120th MAINE LEGISLATURE

FIRST REGULAR SESSION-2001

Legislative Document **No. 879**

H.P. 679 House of Representatives, February 15, 2001

An Act to Decrease Individual Income Tax by 20%.

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland

MILLICENT M. MacFARLAND, Clerk

Presented by Representative GLYNN of South Portland.
Cosponsored by Representatives: CRESSEY of Baldwin, KASPRZAK of Newport, MacDOUGALL of North Berwick.

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

Sec. 1. 36 MRSA §5111-C is enacted to read:

§5111-C. Revenue targeting

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

A. "Adjustment factor" means a number applicable to a tax year determined by dividing the target revenue for the numerically identical fiscal year by the tax revenue for that fiscal year, rounded to the nearest 1/1,000.

B. "Target revenue" means $910,112,839 for fiscal year 2001-02 and $958,757,671 for fiscal years beginning on or after July 1, 2002.

C. "Tax revenue" means undedicated General Fund individual income tax revenue arising pursuant to this Part.

2. Rate adjustment. Annually, by September 15th, the State Tax Assessor shall determine for the current tax year whether tax revenue for the fiscal year ending the prior June 30th exceeded the target revenue. If target revenue was exceeded, the State Tax Assessor shall adjust the tax rates as specified in the tax rate tables in section 5111, as adjusted for the prior tax year pursuant to this section, by multiplying the percentage rates by the current tax year's adjustment factor. The State Tax Assessor may not adjust the rates for single individuals and married persons filing separate returns with taxable income of $30,000 or more; for unmarried individuals or legally separated individuals who qualify as heads of households with taxable income of $45,000 or more; and for individuals filing married joint returns or surviving spouses permitted to file a joint return with taxable income of $60,000 or more.

3. Revenue Targeting Fund. The Revenue Targeting Fund, referred to in this subsection as the "fund," is established to carry out the purposes of this section. For fiscal year 2001-02, tax revenue exceeding $910,112,839 must be deposited to the fund. For the fiscal year beginning July 1, 2002, and for each subsequent fiscal year up to and including the fiscal year ending during the calendar tax year in which the limitation pursuant to subsection 4 is reached, tax revenues exceeding $958,757,671 must be deposited to the fund. The fund does not lapse but carries forward to the subsequent fiscal year. Tax year 2004 and subsequent tax year individual income tax refunds must be paid from this fund until the fund balance carried forward from the prior fiscal year is reduced to zero.

4. Limitation. The cumulative rate reduction attributable to this section may not exceed 20% of the tax year 1998 rates. In any fiscal year in which the determination is made pursuant to section 1811 that in the fiscal year just completed General Fund revenues exceed those of the prior fiscal year by 8% or more, no rate adjustment pursuant to subsection 2 is made.

5. Rounding. Adjustments in tax rates arising pursuant to this section are rounded to the nearest 1/10 of a percent, and the total dollar amount of the tax on taxable income equal to the lower limit of the income brackets is rounded to the nearest dollar.

SUMMARY

This bill is a revised version of a revenue targeting program passed by the 117th Legislature and repealed by the 118th Legislature.

This bill creates a procedure by which individual income tax rates are reduced periodically until they are 20% less than the 1998 rates, without reducing the anticipated receipt of revenue. Whenever the actual amount of tax revenue exceeds the anticipated amount of tax revenue, the State Tax Assessor is directed to reduce the income tax rates by an amount based upon the excess revenue, not to exceed a 20% reduction in current tax rates.