

MAINE STATE LEGISLATURE

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R.O.S.

L.D. 1605

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DATE: 4-20-06

(Filing No. S-618)

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TAXATION

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**STATE OF MAINE
SENATE
122ND LEGISLATURE
SECOND REGULAR SESSION**

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COMMITTEE AMENDMENT "A" to S.P. 586, L.D. 1605, Bill, "An Act To Reform the Income Tax for Middle-income and Lower-income Families"

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Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

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PART A

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Sec. A-1. 36 MRSA §5219-N, sub-§1, as amended by PL 2003, c. 390, §48, is repealed and the following enacted in its place:

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1. Generally. Except as provided in subsection 2, an individual in a category described in this subsection is allowed a credit equal to the tax otherwise imposed on that individual by this Part. In no case may this credit reduce the Maine income tax to less than zero. An individual qualifies for the credit described in this section if:

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A. The individual is filing as a single individual or a head of household or is married and filing separately and the individual's Maine taxable income determined as if the individual were a resident individual for the entire year is \$4,000 or less; or

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B. The individual is filing a married joint return and the taxable income on the return determined as if the individuals were resident individuals for the entire year is \$8,000 or less.

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Sec. A-2. Application. This Part applies to tax years beginning on or after January 1, 2007.

COMMITTEE AMENDMENT

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PART B

Sec. B-1. 36 MRSA §5124-A, first ¶, as amended by PL 2005, c. 12, Pt. P, §5, is further amended to read:

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, except that for tax years beginning after 2002 but before 2007, the Code, Section 63(c)(2) must be applied as if the basic standard deduction is \$5,000 in the case of a joint return and a surviving spouse and \$2,500 in the case of a married individual filing a separate return.

PART C

Sec. C-1. 36 MRSA §5111, sub-§1-B, as enacted by PL 1999, c. 731, Pt. T, §3, is amended to read:

1-B. Single individuals and married persons filing separate returns; tax years beginning 2002. For tax years beginning on or after January 1, 2002, for single individuals and married persons filing separate returns:

If Maine Taxable income is:	The tax is:
Less than \$4,200	2% of the Maine taxable income
At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
At least \$8,350 but less than \$16,700 <u>\$27,500</u>	\$271 plus 7% of the excess over \$8,350
\$16,700 <u>\$27,500</u> or more	\$856 plus 8.5% of the excess over \$16,700 <u>\$27,500</u>

Sec. C-2. 36 MRSA §5111, sub-§2-B, as enacted by PL 1999, c. 731, Pt. T, §5, is amended to read:

2-B. Heads of households; tax years beginning 2002. For tax years beginning on or after January 1, 2002, for unmarried individuals or legally separated individuals who qualify as heads of households:

COMMITTEE AMENDMENT "A" to S.P. 586, L.D. 1605

2	If Maine Taxable income is:	The tax is:
4	Less than \$6,300	2% of the Maine taxable income
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8	At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
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12	At least \$12,500 but less than \$25,050 <u>\$41,250</u>	\$405 plus 7% of the excess over \$12,500
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16	\$25,050 <u>\$41,250</u> or more	\$1,284 plus 8.5% of the excess over \$25,050 <u>\$41,250</u>
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22 **Sec. C-3. 36 MRSA §5111, sub-§3-B,** as enacted by PL 1999, c. 731, Pt. T, §7, is amended to read:

24 **3-B. Individuals filing married joint return or surviving spouses; tax years beginning 2002.** For tax years beginning on or after January 1, 2002, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

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30	If Maine Taxable income is:	The tax is:
32	Less than \$8,400	2% of the Maine taxable income
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36	At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
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40	At least \$16,700 but less than \$33,400 <u>\$55,000</u>	\$542 plus 7% of the excess over \$16,700
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44	\$33,400 <u>\$55,000</u> or more	\$1,711 plus 8.5% of the excess over \$33,400 <u>\$55,000</u>
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48 **Sec. C-4. Application.** This Part applies to tax years beginning on or after January 1, 2007.

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PART D

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Sec. D-1. 5 MRSA §13090-K, sub-§2, as enacted by PL 2001, c. 439, Pt. UUUU, §1, is amended to read:

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2. Source of fund. Beginning July 1, 2003 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% 8% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% 8% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

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Sec. D-2. 36 MRSA §1811, first ¶, as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

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A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% 8% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% 8% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of rental for a period of less than one year of an automobile; 7% 8% on the value of prepared food; and 5% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

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Sec. D-3. Effective date. This Part takes effect January 1, 2007.

