

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1571

S.P. 530

In Senate, April 14, 2003

An Act Concerning Technical Changes to the Tax Laws

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 204.

Reference to the Committee on Taxation 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 Senator STANLEY of Penobscot.
Cosponsored by Representative LEMOINE of Old Orchard Beach and
Senator: STRIMLING of Cumberland, Representative: MCGOWAN of Pittsfield.

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

2
4 **Sec. 1. 36 MRSA §145** is enacted to read:

6 **§145. Protective claim for refund**

8 **1. Right to file protective claim.** A person who has paid
10 any tax imposed by this Title or administered by the State Tax
12 Assessor may file a protective claim for refund. As used in this
14 section, "protective claim for refund" means a refund claim filed
16 in order to protect the taxpayer's potential right to a refund of
18 tax in the event that a related contingency occurs after the
20 expiration of the period otherwise provided by this Title for
filing a refund claim for the tax and period in question. The
protective claim for refund must be filed with the assessor in
writing before the expiration of the otherwise applicable statute
of limitations. The provisions of this section apply only to
that portion of a refund claim that is dependent upon the
occurrence of the related contingency.

22 **2. Claim may be held open.** At the discretion of the
24 assessor, a protective claim for refund may be held without
26 decision until the expiration of 4 years from the filing of the
28 protective claim for refund or until the occurrence of the
30 related contingency, whichever is earlier. The decision of the
32 assessor not to hold a protective claim for refund without
decision is not subject to review under section 151. While a
protective claim for refund is being held without decision, the
assessor may at any time require from the claimant additional
information about the related contingency or evidence in support
of continuing to hold the protective claim for refund open.

34 **3. Taxpayer to file final claim.** A final claim for refund
must be filed within the earlier of the following dates:

36 A. Ninety days from the occurrence of the related
38 contingency;

40 B. Ninety days from the taxpayer's receipt of notice of
denial of the protective claim for refund; or

42 C. Four years from the date of the filing of the protective
44 claim for refund.

46 If the related contingency is a ruling by an administrative
48 agency or court, the ruling has occurred for purposes of this
section only when the taxpayer has no further right to
administrative or judicial review of that ruling. The final
50 claim for refund must be filed with the assessor in writing and
must state the specific grounds upon which it is founded. If the

2 assessor denies the final claim for refund in whole or in part,
3 the taxpayer may request reconsideration of the denial pursuant
4 to section 151. For purposes of determining the amount of
5 interest to be paid on any balance refunded to the taxpayer, the
6 final claim for refund is considered to be the return listing the
7 overpayment.

8 **Sec. 2. 36 MRSA §151, first ¶**, as amended by PL 2001, c. 583,
9 §1, is further amended to read:

10
11 Any person who is subject to an assessment by the State Tax
12 Assessor or entitled by law to receive notice of a determination
13 of the assessor and who is aggrieved as a result of that action
14 may request in writing, within 30 days after receipt of notice of
15 the assessment or the determination, reconsideration by the
16 assessor of the assessment or the determination. If a person
17 receives notice of an assessment and does not file a request for
18 reconsideration within the-specified-time-period 30 days after
19 receipt of notice, the assessor may not reconsider the assessment
20 pursuant to this section and no review is available in Superior
21 Court regardless of whether the taxpayer subsequently makes
22 payment and requests a refund. If a person receives notice of a
23 denial of refund and does not file a request for reconsideration
24 within 30 days after receipt of notice, the denial of refund
25 constitutes final agency action for which no review is available
26 in Superior Court, and the person may not submit a subsequent
27 claim for the same refund.

28
29 **Sec. 3. 36 MRSA §191, sub-§2, ¶R**, as repealed and replaced by
30 PL 1995, c. 625, Pt. A, §47, is amended to read:

31
32 R. The disclosure to the Department of Human Services,
33 Bureau of Medical Services of information relating to the
34 administration and collection of the tax imposed by chapter
35 369 and chapter 375;

36
37 **Sec. 4. 36 MRSA §191, sub-§2, ¶R**, as amended by PL 2001, c.
38 714, Pt. CC, §2 and affected by §8, is further amended to read:

39
40 R. The disclosure to the Department of Human Services or
41 the Department of Behavioral and Developmental Services of
42 information relating to the administration and collection of
43 the tax imposed by chapter 373 and chapter 375;

44
45 **Sec. 5. 36 MRSA §191, sub-§2, ¶Y**, as amended by PL 2001, c.
46 439, Pt. L, §7, is further amended to read:

47
48 Y. The disclosure by the State Tax Assessor, upon request
49 in writing of any individual against whom an assessment has
50 been made pursuant to section 177, subsection 1, of the
following information:

2 (1) Information regarding the underlying tax liability
4 to the extent necessary to apprise the individual of
the basis of the assessment;

6 (2) The name of any other individual against whom an
8 assessment has been made for the same underlying tax
debt; and

10 (3) The general nature of any steps taken by the
12 assessor to collect the underlying tax debt from any
other individuals and the amount collected; and

14 **Sec. 6. 36 MRSA §191, sub-§2, ¶Z**, as enacted by PL 2001, c.
16 439, Pt. L, §8, is amended to read:

18 Z. The disclosure to the Treasurer of State when necessary
for the performance of the Treasurer of State's official
20 duties as administrator under Title 33, chapter 41 of the
following information:

22 (1) The current mailing address for a taxpayer for
24 purposes of returning unclaimed or abandoned property
to the rightful owner or heir; and

26 (2) The names and mailing addresses of all Maine
28 corporate income tax filers in an electronic medium
prescribed by the State Tax Assessor;

30 **Sec. 7. 36 MRSA §191, sub-§2, ¶¶AA and BB** are enacted to read:

32 AA. The disclosure by employees of the bureau to designated
34 representatives of the Finance Authority of Maine of
information required to ensure that recipients of certain
36 benefits under Title 20-A, chapter 417-E are eligible to
receive such benefits; and

38 BB. The disclosure to an authorized representative of the
Department of Human Services, Office of Head Start and Child
40 Care of taxpayer information directly relating to the
certification of investments eligible for or the eligibility
42 of a taxpayer for the quality child care investment credit
provided by section 5219-O.

44 **Sec. 8. 36 MRSA §1752, sub-§9** is repealed.

46 **Sec. 9. 36 MRSA §1752, sub-§11, ¶B**, as repealed and replaced
48 by PL 1999, c. 708, §23, is amended to read:

B. "Retail sale" does not include:

(1) Any casual sale;

(2) Any sale by a personal representative in the settlement of an estate, unless the sale is made through a retailer, or unless the sale is made in the continuation or operation of a business;

(3) The sale, to a person engaged in the business of renting automobiles, of automobiles, integral parts of automobiles or accessories to automobiles, for rental or for use in an automobile rented on a short-term basis;

(4) The sale, to a person engaged in the business of renting audio or video tapes media and audio or video equipment, of audio or video tapes media or audio or video equipment for rental;

(5) The sale, to a person engaged in the business of renting or leasing automobiles, of automobiles for rental or lease for one year or more;

(6) The sale, to a person engaged in the business of providing cable television services, of cable converter boxes and remote-control units for rental or lease; or

(7) The sale, to a person engaged in the business of renting furniture, of furniture for rental.

