

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST SPECIAL SESSION-2005

Legislative Document

No. 1605

S.P. 586

In Senate, April 28, 2005

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

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 STRIMLING of Cumberland.
Cosponsored by Representative WOODBURY of Yarmouth and
Senators: DAMON of Hancock, DOW of Lincoln, MILLS of Somerset, NUTTING of
Androscoggin, PERRY of Penobscot, RAYE of Washington, ROSEN of Hancock, TURNER
of Cumberland.

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

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Sec. 1. 36 MRSA §1752, sub-§14, ¶B, as amended by PL 2003, c. 673, Pt. V, §16 and affected §29, is further amended to read:

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B. "Sale price" does not include:

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(1) Discounts allowed and taken on sales;

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(2) Allowances in cash or by credit made upon the return of merchandise pursuant to warranty;

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(3) The price of property returned by customers, when the full price is refunded either in cash or by credit;

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~~(4) The price received for labor or services used in installing or applying or repairing the property sold, if separately charged or stated;~~

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~~(5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically stated service charge, when that amount is to be disbursed by a hotel, motel, restaurant or other eating establishment to its employees as wages;~~

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(6) The amount of any tax imposed by the United States on or with respect to retail sales, whether imposed upon the retailer or the consumer, except any manufacturers', importers', alcohol or tobacco excise tax;

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~~(7) The cost of transportation from the retailer's place of business or other point from which shipment is made directly to the purchaser, provided that these charges are separately stated and the transportation occurs by means of common carrier, contract carrier or the United States mail;~~

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(8) The fee imposed by Title 10, section 1169, subsection 11;

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(9) The fee imposed by section 4832, subsection 1; or

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(10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection 2-B.

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Sec. 2. 36 MRSA §1760, sub-§2, as amended by PL 1997, c. 729, Pt. A, §1, is repealed.

2 **Sec. 3. 36 MRSA §1760, sub-§3**, as amended by PL 1991, c. 824,
Pt. A, §73, is repealed.

4 **Sec. 4. 36 MRSA §1760, sub-§4**, as amended by PL 1967, c. 89,
is repealed.

6 **Sec. 5. 36 MRSA §1760, sub-§5** is repealed.

8 **Sec. 6. 36 MRSA §1760, sub-§5-A**, as amended by PL 1975, c.
10 623, §57, is repealed.

12 **Sec. 7. 36 MRSA §1760, sub-§6**, as amended by PL 1999, c. 502,
§§1 to 3 and PL 2003, c. 689, Pt. B, §6, is repealed.

14 **Sec. 8. 36 MRSA §1760, sub-§8**, as amended by PL 1991, c. 546,
16 §18, is repealed.

18 **Sec. 9. 36 MRSA §1760, sub-§9**, as amended by PL 1977, c. 686,
§1, is repealed.

20 **Sec. 10. 36 MRSA §1760, sub-§9-A**, as enacted by PL 1973, c.
22 594, is repealed.

24 **Sec. 11. 36 MRSA §1760, sub-§9-B**, as amended by PL 1999, c.
26 657, §21, is repealed.

28 **Sec. 12. 36 MRSA §1760, sub-§9-C**, as enacted by PL 1977,
c.686, §2, is repealed.

30 **Sec. 13. 36 MRSA §1760, sub-§9-D**, as amended by PL 1999, c.
32 414, §20, is repealed.

34 **Sec. 14. 36 MRSA §1760, sub-§9-G**, as enacted by PL 1991, c.
851, §1, is repealed.

36 **Sec. 15. 36 MRSA §1760, sub-§12** is repealed.

38 **Sec. 16. 36 MRSA §1760, sub-§12-A**, as amended by PL 1995, c.
40 634, §1 and affected by §2, is repealed.

42 **Sec. 17. 36 MRSA §1760, sub-§14** is repealed.

44 **Sec. 18. 36 MRSA §1760, sub-§16**, as amended by PL 2003, c.
689, Pt. B, §6 and c. 705, §4 and affected by §14, is repealed.

