

# MAINE STATE LEGISLATURE

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# 120th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2001

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Legislative Document

No. 1591

S.P. 504

In Senate, March 13, 2001

**An Act to Raise the Minimum Wage, to Expand the Tax Credit for Health Benefits Paid by a Small Business and to Increase the Earned Income Credit.**

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Reference to the Committee on Labor suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by President MICHAUD of Penobscot.  
Cosponsored by Speaker SAXL of Portland and  
Senators: BROMLEY of Cumberland, EDMONDS of Cumberland, GAGNON of Kennebec,  
KNEELAND of Aroostook, ROTUNDO of Androscoggin, Representatives: BRYANT of  
Dixfield, MAYO of Bath, SULLIVAN of Biddeford.

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

2  
4       **Sec. 1. 26 MRSA §664, sub-§1**, as enacted by PL 1995, c. 305, §1, is amended to read:

6           **1. Minimum wage.** The minimum hourly wage is ~~\$4.25~~ \$5.15 per hour. ~~If the highest federal minimum wage is increased in excess of \$4.25 per hour, the minimum wage must be increased to the same amount, effective on the same date as the increase in the federal minimum wage, but in no case may the minimum wage exceed \$5.15 per hour.~~ Starting January 1, 2002, the minimum hourly wage is \$5.65 per hour. Starting January 1, 2003, the minimum hourly wage is \$6.15 per hour.

14       **Sec. 2. 36 MRSA §5219-O**, as amended by PL 1999, c. 414, §48, is further amended to read:

18       **§5219-O. Credit for dependent health benefits paid**

20           **1. Credit allowed.** A taxpayer constituting an employing unit that employs fewer than ~~5 low-income~~ 15 employees is allowed a credit to be computed as provided in this section against the tax imposed by this Part, subject to the limitations contained in subsections 3 and 4. The credit equals the lesser of 20% of ~~dependent~~ health benefits paid under a health benefit plan during the taxable year for which the credit is allowed or \$125 per employee with ~~dependent~~ health benefits coverage. A taxpayer who received a credit under this section in the preceding year and whose number of ~~low-income~~ employees is ~~5~~ 15 or more may continue to receive the credit for 2 years after the last year in which the number of ~~low-income~~ employees was fewer than ~~5~~ 15.

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

36           A. ~~"Dependent" means a dependent, as defined by Section 152 of the Code, who is under 19 years of age.~~

40           B. ~~"Dependent health~~ Health benefits" means health benefits and health insurance costs allowable as deductions to the employer under Section 105 of the Code, paid by the taxpayer on behalf of the taxpayer's ~~low-income~~ employees ~~for the benefit of the employees' dependents.~~

46           C. "Employing unit" has the same meaning as in Title 26, section 1043.

48           D. "Health benefit plan" means a plan that:

2 (1) Includes comprehensive coverage for at least the following range of benefits:

4 (a) Inpatient and outpatient hospital services;

6 (b) Physicians' surgical and medical services;

8 (c) Laboratory and x-ray services; and

10 (d) Well-baby and well-child care, including age-appropriate immunizations;

12 (2) Affords coverage that has an actuarial value no  
14 less than 80% of the actuarial value of coverage that  
16 is provided to employees of the State. For purposes of  
18 this paragraph, "actuarial value" means the expected  
20 cost of a benefit based on assumptions as to relevant  
22 variables such as morbidity, mortality, persistency and  
interest. When comparing the actuarial value of one  
benefit or package of benefits to another, both  
actuarial values must be based on the same assumptions;

24 (3) Imposes copayment and deductible costs on the  
employee that do not exceed 10% of the actuarial value  
of all benefits afforded by the plan; and

26 (4) Makes the same or comparable coverage available  
28 for the benefit of the employee's dependent children  
who are under 19 years of age.

30 ~~E.---"Low-income-employee"--means--a--Maine--resident--whose  
32 average-weekly-earnings-from-the-taxpayer-do-not-exceed-the  
34 State's-average-weekly-wage-as-calculated-by-the-Department  
of-Labor.~~

36 **3. Qualifications.** A taxpayer may claim the credit allowed  
by this section only for those periods during which the following  
38 conditions are met:

40 A. The taxpayer maintains a health benefit plan that is  
42 available to all of the taxpayer's ~~low-income~~ employees who  
have been employed for 30 days or more on a schedule that  
44 exceeds either 25 hours per week or 1000 hours per year;

46 B. The taxpayer pays at least 80% of the cost of health  
insurance coverage for each ~~low-income~~ employee who is under  
48 the health benefit plan;

50 C. The taxpayer pays at least 60% of the cost of dependent  
health benefits for children under 19 years of age who are

2 covered under the health benefit plan and who are dependents  
of a ~~low-income~~ an employee; and

4 D. The taxpayer submits documentation from the insurer of  
the ~~portion~~ of the cost of benefits attributable to coverage  
6 of ~~dependents~~ that qualifies for a credit under this section.

8 **4. Limitations; carry-over.** The amount of the credit that  
may be used by a taxpayer for a taxable year may not exceed 50%  
10 of the state income tax otherwise due under this Part for that  
year. The unused portion of any credit may be carried over to  
12 the following year or years for a period not to exceed 2 years.  
The credit allowable under this section may not be carried back  
14 to prior years.

16 **Sec. 3. 36 MRSA §5219-S**, as enacted by PL 1999, c. 731, Pt.  
V, §1 and affected by §2, is amended to read:

18 **§5219-S. Earned income credit**

20 A taxpayer is allowed a credit against the taxes otherwise  
22 due under this Part equal to 5% of the federal earned income  
credit for the same taxable year for tax years up to and  
24 including the tax year that begins on January 1, 2001. This  
26 credit is equal to 10% of the federal earned income credit for  
the tax year that begins on January 1, 2002 and 15% of the  
28 federal earned income credit for tax years that begin on or after  
January 1, 2003. The credit may not reduce the state income tax  
to less than zero.

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**SUMMARY**

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34 This bill raises the minimum wage to \$5.65 per hour starting  
January 1, 2002 and \$6.15 per hour starting January 1, 2003.

36 It provides an income tax credit for an employer who employs  
fewer than 15 employees equal to the lesser of 20% of health  
38 benefits paid under a health benefit plan or \$125 per employee  
with health benefits coverage.

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42 It also increases the earned income credit to 10% of the  
federal earned income credit for the tax year that begins on  
January 1, 2002 and 15% of the federal earned income credit for  
44 tax years that begin on or after January 1, 2003.