Sec. 10. 36 MRSA §1752, sub-§17-A, ¶K, as amended by PL 2001, c. 396, §22, is further amended to read:

K. Rental of furniture, audio tapes media and audio equipment pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105.

Sec. 11. 36 MRSA §1754-A, as enacted by PL 1991, c. 780, Pt. CCC, §2, is amended to read:

§1754-A. Registration of owners of space temporarily rented as retail space

A person who rents or leases ~~property and has~~ space to more than 4 persons ~~renting or leasing space~~ at one location for less than a 12-month period for the purpose of retail sales shall register with the State Tax Assessor. The form for application for registration and the registration certificates must be prescribed and furnished free of charge by the ~~State Tax Assessor~~

2 assessor. For each location where more than 4 persons rent or
3 lease space for less than 12 months from the same person, the
4 ~~State--Tax--Assessor~~ assessor shall issue a registration
5 certificate, which must be conspicuously displayed at that
6 location. ~~The person shall provide the State Tax Assessor by~~ By
7 the 15th of each month following any month in which rental or
8 lease activity has occurred, the person shall provide to the
9 assessor the names, addresses and sales tax registration
10 certificate numbers of those persons who have rented space during
11 the previous month. ~~Informational~~ Information returns must be
12 prescribed and furnished free of charge by the ~~State-Tax-Assessor~~
13 assessor. Returns required under this section must be treated as
14 returns filed under this Title and are subject to section 187
187-B.

16 **Sec. 12. 36 MRSA §1814, sub-§1**, as enacted by PL 1977, c. 316,
17 §1, is amended to read:

18
19 **1. Tax liability.** Whenever the tax collected by a retailer
20 for any period exceeds that provided by law, whether the excess
21 is attributable to the collection of tax on exempt or nontaxable
22 transactions or erroneous computation, the total amount
23 collected, excluding only that portion of the excess ~~which that~~
24 has been returned or credited to the person or persons from whom
25 it was collected, ~~shall constitute~~ constitutes a tax liability of
26 the retailer ~~and shall that must~~ be reported and paid at the time
27 and in the manner provided by sections ~~1951~~ 1951-A and 1952.

28
29 **Sec. 13. 36 MRSA §1861-A**, as amended by PL 2001, c. 583, §12,
30 is further amended to read:

31 **§1861-A. Reporting use tax on individual income tax returns**

32
33 The assessor shall provide that individuals report use tax
34 on items with a purchase price of \$1,000 or less on their Maine
35 individual income tax returns. Taxpayers are required to attest
36 to the amount of their use tax liability for the period of the
37 tax return. Alternatively, they may elect to report an amount
38 that is .04% of their Maine adjusted gross income. ~~The table~~
39 ~~amount does not relate to items with a purchase price in excess~~
40 ~~of \$1,000. Liability arising from such items must be added to~~
41 ~~the table amount.~~ Upon subsequent review, if use tax liability
42 for the period of the return exceeds the amount of liability
43 arising from the return, a credit of the amount of liability
44 arising from the return is allowed subject to the limitation set
45 out in this section. The credit is limited to the amount of
46 liability arising from the return for items with a sale price of
47 \$1,000 or less and may be applied only against a liability
48 determined on review with regard to items with a sale price of
49 \$1,000 or less. Use tax on any item with a purchase price of
50 more than \$1,000 must be reported in accordance with section
51 1951-A.

2 **Sec. 14. 36 MRSA §1952**, as amended by PL 1981, c. 364, §27,
is further amended to read:

4 **§1952. Payment of tax**

6 The taxes imposed by chapters 211 to 225 shall ~~be on sales~~
8 ~~of tangible personal property and taxable services~~ are due and
payable at the time of the sale, ~~or, in the case of tax on rental~~
10 ~~for living quarters or rental of automobiles rented on a~~
~~short-term basis, at the time the rental is payable.~~ Upon such
12 terms and conditions as the State Tax Assessor may prescribe, he
14 the assessor may permit a postponement of payment to a date not
later than the date when on which the sales so taxed are required
16 to be reported. ~~For cause, the State Tax Assessor may abate all~~
~~or any part of the taxes.~~

18 **Sec. 15. 36 MRSA §2902, sub-§4**, as enacted by PL 1967, c. 94,
§4, is repealed.

20 **Sec. 16. 36 MRSA §2909**, as amended by PL 1965, c. 479, §1, is
22 repealed and the following enacted in its place:

24 **§2909. Refund of entire tax paid by certain common carriers**

26 A person engaged in furnishing common carrier passenger
service under an operating authority license issued pursuant to
28 Title 29-A, section 552 is entitled to reimbursement of the tax
paid on internal combustion engine fuel used by that person in
30 locally encouraged vehicles. For purposes of calculating
reimbursement due pursuant to this section, internal combustion
32 engine fuel used in a person's locally encouraged vehicles is
presumed to bear the same proportional relationship to internal
34 combustion engine fuel used in all of the person's passenger
vehicles that the person's commutation fare revenue derived from
36 service provided by locally encouraged vehicles bears to the
person's total passenger fare revenue. "Commutation fare
38 revenue" means revenue attributable to fares of 60¢ or less and
fares paid for commutation or season tickets for single trips of
40 less than 30 miles or for commutation tickets for one month or
less. "Total passenger fare revenue" means all revenue
42 attributable to the claimant's passenger operations. "Locally
encouraged vehicles" means buses upon which no excise tax is
44 collected under section 1483, subsection 13.

46 Applications for refunds must be filed with the State Tax
Assessor, on a form prescribed by the assessor and accompanied by
48 the original invoices showing those purchases, within 9 months
from the date of purchase. A refund may not be issued under this
50 section unless the claimant's commutation fare revenue derived

2 during the calendar quarter for which the refund is claimed is at
3 least 60% of the claimant's total passenger fare revenue derived
4 during that calendar quarter.

