states and trusts. The tax must be paid by the fiduciary.

Sec. 7. 36 MRSA §5224-A, as amended by PL 1989, c. 596, Pt. J, §5, is further amended to read:

4 §5224-A. Return of part-year resident

If an individual changes that individual's status as a 6 resident individual or nonresident individual during the taxable year, the individual shall file a nonresident return pursuant to 8 section 5220, subsection 2. That individual's tax shall must be computed, pursuant to section 5111 - C, subsection -4 - 2, as 10 if that individual were a nonresident individual, except that the numerator of the apportionment ratio shall-be is comprised of the 12 individual's Maine adjusted gross income, as defined in section 145102, subsection 1-C, paragraph A, for the portion of the taxable year during which that individual was a resident, plus that 16 individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B, for the portion of the taxable year during which that individual was a nonresident. 18The part-year resident shall is also be entitled to the credit provided by section 5217-A, computed as if the individual's Maine 20 adjusted gross income for the entire year were comprised only of 22 that portion which is attributed to the portion of the year during which that individual was a resident.

24 26

32

34

Sec. 8. 36 MRSA c. 841, as amended, is repealed.

Sec. 9. 36 MRSA §5250, sub-§2, as amended by PL 1997, c. 668, §§36 and 37, is repealed.

30 Sec. 10. Application. This Act applies to tax years beginning on or after January 1, 2002.

SUMMARY

36 This bill changes the existing graduated income tax program into a flat tax rate income tax, effective for tax years 38 beginning on or after January 1, 2002.