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PART E

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Sec. E-1. 36 MRSA §1752, sub-§1-H is enacted to read:

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1-H. Amusement and recreational services. "Amusement and recreational services" means:

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COMMITTEE AMENDMENT "A" to S.P. 586, L.D. 1605

- 2 A. All services provided by health clubs, fitness clubs,
4 athletic clubs and personal fitness trainers and coaches,
 other than the sale of meals and the rental of living
6 quarters;
- 8 B. Admission to fairs, including state fairs, county fairs,
 agricultural fairs and book fairs;
- 10 C. Admission to sporting events, including horse races;
- 12 D. Admission to exhibition shows that are open to the
14 general public, including flower and garden shows, animal
 shows and auto shows and watercraft shows;
- 16 E. Admission to motion pictures, concerts, plays, musicals,
18 ballets, operas, comedy shows, puppet shows, magic shows,
 carnivals, circuses and theatrical productions;
- 20 F. Admission to dance halls, amusement parks, theme parks,
 miniature golf courses, snow parks and water parks;
- 22 G. All services, including lessons, provided by flight
24 centers, marinas, golf courses, driving ranges, shooting
26 ranges, alpine ski areas, cross-country ski touring centers,
28 ice skating rinks, roller-skating rinks, dance halls and
30 centers, bowling centers, swimming pools, racetracks,
 billiard parlors, riding stables, whitewater rafting centers
 and recreational athletic facilities of any kind, other than
 the sale of meals and the rental of living quarters;
- 32 H. Services provided by, and the charging of fees for
34 admission to or membership in, commercial recreational
36 membership organizations, including health and fitness
 clubs, golf clubs, tennis clubs and country clubs, whether
 payable by annual fee or otherwise;
- 38 I. Admission to privately owned and operated museums,
40 planetariums, historical sites, zoological parks, zoological
42 gardens, wild animal parks, petting zoos, botanical gardens
 and aquariums; and
- 44 J. Airplane, helicopter, balloon, dirigible, blimp,
46 watercraft, railroad, bus and wagon rides for amusement or
 sight-seeing purposes.

48 **Sec. E-2. 36 MRSA §1752, sub-§17-B, as enacted by PL 2003, c.**
673, Pt. V, §19 and affected by §29, is amended to read:

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COMMITTEE AMENDMENT "A" to S.P. 586, L.D. 1605

2 **ADMINISTRATIVE AND FINANCIAL SERVICES,**
4 **DEPARTMENT OF**

6 **Maine Revenue Services 0002**

8 Initiative: Provides one-time funds for the administrative costs associated with the changes to the sales and use tax.

10	GENERAL FUND	2005-06	2006-07
12	All Other	\$0	\$37,750
14	GENERAL FUND TOTAL	<u>\$0</u>	<u>\$37,750'</u>

16 **SUMMARY**

18 This bill makes changes to the State's sales tax and income tax. The income tax changes apply to tax years beginning on or after January 1, 2007. The sales tax changes take effect January 1, 2007.

22 Part A expands the low-income tax credit from \$2,000 to \$4,000 for individuals, married persons filing separate returns and heads of household and from \$2,000 to \$8,000 for taxpayers filing married joint returns.

28 Part B restores the income tax standard deduction for married persons to the same amount as the federal standard deduction.

32 Part C increases the taxable income thresholds for application of the highest income tax rate under the individual income tax to \$31,000 for single individuals and married persons filing separate returns, \$46,500 for persons filing as heads of household and \$62,000 for persons filing married joint returns.

38 Part D increases the sales tax on meals and lodging from 7% to 8%.

40 Part E extends the sales tax to amusement and recreational services.

44 Part F extends the sales tax to snack food.

46 Part G adds an appropriations and allocations section.

FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



122nd MAINE LEGISLATURE

LD 1605

LR 0362(02)

An Act To Reform the Income Tax for Middle-income and Lower-income Families

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
Net Cost (Savings)				
General Fund	\$0	\$4,551,667	\$1,927,724	\$2,188,623
Appropriations/Allocations				
General Fund	\$0	\$37,750	\$0	\$0
Revenue				
General Fund	\$0	(\$4,513,917)	(\$1,927,724)	(\$2,188,623)
Other Special Revenue Funds	\$0	(\$242,581)	(\$105,740)	(\$120,051)

Fiscal Detail and Notes

The net General Fund cost of the bill is estimated to be \$4,551,667 in fiscal year 2006-07.

	2005-06	2006-07	Projections 2007-08	Projections 2008-09
General Fund Summary				
Individual Income Tax	\$0	(\$23,694,683)	(\$60,204,724)	(\$62,047,618)
Sales and Use Tax	\$0	\$19,180,767	\$58,276,999	\$59,858,995
	\$0	(\$4,513,917)	(\$1,927,724)	(\$2,188,623)