5 **Sec. 17. 36 MRSA §3203-C**, as enacted by PL 2001, c. 688, §7,
6 is amended to read:

7 **§3203-C. Inventory tax**

8
9
10 On the date that any increase in the rate of tax imposed
11 under this chapter takes effect, an inventory tax is imposed upon
12 all distillates that are held in inventory by a distributor
13 supplier or retail dealer as of the end of the day prior to that
14 date on which the tax imposed by section 3203, subsection 1 has
15 been paid. The inventory tax is computed by multiplying the
16 number of gallons of tax-paid fuel held in inventory by the
17 difference between the tax rate already paid and the new tax
18 rate. Distributors Suppliers and retail dealers that hold such
19 tax-paid inventory shall make payment of the inventory tax on or
20 before the 15th day of the next calendar month, accompanied by a
21 form prescribed and furnished by the State Tax Assessor. In the
22 event of a decrease in the tax rate, the distributor supplier or
23 retail dealer is entitled to a refund or credit, which must be
24 claimed on a form designed and furnished by the assessor.

25 **Sec. 18. 36 MRSA §3215**, as amended by PL 1985, c. 127, §1, is
26 repealed and the following enacted in its place:

27 **§3215. Refund of taxes for certain common carriers**

28
29
30 A person engaged in furnishing common carrier passenger
31 service under an operating authority license issued pursuant to
32 Title 29-A, section 552 is entitled to reimbursement of the tax
33 paid on special fuel used by that person in locally encouraged
34 vehicles. For purposes of calculating reimbursement due pursuant
35 to this section, special fuel used in a person's locally
36 encouraged vehicles is presumed to bear the same proportional
37 relationship to special fuel used in all of the person's
38 passenger vehicles that the person's commutation fare revenue
39 derived from service provided by locally encouraged vehicles
40 bears to the person's total passenger fare revenue. "Commutation
41 fare revenue" means revenue attributable to fares of 60¢ or less
42 and fares paid for commutation or season tickets for single trips
43 of less than 30 miles or for commutation tickets for one month or
44 less. "Total passenger fare revenue" means all revenue
45 attributable to the claimant's passenger operations. "Locally
46 encouraged vehicles" means buses upon which no excise tax is
47 collected under section 1483, subsection 13.

48
49 Applications for refunds must be filed with the State Tax
50

2 Assessor, on a form prescribed by the assessor and accompanied by
4 the original invoices showing those purchases, within 9 months
6 from the date of purchase. A refund may not be issued under this
8 section unless the claimant's commutation fare revenue derived
10 during the calendar quarter for which the refund is claimed is at
12 least 60% of the claimant's total passenger fare revenue derived
14 during that calendar quarter.

16 **Sec. 19. 36 MRSA §3218**, as amended by PL 1985, c. 127, §1, is
18 repealed and the following enacted in its place:

20 **§3218. Refund of tax in certain cases, time limit**

22 A person who purchases and uses special fuel for any use
24 other than operation of a registered motor vehicle on the
26 highways of this State, and who has paid the tax imposed by this
28 chapter on that fuel, is entitled to reimbursement in the amount
30 of the tax paid, less 1¢, upon presenting to the State Tax
32 Assessor a sworn statement accompanied by the original invoices
34 or other evidence as the assessor may require. The statement
36 must show the total amount of special fuel so purchased and used
38 by that person other than in the operation of registered motor
40 vehicles on the highways of this State and in the operation of
42 aircraft. Applications for refunds must be filed with the
44 assessor within 15 months from the date of purchase.

46 A monthly refund application on a form prescribed by the
48 assessor may be filed at the close of any month to claim a refund
50 pursuant to this section. Interest must be paid at the rate
52 determined pursuant to section 186, calculated from the date of
54 receipt of the monthly claim, for all proper claims not paid
56 within 30 days of receipt. Nothing in this paragraph may be
58 construed to relieve the applicant from filing quarterly reports
60 as prescribed in section 3209.

62 All fuel qualifying for a refund under this section is
64 subject to the use tax imposed by chapter 215.

66 **Sec. 20. 36 MRSA §3219-A, sub-§1, ¶C**, as enacted by PL 1995,
68 c. 271, §11, is amended to read:

70 C. Inspect the books and records of any supplier, user,
72 ~~distributor~~ retailer or importer;

74 **Sec. 21. 36 MRSA §3235**, as amended by PL 1999, c. 414, §32,
76 is further amended to read:

78 **§3235. Tax a debt; recovery; preference**

80 The taxes, interest and penalties imposed by chapters 7,

2 451,--453 and 459, from the time ~~the--same~~ they are due, are
3 personal debt of the supplier, distributor, importer, ~~meter~~
4 ~~carrier~~ or user to the State, recoverable in any court of
5 competent jurisdiction in a civil action in the name of the
6 State, and have preference in any distribution of the assets of
7 the taxpayer, whether in bankruptcy, insolvency or otherwise.
8 The proceeds of any judgment obtained must be paid to the State
9 Tax Assessor.

10 **Sec. 22. 36 MRSA §4070**, as amended by PL 1991, c. 546, §28,
11 is repealed and the following enacted in its place:

12 **§4070. Extension of time for filing return**

13 **1. General.** The State Tax Assessor may grant a reasonable
14 extension of time for filing a return required by this chapter,
15 on terms and conditions the assessor may require, as long as
16 payment reasonably estimating the tax due has been made on or
17 before the original payment due date. Except as provided in
18 subsection 2, an extension for filing any return may not exceed 8
19 months.

20 **2. Federal extension.** When an extension of time is granted
21 within which to file a federal estate tax return, the due date
22 for filing the Maine estate tax return is automatically extended
23 for an equivalent period, as long as payment reasonably
24 estimating the tax due has been made on or before the original
25 payment due date.

26 **Sec. 23. 36 MRSA §4071, sub-§1, ¶E**, as enacted by PL 1981, c.
27 451, §7, is amended to read:

28 E. The amount of the federal credit ~~for state death taxes~~
29 ~~allowable to the decedent's estate.~~

30 **Sec. 24. 36 MRSA §4641, sub-§1-A, ¶¶A and B**, as enacted by PL
31 2001, c. 559, Pt. I, §1 and affected by §15, are amended to read:

32 A. In the case of a corporation, "controlling interest"
33 means ~~either--50%--or~~ more than 50% of the total combined
34 voting power of all classes of stock of the corporation
35 entitled to vote or ~~50%--or~~ more than 50% of the capital,
36 profits or beneficial interest in the voting stock of the
37 corporation.

38 B. In the case of a partnership, association, trust or
39 other entity, "controlling interest" means ~~50%--or~~ more than
40 50% of the capital, profits or beneficial interest in the
41 partnership, association, trust or other entity.
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2 **Sec. 25. 36 MRSA §4641-D, 2nd ¶ from the end**, as amended by
P&SL 1975, c. 78, §21, is further amended to read:

4
6 The register of deeds shall transmit both copies of the
7 declaration of value to the State Tax Assessor not later than 40
8 days from the date of recordation of the deed subject to the tax
9 or, in the case of a transfer of a controlling interest subject
10 to tax under this chapter, no later than the 10th day of the
11 month following the month in which the report of the transfer is
12 received by the register of deeds.