46 **Sec. 19. 36 MRSA §1760, sub-§§17 and 18** are repealed.

48 **Sec. 20. 36 MRSA §1760, sub-§18-A**, as amended by PL 1975, c.
293, §4 and PL 2003, c. 689, Pt. B, §6, is repealed.

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2 **Sec. 21. 36 MRSA §1760, sub-§19**, as amended by PL 2003, c.
588, §7, is repealed.

4 **Sec. 22. 36 MRSA §1760, sub-§20**, as amended by PL 1991, c.
546, §20, is repealed.

6 **Sec. 23. 36 MRSA §1760, sub-§21**, as amended by PL 1995, c.
8 640, §5, is repealed.

10 **Sec. 24. 36 MRSA §1760, sub-§22**, as amended by PL 1995, c. 65,
Pt. A, §141 and affected by §153 and Pt. C, §15, is repealed.

12 **Sec. 25. 36 MRSA §1760, sub-§23-C**, as affected by PL 2003, c.
14 614, §9; amended by c. 688, Pt. B, §12; and affected by §13, is
repealed.

16 **Sec. 26. 36 MRSA §1760, sub-§24** is repealed.

18 **Sec. 27. 36 MRSA §1760, sub-§25**, as amended by PL 1999, c.
20 708, §27 and affected by §52, is repealed.

22 **Sec. 28. 36 MRSA §1760, sub-§25-A**, as affected by PL 2003, c.
24 614, §9; amended by c. 695, Pt. B, §25; and affected by Pt. C,
§1, is repealed.

26 **Sec. 29. 36 MRSA §1760, sub-§25-B**, as amended by PL 2003, c.
414, Pt. B, §63 and affected by c. 614, §9, is repealed.

28 **Sec. 30. 36 MRSA §1760, sub-§26**, amended by PL 1997, c. 723,
30 §1, is repealed.

32 **Sec. 31. 36 MRSA §1760, sub-§28**, as amended by PL 1999, c.
708, §28; PL 2001, c. 354, §3; and PL 2003, c. 689, Pt. B, §6, is
34 repealed.

36 **Sec. 32. 36 MRSA §1760, sub-§29**, as amended by PL 1989, c.
890, Pt. A, §10 and affected by §40, is repealed.

38 **Sec. 33. 36 MRSA §1760, sub-§30**, as amended by PL 1989, c.
40 890, Pt. A, §11 and affected by §40, is repealed.

42 **Sec. 34. 36 MRSA §1760, sub-§31**, as amended by PL 2005, c. 12,
Pt. S, §1, is repealed.

44 **Sec. 35. 36 MRSA §1760, sub-§32**, as amended by PL 1997, c.
46 557, Pt. D, §2 and affected by §4 and Pt. G, §1, is repealed.

48 **Sec. 36. 36 MRSA §1760, sub-§33**, as repealed and replaced by
PL 1977, c. 238, is repealed.

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2 **Sec. 37. 36 MRSA §1760, sub-§34**, as repealed and replaced by
PL 1981, c. 163, §4, is repealed.

4 **Sec. 38. 36 MRSA §1760, sub-§35**, as amended by PL 1993, c.
670, §2, is repealed.

6 **Sec. 39. 36 MRSA §1760, sub-§37**, as amended by PL 1987, c.
8 737, Pt. C, §§82 and 106; PL 1989, c. 6; c. 9, §2; and c. 104,
Pt. C, §§8 and 10, is repealed.

10 **Sec. 40. 36 MRSA §1760, sub-§39**, as enacted by PL 1977, c.
12 686, §3, is repealed.

14 **Sec. 41. 36 MRSA §1760, sub-§40**, as repealed and replaced by
PL 1987, c. 497, §37, is repealed.

16 **Sec. 42. 36 MRSA §1760, sub-§41**, as amended by PL 1999, c.
18 759, §3 and affected by §4, is repealed.

20 **Sec. 43. 36 MRSA §1760, sub-§42**, as amended by PL 2001, c.
22 439, Pt. PPP, §1 and affected by §2, is repealed.

