

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

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Legislative Document

No. 654

H.P. 484

House of Representatives, February 11, 2003

### An Act To Establish a Flat Tax Rate for the Maine Income Tax

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative CRESSEY of Baldwin.  
Cosponsored by Representatives: BERRY of Belmont, JOY of Crystal, MOORE of Standish,  
SNOWE-MELLO of Poland, VAUGHAN of Durham.

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

2  
4       **Sec. 1. 1 MRSA §815, first ¶**, as enacted by PL 2001, c. 328, §2, is amended to read:

6           Notwithstanding any other provision of law, if an entity  
8           that has taken property by eminent domain fails to use the  
10           property for the project or purpose for which that property was  
12           taken, the condemnee or the condemnee's heirs have a right of  
14           first refusal to purchase the property as provided in this  
16           section. The right may be exercised at a price equal to the  
18           total compensation paid to the condemnee for the taking plus an  
20           adjustment for any improvements made to the property and for  
22           changes in inflation based upon the Consumer Price Index as  
24           ~~defined in Title 36, section 5402, subsection 1.~~ The right of  
first refusal automatically terminates once the property is used  
for the project or purpose for which that property was taken.  
The purpose of a taking may be passive in nature, including  
conservation or preservation. As used in this section, "Consumer  
Price Index" means the average over a 12-month period of the  
National Consumer Price Index, not seasonally adjusted, published  
monthly by the United States Department of Labor, Bureau of Labor  
Statistics and designated as the "National Consumer Price Index  
for All Urban Consumers -- United States City Average."

26       **Sec. 2. 36 MRSA §3321, sub-§2**, as enacted by PL 2001, c. 688,  
§8, is amended to read:

28           **2. Method of calculation; inflation index defined.** The  
30           inflation index for 2003 is 1.118, representing annual inflation  
32           adjustments for the years 1999 to 2002, inclusive. Starting in  
34           2004 and every year thereafter, the inflation index is the  
Consumer Price Index ~~as defined in section 5402, subsection 1~~ for  
the calendar year ending on the December 31st immediately  
preceding the calculation date, divided by the Consumer Price  
Index for the prior calendar year. As used in this subsection,  
"Consumer Price Index" means the average over a 12-month period  
of the National Consumer Price Index, not seasonally adjusted,  
published monthly by the United States Department of Labor,  
Bureau of Labor Statistics and designated as the "National  
Consumer Price Index for All Urban Consumers -- United States  
City Average."

44       **Sec. 3. 36 MRSA §5111**, as amended by PL 1999, c. 731, Pt. T,  
§§2 to 7, is repealed.

46       **Sec. 4. 36 MRSA §5111-A**, as repealed and replaced by PL 1987,  
48       c. 819, §3, is repealed.

50       **Sec. 5. 36 MRSA §5111-C** is enacted to read:

2       **§5111-C. Imposition and rate of tax**

4           **1. Resident.** A tax is imposed for each taxable year  
beginning on or after January 1, 2004 on the Maine taxable income  
6       of every resident individual of this State. The amount of the  
tax is 5%.

8           **2. Additional tax.** Additionally, a tax is imposed for each  
10       taxable year beginning on or after January 1, 1989 on the Maine  
adjusted gross income of every nonresident individual. The  
12       amount of the tax equals the tax computed under this section and  
chapter 805, as if the nonresident were a resident, multiplied by  
14       the ratio of the individual's Maine adjusted gross income, as  
defined in section 5102, subsection 1-C, paragraph B, to the  
16       nonresident's entire federal adjusted gross income as modified by  
section 5122.

18           **Sec. 6. 36 MRSA §5124-A.** as amended by PL 1989, c. 596, Pt.  
20       J, §7, is repealed and following enacted in its place:

22       **§5124-A. Standard deduction; resident**

24           The standard deduction for resident taxpayers who are  
married persons filing jointly is \$30,000, the standard deduction  
26       for persons filing as heads of households is \$20,000 and the  
standard deduction for all other resident taxpayers is \$10,000.

28           **Sec. 7. 36 MRSA §5126,** as amended by PL 2001, c. 583, §16, is  
30       repealed.

32           **Sec. 8. 36 MRSA §5160,** as amended by PL 1993, c. 395, §19, is  
further amended to read:

34       **§5160. Imposition of tax**

36           The tax is imposed, at the ~~rates~~ rate provided by section  
38       ~~5111~~ 5111-C for resident individuals, upon the taxable income of  
estates and trusts. The tax must be paid by the fiduciary.

40           **Sec. 9. 36 MRSA §5224-A,** as amended by PL 1989, c. 596, Pt.  
42       J, §5, is further amended to read:

44       **§5224-A. Return of part-year resident**

46           If an individual changes that individual's status as a  
resident individual or nonresident individual during the taxable  
48       year, the individual shall file a nonresident return pursuant to  
section 5220, subsection 2. That individual's tax shall ~~shall~~ must be  
50       computed, pursuant to section ~~5111~~ 5111-C, subsection -4- 2, as

2 if that individual were a nonresident individual, except that the  
3 numerator of the apportionment ratio ~~shall--be--comprised--of~~  
4 comprises the individual's Maine adjusted gross income, as  
5 defined in section 5102, subsection 1-C, paragraph A, for the  
6 portion of the taxable year during which that individual was a  
7 resident, plus that individual's Maine adjusted gross income, as  
8 defined in section 5102, subsection 1-C, paragraph B, for the  
9 portion of the taxable year during which that individual was a  
10 nonresident. The part-year resident ~~shall~~ is also be entitled to  
11 the credit provided by section 5217-A, computed as if the  
12 individual's Maine adjusted gross income for the entire year were  
13 comprised only of that portion which that is attributed to the  
14 portion of the year during which that individual was a resident.

14 **Sec. 10. 36 MRSA §5250, sub-§2,** as amended by PL 1997, c. 668,  
15 §§36 and 37, is repealed.

18 **Sec. 11. 36 MRSA c. 841,** as amended, is repealed.

20 **Sec. 12. Application.** This Act applies to tax years beginning  
21 on or after January 1, 2004.

24 **SUMMARY**

26 This bill changes the existing graduated income tax program  
27 into a flat tax rate for income tax, effective for tax years  
28 beginning on or after January 1, 2004.