14 **Sec. 26. 36 MRSA §4641-E, 2nd ¶**, as amended by PL 2001, c.
559, Pt. I, §11 and affected by §15, is further amended to read:

16 Within 3 years of the recording of a deed subject to the tax
17 imposed by this chapter or of the date on which a transfer of a
18 controlling interest in an entity subject to taxation under this
19 chapter is reported to the register of deeds, the State Tax
20 Assessor may examine any books, papers, records or memoranda of
21 the grantor or grantee bearing upon the amount of tax payable,
22 and may enforce that right of examination by subpoena. If the
23 assessor determines that there is a deficiency of taxes due under
24 this chapter, such deficiency must be assessed, together with
25 interest and penalties, with notice to the persons liable, but no
26 such assessment may be made more than 3 years after the date of
27 recording or transfer.

28 **Sec. 27. 36 MRSA §4831, sub-§§2-A and 2-B**, as enacted by PL
30 1989, c. 927, §3, are repealed.

32 **Sec. 28. 36 MRSA §4832, sub-§1**, as amended by PL 1989, c. 927,
34 §5, is further amended to read:

36 1. **Imposition.** A fee is imposed on the retail sale in this
37 State of new tires, and new lead-acid batteries, ~~--new--major~~
38 ~~appliances,--new--major--furniture--items,--new--bathtubs--and--new~~
39 ~~mattresses,--The--fee--is~~ in the amount of \$1 per tire or lead-acid
40 battery ~~and--\$5--for--major--appliances,--major--furniture--items,~~
41 ~~bathtubs--and--mattresses.~~ Additionally, ~~--fees~~ A fee in the same
42 amounts ~~--are~~ amount is imposed on the storage, use or other
43 consumption in this State of tires, and lead-acid batteries,
44 ~~major--appliances,--major--furniture--items,--bathtubs--and--mattresses~~
45 purchased new in this State by the user or purchased ~~out--of~~
46 outside the State by the user unless ~~either--of~~ the fees fee
imposed by this section has been paid.

48 **Sec. 29. 36 MRSA §4832, sub-§1-A**, as enacted by PL 1995, c.
50 368, Pt. NN, §2, is repealed.

2 **Sec. 30. 36 MRSA §4833, 2nd ¶**, as amended by PL 1989, c. 927,
§5, is repealed.

4 **Sec. 31. 36 MRSA §5121**, as amended by PL 1995, c. 281, §26,
is further amended to read:

6 **§5121. Maine taxable income**

8 The Maine taxable income of a resident individual of this
10 State is equal to the individual's federal adjusted gross income
as defined by ~~federal law~~, the Code with the modifications, and
12 less the deductions and personal exemptions provided in this
chapter.

14 **Sec. 32. 36 MRSA §5122, sub-§1, ¶A**, as corrected by RR 1991,
16 c. 2, §136, is amended to read:

18 A. Interest or dividends on obligations or securities of
any state other than this State, or of a political
20 subdivision or authority of any state other than this State
~~and its political subdivisions and authorities~~, to the
22 extent that interest or those dividends are not included in
the recipient's federal adjusted gross income;

24 **Sec. 33. 36 MRSA §5122, sub-§1, ¶J**, as amended by PL 2001, c.
26 559, Pt. GG, §8 and affected by §26, is further amended to read:

28 J. The amount claimed as a ~~business-expense~~ deduction in
determining federal adjusted gross income that is included
30 in the investment credit base for the high-technology
investment tax credit;

32 **Sec. 34. 36 MRSA §5122, sub-§2, ¶A**, as amended by PL 2001, c.
34 177, §1, is further amended to read:

36 A. Interest or dividends on obligations of the United
States and its territories and possessions or of any
38 authority, commission or instrumentality of the United
States, to the extent includable that interest or those
40 dividends are included in federal adjusted gross income ~~for~~
~~federal-income-tax-purposes~~, but exempt from state income
42 taxes under the laws of the United States, ~~provided that~~
~~the.~~ The amount subtracted ~~is~~ must be decreased by any
44 expenses incurred in the production of the interest or
dividend income to the extent that ~~these~~ those expenses,
46 including amortizable bond premiums, are ~~deductible~~ deducted
in determining federal adjusted gross income;

48 **Sec. 35. 36 MRSA §5122, sub-§2, ¶B**, as amended by PL 1997,

c. 127, §2, is further amended to read:

B. An amount equal to the taxpayer's federal ~~new--jobs~~
~~credit--or~~ work opportunity credit as determined under the
laws of the United States;

Sec. 36. 36 MRSA §5122, sub-§2, ¶J, as amended by PL 2001, c.
559, Pt. GG, §11 and affected by §26, is further amended to read:

J. To the extent included in federal adjusted gross income,
any amount constituting a qualified ~~withdrawal~~ distribution
from an account established pursuant to Title 20-A, chapter
417-E and used for paying higher education expenses of the
designated beneficiary of that account;

Sec. 37. 36 MRSA §5122, sub-§2, ¶M, as amended by PL 2001, c.
396, §34 and affected by §50, is further amended to read:

M. ~~An amount--for~~ For each individual who is a primary
recipient of benefits under an employee retirement plan, an
amount that is the lesser of:

(1) Six thousand dollars reduced by the total amount
of the ~~primary-recipient's~~ individual's social security
benefits and railroad retirement benefits paid by the
United States, but not less than \$0. The reduction
does not apply to benefits paid under a military
retirement plan; or

(2) The aggregate of benefits ~~received-by-the-primary~~
~~recipient~~ under employee retirement plans and included
in the individual's federal adjusted gross income.

For purposes of this paragraph, "primary recipient" means
the individual upon whose earnings the employee retirement
plan benefits are based or the surviving spouse of that
individual. For purposes of this paragraph, "employee
retirement plan" means a state, federal or military
retirement plan or any other retirement benefit plan
established and maintained by an employer for the benefit of
its employees under Section 401(a), Section 403 or Section
457(b) of the Code. "Employee retirement plan" does not
include an individual retirement account under Section 408
of the Code, a Roth IRA under Section 408A of the Code, a
rollover individual retirement account, a simplified
employee pension under Section 408(k) of the Code or an
ineligible deferred compensation plan under Section 457(f)
of the Code. For purposes of this paragraph, "military
retirement plan" means benefits received as a result of

2 service in the active or reserve components of the Army,
Navy, Air Force, Marines or Coast Guard;

4 **Sec. 38. 36 MRSA §5124-A, first ¶**, as repealed and replaced by
PL 1989, c. 495, §2 and affected by c. 596, Pt. J, §7, is amended
6 to read:

8 The standard deduction of a resident taxpayers--shall
10 individual must conform to the allowable--federal standard
deduction of to which the taxpayer individual is entitled under
12 the Code.