24 **Sec. 44. 36 MRSA §1760, sub-§43**, as amended by PL 1983, c.
828, §6, is repealed.

26 **Sec. 45. 36 MRSA §1760, sub-§44**, as reallocated by PL 1983, c.
562, is repealed.

28 **Sec. 46. 36 MRSA §1760, sub-§45**, as amended by PL 1999, c.
30 708, §29, is repealed.

32 **Sec. 47. 36 MRSA §1760, sub-§46**, as repealed and replaced by
PL 2003, c. 451, Pt. AA, §1, is repealed.

34 **Sec. 48. 36 MRSA §1760, sub-§47-A**, as corrected by RR 1995, c.
36 2, §95, is repealed.

38 **Sec. 49. 36 MRSA §1760, sub-§49**, as repealed and replaced by
PL 1999, c. 499, §1, is repealed.

40 **Sec. 50. 36 MRSA §1760, sub-§50**, as enacted by PL 1983, c.
42 859, Pt. M, §§6 and 13, is repealed.

44 **Sec. 51. 36 MRSA §1760, sub-§51**, as repealed and replaced by
PL 1985, c. 737, Pt. A, §95, is repealed.

46 **Sec. 52. 36 MRSA §1760, sub-§52**, as enacted by PL 1985, c.
48 737, Pt. 7, §96, is repealed.

2 **Sec. 53. 36 MRSA §1760, sub-§53,** as enacted by PL 1985, c.
737, Pt. A, §97, is repealed.

4 **Sec. 54. 36 MRSA §1760, sub-§55,** as enacted by PL 1985, c.
788, §1, is repealed.

6 **Sec. 55. 36 MRSA §1760, sub-§56,** as amended by PL 1989, c.
8 533, §7, is repealed.

10 **Sec. 56. 36 MRSA §1760, sub-§57,** as enacted by PL 1987, c.
343, §5, is repealed.

12 **Sec. 57. 36 MRSA §1760, sub-§58,** as amended by PL 2003, c.
14 588, §8, is repealed.

16 **Sec. 58. 36 MRSA §1760, sub-§59,** as amended by PL 1989, c.
700, Pt. A, §169, is repealed.

18 **Sec. 59. 36 MRSA §1760, sub-§60,** as amended by PL 1997, c.
20 545, §1, is repealed.

22 **Sec. 60. 36 MRSA §1760, sub-§61,** as amended by PL 2003, c.
588, §9, is repealed.

24 **Sec. 61. 36 MRSA §1760, sub-§62,** as repealed and replaced by
26 PL 1989, c. 502, Pt. A, §129, is repealed.

28 **Sec. 62. 36 MRSA §1760, sub-§63,** as enacted by PL 1989, c.
502, Pt. A, §130, is repealed.

30 **Sec. 63. 36 MRSA §1760, sub-§64,** as amended by PL 2003, c.
32 588, §10, is repealed.

34 **Sec. 64. 36 MRSA §1760, sub-§65,** as amended by PL 1993, c.
670, §6, is repealed.

36 **Sec. 65. 36 MRSA §1760, sub-§66,** as enacted by PL 1989, c.
38 502, Pt. B, §47 and c. 581, §20 and repealed and replaced by c.
871, §12, is repealed.

40 **Sec. 66. 36 MRSA §1760, sub-§67,** as enacted by PL 1989, c.
42 501, Pt. P, §30 and c. 533, §8 and repealed and replaced by c.
871, §13, is repealed.

44 **Sec. 67. 36 MRSA §1760, sub-§69,** as enacted by PL 1989, c.
46 533, §8, is repealed.

48 **Sec. 68. 36 MRSA §1760, sub-§70,** as enacted by PL 1989, c.
533, §8 and amended by c. 871, §14, is repealed.

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2 **Sec. 69. 36 MRSA §1760, sub-§71**, as enacted by PL 1989, c.
533, §8, is repealed.

4 **Sec. 70. 36 MRSA §1760, sub-§72**, as amended by PL 1999, c.
708, §30, is repealed.

