122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document	**No. 734**
H.P. 529	House of Representatives, February 10, 2005

An Act To Establish a Long-term Capital Gains Tax Rate

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative LINDELL of Frankfort.
Cosponsored by Senator WESTON of Waldo and
Representatives: BIERMAN of Sorrento, CROSTHWAITE of Ellsworth, THOMAS of Ripley.

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

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

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

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

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

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

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:

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

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

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

U. For income tax years beginning on or after January 1, 2005, an amount equal to income derived in that tax year for a capital gain derived from the sale of an asset held for more than one year by the taxpayer.

Sec. 4. 36 MRSA §5204-C is enacted to read:

§5204-C. Capital gains

In addition to any other tax imposed by this Part, the tax owed on income derived from capital gains derived from the sale of an asset held by a taxpayer for more than one year is 3%.

SUMMARY

Currently under state law, long-term capital gains are taxed as regular income. This bill taxes income derived from the sale of assets held for more than one year at 3%.