14 **Sec. 39. 36 MRSA §5125**, as amended by PL 1999, c. 708, §37,
is further amended to read:

16 **§5125. Itemized deductions**

18 **1. General.** ~~If-an~~ An individual who has claimed itemized
20 deductions from federal adjusted gross income in determining the
individual's federal taxable income for the taxable year,~~--the~~
22 ~~individual-is-entitled-in-determining-the-tax-under-this-Part-to~~
may claim an itemized deduction amount consistent with deductions
from Maine adjusted gross income as provided in this section.

24 **2. Spouses.** Spouses, both of whom are required to file
26 returns under this Part, are allowed to claim itemized deductions
from Maine adjusted gross income only if both do so. The Their
28 total ~~of~~ itemized deductions allowable--for--determining from
federal income-tax adjusted gross income, as adjusted modified by
30 this--section subsection 3, may be taken by either spouse or
divided between them, as they may elect, if their federal income
32 tax is determined on a joint return but their tax ~~pursuant-to~~
under this Part is determined on separate returns.

34 **3. Amount.** The sum of an individual's allowable--federal
36 itemized deductions from federal adjusted gross income must be:

38 A. Reduced by any amount ~~representing~~ attributable to
40 income taxes imposed by this State or any other taxing
jurisdiction ~~and--interest--or--expenses--incurred--in--the~~
production-of-income-exempt-from-tax-under-this-Part;

42 B. Increased by any amount of interest or expense incurred
44 in the production of income taxable under this Part but
exempt from federal income tax,~~--and which has that was~~ not
46 been deducted in determining the individual's federal
adjusted-gross taxable income; and

48 C. Reduced by any amount of deduction ~~related~~ attributable
50 to income taxable to financial institutions under chapter
819.1

2 D. Reduced by any amount attributable to interest or
3 expenses incurred in the production of income exempt from
4 tax under this Part; and

6 E. Reduced by the amount attributable to any contribution
7 that qualified for and was actually utilized as a credit
8 under section 5216-C.

10 **Sec. 40. 36 MRSA §5142, sub-§1**, as amended by PL 1993, c. 478,
11 §1, is further amended to read:

12 **1. General.** The Maine adjusted gross income of a
13 nonresident individual derived from or connected with sources
14 within in this State is the sum of the following:

15 A. The net amount of items of income, gain, loss, and
16 deduction entering into the nonresident individual's federal
17 adjusted gross income that are derived from or connected
18 with sources in this State including (i) the nonresident's
19 individual's distributive share of partnership or limited
20 liability company income and deductions determined under
21 section 5192, (ii) the nonresident's individual's share of
22 estate or trust income and deductions determined under
23 section 5176, and (iii) the nonresident's--distributive
24 individual's pro rata share of the income of an electing
25 small-business S corporation ~~for federal income tax purposes~~
26 derived from or connected with sources within in this State;

27 B. The portion of the modifications described in section
28 5122, subsections 1 and 2 that ~~relate~~ relates to income
29 derived from or connected with sources in this State,
30 including any modifications attributable to the nonresident
31 individual as a partner of a partnership, shareholder of an
32 S corporation, member of a limited liability company or
33 beneficiary of an estate or trust; and

34 C. Proceeds from any Maine State Lottery or Tri-state Lotto
35 tickets purchased in this State.

36 **Sec. 41. 36 MRSA §5160**, as amended by PL 1993, c. 395, §19,
37 is further amended to read:

38 **§5160. Imposition of tax**

39 The tax is imposed, at the rates provided by section 5111
40 for ~~resident~~ single individuals, upon the Maine taxable income of
41 estates and trusts. The tax must be paid by the fiduciary.

42 **Sec. 42. 36 MRSA §5163**, as enacted by P&SL 1969, c. 154, §F1,
43 is amended to read:

2 **§5163. Maine taxable income of resident estate or trust**

4 The Maine taxable income of a resident estate or trust means
6 is equal to its federal taxable income modified by the addition
 or subtraction, ~~as the case may be,~~ of its share of the fiduciary
 adjustment determined under section 5164.

8 **Sec. 43. 36 MRSA §5175**, as enacted by P&SL 1969, c. 154, §F1,
10 is amended to read:

12 **§5175. Maine taxable income of a nonresident estate or trust**

14 **1. General rules.** For purposes of this chapter:

16 A. Items of income, gain, loss and deduction mean those
 derived from or connected with sources in this State.;

18 B. Items of income, gain, loss and deduction entering into
20 the definition of federal distributable net income ~~includes~~
 include such items from another estate or trust of which the
22 first estate or trust is a beneficiary.;

24 C. The source of items of income, gain, loss or deduction
 shall must be determined under regulations prescribed by the
26 assessor in accordance with the general rules in section
 5142 as if the estate or trust were a nonresident individual.

28 **2. Determination of Maine taxable income.** The Maine taxable
30 income of a nonresident estate or trust ~~consists of~~ is equal to
32 its share of items of income, gain, loss and deduction that enter
34 into the federal definition of distributable net income increased
 or reduced by the amount of any items of income, gain, loss or
 deduction that are recognized for federal income tax purposes but
36 excluded from the federal definition of distributable net income
 of the estate or trust less the amount of the deduction for its
 federal exemption.

38 A. ~~Its share of items of income, gain, loss and deduction~~
40 ~~which enter into the federal definition of distributable net~~
 ~~income;~~

42 B. ~~Increased or reduced by the amount of any items of~~
44 ~~income, gain, loss or deduction which are recognized for~~
 ~~federal income tax purposes but excluded from the federal~~
46 ~~definition of distributable net income of the estate or~~
 ~~trust;~~

48 C. ~~Less the amount of the deduction for its federal~~
50 ~~exemption.~~

2 **Sec. 44. 36 MRSA §5200-A, sub-§1, ¶I**, as amended by PL 1997, c.
746, §7 and affected by §24, is further amended to read:

4
6 I. Interest or dividends on obligations or securities of
any state other than this State, or of a political
8 subdivision or authority, of any state other than this State
and--its--political--subdivisions--and--authorities, to the
10 extent that interest or those dividends are not included in
the taxpayer's federal taxable income;

12 **Sec. 45. 36 MRSA §5200-A, sub-§1, ¶K**, as amended by PL 2001,
c. 559, Pt. GG, §13 and affected by §26, is further amended to
14 read:

16 K. The amount claimed as a business-expense deduction in
determining federal taxable income that is included in the
18 investment credit base for the high-technology investment
tax credit;

20 **Sec. 46. 36 MRSA §5200-A, sub-§2, ¶A**, as enacted by PL 1981,
22 c. 704, §4, is amended to read:

24 A. Income which included in the taxpayer's federal taxable
income that, under the laws of the United States, is exempt
26 from taxation by states;