6 **Sec. 71. 36 MRSA §1760, sub-§§73, 74 and 75**, as enacted by PL
8 1989, c. 871, §15, are repealed.

10 **Sec. 72. 36 MRSA §1760, sub-§76**, as amended by PL 2003, c.
588, §11, is repealed.

12 **Sec. 73. 36 MRSA §1760, sub-§77**, as enacted by PL 1993, c.
14 532, §1, is repealed.

16 **Sec. 74. 36 MRSA §1760, sub-§78**, as repealed and replaced by
18 PL 1997, c. 725, §1, is repealed.

20 **Sec. 75. 36 MRSA §1760, sub-§79**, as enacted by PL 1997, c.
791, Pt. A, §2, is repealed.

22 **Sec. 76. 36 MRSA §1760, sub-§80**, as enacted by PL 1999, c.
24 286, §1, is repealed.

26 **Sec. 77. 36 MRSA §1760, sub-§81**, as enacted by PL 1999, c.
530, §10, is repealed.

28 **Sec. 78. 36 MRSA §1760, sub-§82**, as reallocated by RR 1999, c.
30 1, §48, is repealed.

32 **Sec. 79. 36 MRSA §1760, sub-§83**, as reallocated by RR 1999, c.
1, §49, is repealed.

34 **Sec. 80. 36 MRSA §1760, sub-§84**, as enacted by PL 2001, c. 95,
36 §6, is repealed.

38 **Sec. 81. 36 MRSA §1760, sub-§85**, as reallocated by RR 2001, c.
1, §45, is repealed.

40 **Sec. 82. 36 MRSA §1760, sub-§§86 and 87**, as amended by PL 2003,
42 c. 688, Pt. D, §3, are repealed.

44 **Sec. 83. 36 MRSA §1765**, as amended by PL 1999, c. 518, §2, is
repealed.

46 **Sec. 84. 36 MRSA §1811, first ¶**, as amended by PL 2001, c. 439,
48 Pt. TTTT, §2 and affected by §3, is further amended to read:

50 A tax is imposed on the value of all tangible personal
property and taxable services sold at retail in this State. The

2 rate of tax is 7% on the value of liquor sold in licensed
3 establishments as defined in Title 28-A, section 2, subsection
4 15, in accordance with Title 28-A, chapter 43; 7% on the value of
5 rental of living quarters in any hotel, rooming house or tourist
6 or trailer camp; 10% on the value of rental for a period of less
7 than one year of an automobile; 7% on the value of prepared food;
8 and ~~5%~~ 2% on the value of all other tangible personal property
9 and taxable services. Value is measured by the sale price,
10 except as otherwise provided.

11 **Sec. 85. 36 MRSA §1811, last ¶**, as repealed and replaced by PL
12 2003, c. 510, Pt. C, §12 and affected by §13, is amended to read:

13 Rental or lease of an automobile for one year or more must
14 be taxed at the time of the lease or rental transaction at ~~5%~~ 2%
15 of the following: the total monthly lease payment multiplied by
16 the number of payments in the lease or rental, the amount of
17 equity involved in any trade-in and the value of any cash down
18 payment. Collection and remittance of the tax is the
19 responsibility of the person that negotiates the lease
20 transaction with the lessee.

21 **Sec. 86. 36 MRSA §1863**, as enacted by PL 1981, c. 503, is
22 repealed.

23 **Sec. 87. 36 MRSA §1864**, as enacted by PL 2001, c. 439, Pt.
24 II, §1 and affected by §2, is repealed.

25 **Sec. 88. 36 MRSA §2012**, as amended by PL 1967, c. 88, is
26 repealed.

27 **Sec. 89. 36 MRSA §2013**, as amended by PL 2001, c. 396, §24,
28 is repealed.

29 **Sec. 90. 36 MRSA §2014**, as enacted by PL 1983, c. 560, §§4
30 and 6, is repealed.

