

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 598

H.P. 431

House of Representatives, February 3, 2005

An Act To Provide an Income Tax Modification for the Federal Empowerment Zone Employment Credit

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative FISCHER of Presque Isle.
Cosponsored by Senator MARTIN of Aroostook and
Representatives: BROWNE of Vassalboro, EDGECOMB of Caribou, JACKSON of Fort Kent,
LUNDEEN of Mars Hill, PARADIS of Frenchville, SHERMAN of Hodgdon, SMITH of Van
Buren, Senator: CLUKEY of Aroostook.

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

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

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

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

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

32 In the case of property expensed pursuant to Section 179 of
34 the Code, the term "recovery period" means the recovery
period that would have been applicable to the property had
36 Section 179 not been applied; and

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

40 T. For income tax years beginning on or after January 1,
42 2002 and before January 1, 2004, an amount equal to the
total premiums spent for long-term care insurance policies
44 certified under Title 24-A, section 5075-A as long as the
amount subtracted is reduced by the long-term care premiums
46 claimed as an itemized deduction pursuant to section 5125.

48 For income tax years beginning on or after January 1, 2004,
an amount equal to the total premiums spent for qualified
50 long-term care insurance contracts certified under Title
24-A, section 5075-A, as long as the amount subtracted is

2 reduced by any amount claimed as a deduction for federal
income tax purposes in accordance with the Code, Section
4 162(1) and by the long-term care premiums claimed as an
itemized deduction pursuant to section 5125+; and

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

8 U. An amount equal to the taxpayer's federal empowerment
10 zone employment credit as determined under the laws of the
United States.

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

16 **SUMMARY**

18 Current law allows a business to deduct from its income for
Maine income tax purposes an amount equal to the business's
20 federal new jobs credit or work opportunity credit. This bill
allows a business also to deduct any amount received under the
22 federal empowerment zone employment credit program, which
provides tax incentives to businesses who hire employees who live
24 and work in federally designated "empowerment zones."