28 **Sec. 47. 36 MRSA §5200-A, sub-§2, ¶C**, as amended by PL 2001,
c. 177, §3, is further amended to read:

30 C. An amount equal to the taxpayer's federal new--jobs
credit--or work opportunity credit as determined under the
32 laws of the United States;

34 **Sec. 48. 36 MRSA §5200-A, sub-§2, ¶F**, as amended by PL 1989,
36 c. 880, Pt. G, §7, is further amended to read:

38 F. Income this State is prohibited from taxing under the
Constitution of Maine or the United States Constitution,
40 ~~provided that the~~ to the extent that it is included in the
taxpayer's federal taxable income. The amount subtracted
42 must be decreased by any expenses incurred in production of
that income ~~to the extent that these expenses are deductible~~
44 were deducted in determining federal taxable income;

46 **Sec. 49. 36 MRSA §5217-A**, as amended by PL 1991, c. 591, Pt.
N, §16 and affected by §17, is further amended to read:

48 **§5217-A. Income tax paid to other taxing jurisdiction**

50

2 A resident individual is allowed a credit against the tax
3 otherwise due under this Part, excluding the tax imposed by
4 section 5203-A, for the amount of income tax imposed on that
5 individual for the taxable year by another state of the United
6 States, a political subdivision of any such state, the District
7 of Columbia or any political subdivision of a foreign country
8 that is analogous to a state of the United States with respect to
9 income subject to tax under this Part that is derived from
10 sources in that taxing jurisdiction also--subject-to-tax-under
11 this-Part. In determining whether income is derived from sources
12 in another jurisdiction, the assessor may not employ the law of
13 the other jurisdiction but shall instead assume that a statute
14 equivalent to section 5142 applies in that jurisdiction. The
15 credit, for any of the specified taxing jurisdictions, may not
16 exceed the proportion of the tax otherwise due under this Part,
17 excluding the tax imposed by section 5203-A, that the amount of
18 the taxpayer's Maine adjusted gross income derived from sources
19 in that taxing jurisdiction bears to the taxpayer's entire Maine
20 adjusted gross income; provided except that, when a credit is
21 claimed for taxes paid to both a state and a political
22 subdivision of a state, the total credit allowable for those
23 taxes does not exceed the proportion of the tax otherwise due
24 under this Part, excluding the tax imposed by section 5203-A,
25 that the amount of the taxpayer's Maine adjusted gross income
26 derived from sources in the other state bears to the taxpayer's
entire Maine adjusted gross income.

28 **Sec. 50. 36 MRSA §5218**, as repealed and replaced by PL 2001,
29 c. 396, §38, is amended to read:

30 **§5218. Income tax credit for child care expenses**

31
32 **1. Resident taxpayer.** A resident individual is allowed a
33 credit against the tax otherwise due under this Part in the
34 amount of 25% of the federal tax credit allowable for child and
35 dependent care expenses in the same tax year.

36
37 **2. Nonresident taxpayer.** A nonresident ~~ex--part-year~~
38 ~~resident~~ individual is allowed a credit against the tax otherwise
39 due under this Part in the amount of 25% of the federal tax
40 credit allowable for child and dependent care expenses multiplied
41 by the ratio of the individual's Maine adjusted gross income, as
42 defined in section 5102, subsection 1-C, paragraph B, to the
43 ~~nonresident's~~ individual's entire federal adjusted gross income,
44 as modified by section 5122.

45
46 **2-A. Part-year resident taxpayer.** An individual who files
47 a return as a part-year resident in accordance with section
48 5224-A is allowed a credit against the tax otherwise due under
49 this Part in the amount of 25% of the federal tax credit
50

2 allowable for child and dependent care expenses multiplied by a
3 ratio, the numerator of which is the individual's Maine adjusted
4 gross income as defined in section 5102, subsection 1-C,
5 paragraph A for that portion of the taxable year during which the
6 individual was a resident plus the individual's Maine adjusted
7 gross income as defined in section 5102, subsection 1-C,
8 paragraph B for that portion of the taxable year during which the
9 individual was a nonresident, and the denominator of which is the
10 individual's entire federal adjusted gross income, as modified by
11 section 5122.

12 **3. Quality child care services.** The credit provided by
13 subsections 1 and, 2 and 2-A doubles in amount if the child care
14 expenses were incurred through the use of quality child care
15 services. ~~As used in this section, unless the context otherwise~~
16 ~~indicates, "quality child care services" has the meaning set~~
17 ~~forth as defined in section 5219-Q, subsection 1.~~

18 **4. Refund.** The credit allowed by this section may result
19 in a refund of up to \$500.

22 **Sec. 51. 36 MRSA §5219-A, sub-§2,** as enacted by PL 1999, c.
23 521, Pt. B, §7 and affected by §11, is amended to read:

24 **2. Nonresident taxpayer.** A nonresident ~~or~~ part-year
25 resident individual is allowed a credit against the tax otherwise
26 due under this Part equal to 20% of any credit the individual
27 received for the same taxable year under the Code, Section 22
28 multiplied by the ratio of the individual's Maine adjusted gross
29 income, as defined in section 5102, subsection 1-C, paragraph B,
30 to the ~~nonresident's~~ individual's entire federal adjusted gross
31 income, as modified by section 5122. In no case may this credit
32 reduce the Maine income tax to less than zero.

34 **Sec. 52. 36 MRSA §5219-A, sub-§3** is enacted to read:

36 **3. Part-year resident taxpayer.** An individual who files a
37 return as a part-year resident in accordance with section 5224-A
38 is allowed a credit against the tax otherwise due under this Part
39 equal to 20% of any credit the individual received for the same
40 taxable year under the Code, Section 22 multiplied by a ratio,
41 the numerator of which is the individual's Maine adjusted gross
42 income as defined in section 5102, subsection 1-C, paragraph A
43 for that portion of the taxable year during which the individual
44 was a resident plus the individual's Maine adjusted gross income
45 as defined in section 5102, subsection 1-C, paragraph B for that
46 portion of the taxable year during which the individual was a
47 nonresident, and the denominator of which is the individual's
48 entire federal adjusted gross income, as modified by section
49 5122. In no case may this credit reduce the Maine income tax to
50 less than zero.

2 **Sec. 53. 36 MRSA §5219-N, sub-§§1 and 3**, as enacted by PL 1997,
c. 557, Pt. E, §1 and affected by §2 and Pt. G, §1, are amended
4 to read:

6 **1. Generally.** Except as otherwise provided by ~~this section~~
in subsection 2, an individual whose state Maine taxable income
8 determined as if the individual were a resident individual for
the entire year is \$2,000 or less is allowed a credit equal to
10 ~~the amount of~~ the tax otherwise imposed on that individual by
this Part. In no case may the this credit ~~allowed by this~~
12 ~~section~~ reduce an ~~individual's~~ state the Maine income tax
liability to less than zero.