31 **Sec. 91. 36 MRSA §2551, sub-§§1-B to 1-G, 3-A, 4-A, 5-A, 5-B, 7-A,
32 12-A, 18-A and 20-A** are enacted to read:

33 **1-B. Administrative and support services.** "Administrative
34 and support services" means purchases of office administrative
35 services, facilities support services, employment services,
36 business support services, travel arrangement and reservation
37 services, investigation and security services, services to
38 buildings and dwellings, waste management and remediation
39 services and all other support services.

2 1-C. Amusement and recreation services. "Amusement and
recreation services" means theater and opera performances,
4 movies, pari-mutuel racing net receipts, spectator sporting
events, commercial participant amusements and all other
6 recreation services.

8 1-D. Apparel services. "Apparel services" includes
cleaning, storage and repair of clothing and shoes.

10 1-E. Business and legal services. "Business and legal
services" means tax preparation services, legal services and
12 other personal business services.

14 1-F. Construction services. "Construction services"
includes residential building, commercial and institutional
16 building, manufacturing and industrial building, water, sewer and
pipeline construction services.

18 1-G. Education services. "Education services" includes
20 consumer purchases of services from elementary and secondary
schools, private and public schools of higher education, nursery
22 schools and commercial and vocational schools.

24 3-A. Financial services. "Financial services" includes
medical care and hospitalization insurance, income loss
26 insurance, workers' compensation insurance, brokerage charges,
investment counseling fees, bank service charges, trust services,
28 safe deposit box fees, services furnished without payment by
financial intermediaries, expenses of handling life insurance and
30 pension plans, motor vehicle insurance, nondepository credit
intermediation and related activities, securities, commodity
32 contracts, investments, monetary authorities and depository
credit intermediation, real estate services and rental leasing
34 activities.

36 4-A. Health services. "Health services" means consumer
purchases of services from dentists, hospitals, physicians,
38 nursing homes and other professional medical service providers.

40 5-A. Information services. "Information services" means
services from newspaper publishers, periodicals publishers, book
42 publishers, database publishers, directory and other publishers,
software publishers, motion picture and video industries, sound
44 recording industries, radio and television broadcasters, cable
networks and program distributors, data processing businesses and
46 other providers of information services.

48 5-B. Management and enterprise services. "Management and
enterprise services" includes services related to the

administration, oversight and management of other establishments
of a company or enterprise.

7-A. Personal appearance services. "Personal appearance
services" includes barber shops, beauty parlors and health clubs.

12-A. Professional, scientific and technical services.
"Professional, scientific and technical services" includes legal
services, accounting and bookkeeping services, architectural and
engineering services, specialized design services, custom
computer programming, computer systems design, other
computer-related services, facilities management services,
management consulting services, environmental and other technical
consulting services, scientific research and development
services, advertising and related services, veterinary services,
and other professional, scientific and technical services.

18-A. Social and organization services. "Social and
organization services" includes consumer purchases of
professional association memberships, club and fraternal
organization memberships, domestic services, other household
operations services and religious and welfare activities,
including donations to such organizations.

20-A. Transportation and warehousing services.
"Transportation and warehousing services" includes airline, bus,
railroad, truck, watercraft, limousine, toll road, pipeline,
postal, courier, messenger, warehousing and storage services.

Sec. 92. 36 MRSA §2552, sub-§1, as amended by PL 2005, c. 12,
Pt. VV, §§2 and 3 and Pt. TTT, §3 and affected by §4, is further
amended to read:

1. Rate. A tax at the rate of ~~-5%~~ 2% is imposed on the
value of the following services sold in this State:

- A. Extended cable and satellite television services;
- B. Fabrication services;
- C. Rental of video media and video equipment;
- D. Rental of furniture, audio media and audio equipment
pursuant to a rental-purchase agreement as defined in Title
9-A, section 11-105;
- E. Telecommunications services;
- F. The installation, maintenance or repair of
telecommunications equipment;

- 2 G. Private nonmedical institution services; and
4 H. Community support services;
6 I. Personal appearance services;
8 J. Apparel services;
10 K. Business and legal services;
12 L. Amusement and recreation services;
14 M. Health services;
16 N. Education services;
18 O. Social and organization services;
20 P. Financial services;
22 Q. Professional, scientific and technical services;
24 R. Administrative and support services;
26 S. Information services;
28 T. Transportation and warehousing services;
30 U. Construction services; and
32 V. Management and enterprise services.

