

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 332

H.P. 255

House of Representatives, January 20, 2005

An Act To Exempt Unemployment Benefits from State Income Tax

(EMERGENCY)

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative CLARK of Millinocket.
Cosponsored by Senator STRIMLING of Cumberland and
Representatives: SMITH of Van Buren, TUTTLE of Sanford, Senator: SNOWE-MELLO of
Androscoggin.

2 **Emergency preamble.** Whereas, acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

4
6 **Whereas,** unemployment benefits are currently subject to
Maine income tax; and

8 **Whereas,** unemployment benefits are usually less than the
amount the unemployed person was earning; and

10
12 **Whereas,** income tax on unemployment benefits further reduces
the amount of income to those persons who are unemployed, thereby
adding further pecuniary injury; and

14
16 **Whereas,** in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
18 necessary for the preservation of the public peace, health and
safety; now, therefore,

20
22 **Be it enacted by the People of the State of Maine as follows:**

24 **Sec. 1. 36 MRSA §5122, sub-§2, ¶Q,** as corrected by RR 2003, c.
1, §38, is amended to read:

26 Q. A fraction of any amount previously added back by the
taxpayer to federal adjusted gross income pursuant to
28 subsection 1, paragraph N.

30 (1) With respect to property first placed in service
during taxable years beginning in 2002, the adjustment
32 under this paragraph is available for each year during
the recovery period, beginning 2 years after the
34 beginning of the taxable year during which the property
was first placed in service. The fraction is equal to
36 the amount added back under subsection 1, paragraph N
with respect to the property, divided by the number of
38 years in the recovery period minus 2.

40 (2) With respect to all other property, for the
taxable year immediately following the taxable year
42 during which the property was first placed in service,
the fraction allowed by this paragraph is equal to 5%
44 of the amount added back under subsection 1, paragraph
N with respect to the property. For each subsequent
46 taxable year during the recovery period, the fraction
is equal to 95% of the amount added back under
48 subsection 1, paragraph N with respect to the property,
divided by the number of years in the recovery period
50 minus 2.

2 In the case of property expensed pursuant to Section 179 of
4 the Code, the term "recovery period" means the recovery
6 period that would have been applicable to the property had
8 Section 179 not been applied; and

6 **Sec. 2. 36 MRSA §5122, sub-§2, ¶T,** as amended by PL 2003, c.
8 705, §12 and affected by §14, is further amended to read:

10 T. For income tax years beginning on or after January 1,
12 2002 and before January 1, 2004, an amount equal to the
14 total premiums spent for long-term care insurance policies
16 certified under Title 24-A, section 5075-A as long as the
18 amount subtracted is reduced by the long-term care premiums
20 claimed as an itemized deduction pursuant to section 5125.

16 For income tax years beginning on or after January 1, 2004,
18 an amount equal to the total premiums spent for qualified
20 long-term care insurance contracts certified under Title
22 24-A, section 5075-A, as long as the amount subtracted is
24 reduced by any amount claimed as a deduction for federal
income tax purposes in accordance with the Code, Section
162(1) and by the long-term care premiums claimed as an
itemized deduction pursuant to section 5125; and

26 **Sec. 3. 36 MRSA §5122, sub-§2, ¶U** is enacted to read:

28 U. Unemployment benefits.

30 **Sec. 4. Application.** This Act applies to tax years beginning
32 on or after January 1, 2005.

34 **Emergency clause.** In view of the emergency cited in the
preamble, this Act takes effect when approved.

36

SUMMARY

38

40 This bill exempts from income, for purposes of computing
Maine income tax, unemployment benefits, beginning January 1,
2005.