14 **3. Returns not required.** Notwithstanding section 5220 or
16 any other provision of law, an individual who is eligible for
this credit is not required to file a state Maine income tax
18 return.

20 **Sec. 54. 36 MRSA §5231, sub-§1**, as amended by PL 1989, c. 871,
§19, is further amended to read:

22 **1. General.** The assessor State Tax Assessor may grant a
24 reasonable extension of time for payment of tax or estimated tax
or any installment, or for filing any return, declaration,
26 statement or other document required pursuant to this Part, on
terms and conditions the assessor may require. Except as provided
28 in subsection 1-A or for a taxpayer who is outside the United
States, an extension for filing any return, declaration,
30 statement or document may not exceed 8 months.

32 **Sec. 55. 36 MRSA §5231, sub-§1-A**, as amended by PL 1997, c.
404, §9 and affected by §10, is further amended to read:

34 **1-A. Federal extension.** When an individual, estate or
36 trust is granted an extension of time within which to file a
federal income tax return for any taxable year, the due date for
38 filing the taxpayer's income tax return with respect to the tax
imposed by this Part is automatically extended for an equivalent
40 period. When a taxable corporation or a financial institution
subject to the tax imposed by chapter 819 is granted an extension
42 of time within which to file its federal income tax return for
any taxable year, the due date for filing the taxpayer's income
44 tax or franchise tax return with respect to the tax imposed by
this Part is automatically extended for an equivalent period plus
46 30 days.

48 **Sec. 56. 36 MRSA §5316**, as amended by PL 1971, c. 622, §132,
is repealed.

50

2 **Sec. 57. 36 MRS §6652, sub-§1**, as amended by PL 2001, c. 396, §45, is further amended to read:

4 **1. Generally.** A person against whom taxes have been
6 assessed pursuant to Part 2, except for chapters 111 and 112,
8 with respect to eligible property and who has paid those taxes is
10 entitled to reimbursement of those taxes from the State as
12 provided in this chapter. For purposes of this chapter, a tax
14 applied as a credit against a tax assessed pursuant to chapter
16 111 or 112 is a tax assessed pursuant to chapter 111 or 112.
18 Eligible property is subject to reimbursement pursuant to this
20 chapter for up to 12 property tax years, but the 12 years must be
22 reduced by one year for each year during which a taxpayer
24 included the same property in its investment credit base under
26 section 5219-D, 5219-E or 5219-M and claimed the credit provided
28 in one or more of those sections on its income tax return, and
30 reimbursement may not be made for taxes assessed in a year in
which one or more of those credits is taken. A successor in interest of a person against whom taxes have been assessed with respect to eligible property is entitled to reimbursement pursuant to this section, whether the tax was paid by the person assessed or by the successor, as long as a transfer of the property in question to the successor has occurred and the successor is the owner of the property as of August 1st, of the year in which a claim for reimbursement may be filed pursuant to section 6654. For purposes of this paragraph, "successor in interest" includes the initial successor and any subsequent successor. When an eligible successor in interest exists, the successor is the only person to whom reimbursement under this chapter may be made with respect to the transferred property.

32 **Sec. 58. P&SL 1999, c. 53** is repealed.

34 **Sec. 59. Application.** That section of this Act that repeals
36 Private and Special Law 1999, chapter 53 applies to persons
38 applying for participation in the elderly low-cost drug program
after December 31, 2002.

40 **Sec. 60. Effective date.** That section of this Act that amends
42 the Maine Revised Statutes, Title 36, section 191, subsection 2,
44 paragraph R, as amended by Public Law 2001, chapter 714, Part CC,
section 2, takes effect when the provisions in Public Law 2001,
chapter 714, Part CC, section 8 are met.

46 **SUMMARY**

48 This bill makes the following changes to the laws governing
50 taxation.

52 The bill establishes specific statutory authority and
procedures for the State Tax Assessor to accept protective claims
for refund.

2 The bill clarifies that a taxpayer who fails to file a
4 timely request for administrative review of a denial of a tax
6 refund claim forfeits the right to seek review of the denial in
Superior Court and that the taxpayer can not submit reiterative
claims for the same refund.

8 The bill amends the law governing confidentiality of tax
10 information to allow disclosure to the Department of Human
12 Services and the Department of Behavioral and Developmental
14 Services of information relating to the administration and
collection of the hospital tax. This provision was inadvertently
omitted from the supplemental appropriations bill enacted in
November 2002, which imposed the new tax.

16 The bill allows the Department of Administrative and
18 Financial Services, Bureau of Revenue Services to provide
20 taxpayer information to the Department of Human Services, Office
of Head Start and Child Care for purposes of certifying
investments eligible for the quality child care investment credit.

22 The bill allows employees of the Bureau of Revenue Services
24 to disclose certain information to the Finance Authority of Maine
26 necessary to ensure that individual recipients are eligible to
receive certain benefits under the Maine College Savings Program.

28 The bill deletes a redundant definition of the term "person"
30 from the Sales and Use Tax Law. The same term is defined for all
taxes in the general provisions of the tax laws.

32 The bill amends the definition of "retail sale" to clarify
34 that sales of all kinds of video media for rental are not
taxable, consistent with other statutory changes enacted in 2002.

36 The bill corrects outdated cross-references to sections 187
38 and 1951, which have been repealed, and makes various grammatical
corrections.

40 The bill corrects a conflict between the Maine Revised
42 Statutes, Title 36, sections 1861-A and 1951-A regarding an
individual's use tax responsibility to the State. Title 36,
44 section 1861-A added a reporting mechanism for an individual to
report and pay use tax on small purchases made outside of the
46 State, such as through mail order or shopping trips to places
outside the State. This change to Title 36, section 1861-A would
48 allow the use tax line on the individual income tax return to be
used only for reporting use tax on items with a purchase price of
50 \$1,000 or less. Use tax on items with a purchase price of more
than \$1,000 would be due and payable by the 15th of the month
following the date of purchase.

2 The bill deletes a redundant provision for abatement of
3 sales and use taxes. The circumstances under which all taxes may
4 be abated are set forth more fully in the general provisions of
5 the tax laws. The bill also corrects references to taxable
6 services to reflect current law, corrects a grammatical error and
7 changes gender-specific language.

8
9 The bill deletes a redundant definition of the term "person"
10 from the Gasoline Tax Act. The same term is defined for all
11 taxes in the general provisions of the tax laws.

12
13 The bill replaces outdated references to state and federal
14 statutes governing highway common carriers. The Public Utilities
15 Commission no longer regulates highway common carriers and the
16 federal excise tax no longer applies to highway transportation.
17 The bill substitutes a cross-reference to the statute that
18 imposes the current operating authority license requirement and
19 incorporates the relevant language of the repealed federal law
20 into Maine law. The bill also clarifies the formula for
21 computing the amount of the refunds authorized by the statute,
22 eliminates redundant verbiage and gender-specific language.

23 The bill corrects inappropriate references to "distributor"
24 in the Special Fuel Tax Act. "Distributor" is not defined in the
25 Maine Revised Statutes, Title 36, chapter 459 and is defined
26 elsewhere in Title 36 to mean a different category of persons
27 from what is intended here.

28
29 The bill corrects inappropriate references to "internal
30 combustion engine fuel" in the Special Fuel Tax Act. "Internal
31 combustion engine fuel" is not defined in Title 36, chapter 459
32 and is defined elsewhere in Title 36 to mean a different type of
33 fuel from what is intended here. The bill also removes
34 superfluous verbiage and corrects grammatical errors.

35
36 The bill corrects an inappropriate reference to
37 "distributor" in the Special Fuel Tax Act. "Distributor" is not
38 defined in Title 36, chapter 459 and is defined elsewhere in
39 Title 36 to mean a different category of persons from what is
40 intended here.

41
42 The bill eliminates an obsolete reference to the gasoline
43 road tax law, which has been repealed.

44
45 The bill establishes an automatic extension to file an
46 estate tax return equivalent to the federal extension and limits
47 the filing extension to 8 months in all other cases. These
48 changes provide a statutory basis for policies that have been
49 implemented administratively.
50

2 The bill standardizes a reference to the federal credit for
state death taxes in the estate tax law for consistency with
4 other statutory revisions made in 2002.

6 The bill clarifies the administrative requirements
pertaining to the sale of a controlling interest in real property
8 in the real estate transfer tax law, consistent with statutory
changes enacted in 2002.

10 The bill simplifies the recycling assistance fee law by
12 deleting references to categories of property that are no longer
subject to the fee.

14 The bill repeals a provision that required rulemaking by the
16 State Tax Assessor to clarify the impact of portions of the
recycling assistance fee law. Simplification of the law has
18 obviated the need for rulemaking.

20 The bill clarifies that the taxable income described in
Title 36, section 5121 is the "Maine taxable income" referred to
22 in section 5111.

24 The bill clarifies that only interest from bonds of another
state's government excluded from federal adjusted gross income
26 must be added back in computing Maine adjusted gross income for a
resident individual.

28 The bill clarifies that all deductions claimed for federal
30 income tax purposes must be added back to Maine adjusted gross
income if they are included in the taxpayer's investment credit
32 base for the high-technology investment tax credit.

34 The bill clarifies that only exempt government bond interest
included in federal adjusted gross income may be subtracted in
36 computing Maine adjusted gross income.

38 The bill deletes an obsolete reference to the federal new
jobs credit, which has been repealed.

40 The bill conforms the language that permits subtraction of
42 Maine College Savings Program distributions to that of Title
20-A, section 11479.

44 The bill defines "primary recipient" for purposes of the
46 pension income deduction. This definition is the one currently
applied administratively by the Department of Administrative and
48 Financial Services, Bureau of Revenue Services.

50 The bill clarifies the language of Title 36, section 5124-A.

2 The bill clarifies references to federal adjusted gross
4 income and federal taxable income for purposes of computing
6 itemized deductions and adds a provision specifically requiring
add-back of the deduction for contributions to family development
account reserve funds that is disallowed by the last sentence of
Title 36, section 5216-C, subsection 1.

8
10 The bill clarifies that the adjusted gross income described
12 in Title 36, section 5142 is the Maine adjusted gross income
14 defined in section 5102, subsection 1-C, paragraph B and taxed by
16 section 5111, subsection 4 and that the Maine adjusted gross
income of a nonresident individual includes the individual's
share of income, deductions and modifications attributable to
Maine-source income of a partnership or limited liability
company, estate, trust or S corporation. These changes conform
to current agency practice.

18
20 The bill clarifies that the taxable income of estates and
22 trusts on which the tax is imposed is the Maine taxable income
described in Title 36, sections 5163 and 5175 and that the
applicable tax rates are those provided for single individuals.

24 The bill clarifies that the taxable income of resident
26 estates and trusts described in Title 36, section 5163 is the
Maine taxable income taxed by section 5160 and deletes
superfluous verbiage.

28
30 The bill clarifies that the taxable income of nonresident
32 estates and trusts described in Title 36, section 5175 is the
Maine taxable income taxed by section 5160 and corrects
grammatical errors.

34 The bill clarifies that bond interest from another state's
36 government bonds excluded from federal taxable income must be
added back in computing Maine taxable income of a corporation.

38 The bill clarifies that all deductions claimed for federal
40 income tax purposes must be added back to the extent they are
included in the taxpayer's investment credit base for the
high-technology investment tax credit.

42
44 The bill clarifies that exempt income included in federal
taxable income may be subtracted in computing Maine taxable
income.

46
48 The bill clarifies that constitutionally exempt income
included in federal taxable income may be subtracted in computing
Maine taxable income.

50

2 The bill clarifies that the credit for income tax paid to
another taxing jurisdiction is limited to tax paid with respect
4 to income that Maine recognizes as being derived from sources in
the other taxing jurisdiction. The changes conform to current
6 agency practice.

8 The bill clarifies the calculation of the credit for child
care expenses by part-year residents. The changes conform to
10 current agency practice. The bill also deletes superfluous
verbiage.

12 The bill clarifies the calculation of the retirement and
disability credit by part-year residents. The changes conform to
14 current agency practice.

16 The bill makes it clear that the \$2,000 income limit for the
low-income credit applies to an individual's entire taxable
18 income as determined for resident individuals regardless of
whether the taxpayer was a Maine resident for the entire year.

20 The bill clarifies the circumstances under which a taxpayer
22 may be granted an extension of time to file an individual or
fiduciary income tax return.

24 The bill establishes an automatic extension of time to file
26 an individual or fiduciary income tax return equivalent to the
federal extension. These changes provide a statutory basis for
28 policies that have been implemented administratively.

30 The bill repeals a redundant provision relating to the
collection of income tax debts owed by nonresidents. The powers
32 granted to the State Tax Assessor by this provision are included
in the general provisions of the tax laws.

34 The bill amends the business equipment tax reimbursement
36 statutes to provide that business equipment tax reimbursement is
available, and limited to, a successor in interest that owns
38 eligible business property on August 1st of the year in which a
claim may be made.

40 The bill repeals a law that requires adoption of a rule for
42 the elderly low-cost drug program to allow consideration of an
applicant's change in income from the prior year. As of January
44 1, 2003, the elderly low-cost drug program is being administered
by the Department of Human Services under the laws that govern
46 the Healthy Maine Prescription Program, which determines
eligibility based on the current income of the applicant.
48 Repealing this law will allow the Bureau of Revenue Services to
repeal the rule that is no longer applicable.