34 **Sec. 93. 36 MRSA §2557, sub-§1**, as enacted by PL 2003, c. 673,
Pt. V, §25 and affected by §29, is amended to read:

36
38 **1. Exemptions by constitutional provisions.** Sales that
this State is prohibited from taxing under the constitution or
40 laws of the United States or under the constitution of this
State; and

42 **Sec. 94. 36 MRSA §2557, sub-§§2 to 29**, as enacted by PL 2003,
c. 673, Pt. V, §25 and affected by §29, are repealed.

44
46 **Sec. 95. 36 MRSA §5111, sub-§§1-C, 2-C and 3-C** are enacted to
read:

48 **1-C. Single individuals and married persons filing separate
returns; tax years beginning 2006.** For tax years beginning on or

2 after January 1, 2006, for single individuals and married persons
3 filing separate returns:

4 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
6 <u>Less than \$8,350</u>	<u>2% of the Maine taxable income</u>
8 <u>At least \$8,350 but</u> 10 <u>less than \$25,000</u>	<u>\$167 plus 4.5% of the excess over \$8,350</u>
12 <u>At least \$25,000</u> 14 <u>but less than \$50,000</u>	<u>\$916 plus 7% of the excess over \$25,000</u>
16 <u>\$50,000 or more</u>	<u>\$2,666 plus 8.5% of the excess over \$50,000</u>

22 2-C. Heads of households; tax years beginning 2006. For
23 tax years beginning on or after January 1, 2006, for unmarried
24 individuals or legally separated individuals who qualify as heads
25 of households:

26 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
28 <u>Less than \$12,500</u>	<u>2% of the Maine taxable income</u>
30 <u>At least \$12,500</u> 32 <u>but less than \$37,500</u>	<u>\$250 plus 4.5% of the excess over \$12,500</u>
34 <u>At least \$37,500 but</u> 36 <u>less than \$75,000</u>	<u>\$1,375 plus 7% of the excess over \$37,500</u>
38 <u>\$75,000 or more</u>	<u>\$4,000 plus 8.5% of the excess over \$75,000</u>

44 3-C. Individuals filing married joint return or surviving
45 spouses; tax years beginning 2006. For tax years beginning on or
46 after January 1, 2006, for individuals filing married joint
47 returns or surviving spouses permitted to file a joint return:

50 If Maine taxable income is: The tax is:

2	<u>Less than \$16,700</u>	<u>2% of the Maine taxable income</u>
4	<u>At least \$16,700</u>	<u>\$334 plus 4.5%</u>
6	<u>but less than \$50,000</u>	<u>of the excess over \$16,700</u>
8	<u>At least \$50,000 but</u>	<u>\$1,833 plus 7%</u>
10	<u>less than \$100,000</u>	<u>of the excess over \$50,000</u>
12	<u>\$100,000 or more</u>	<u>\$5,333 plus</u>
14		<u>8.5% of the</u>
16		<u>excess over \$100,000</u>

18 **Sec. 96. 36 MRSA §5126**, as amended by PL 2001, c. 583, §16,
 20 is further amended to read:

22 **§5126. Personal exemptions**

24 For income tax years beginning on or after January 1, 1998
 26 but before January 1, 1999, a resident individual is allowed
 28 \$2,400 for each exemption that the individual properly claims for
 30 the taxable year for federal income tax purposes, unless the
 32 taxpayer is claimed as a dependent on another return. For income
 34 tax years beginning on or after January 1, 1999 but before
 36 January 1, 2000, a resident individual is allowed \$2,750 for each
 38 exemption that the individual properly claims for the taxable
 40 year for federal income tax purposes, unless the taxpayer is
 42 claimed as a dependent on another return. For tax years beginning on or after
 January 1, 2006, a resident individual is allowed an amount equal
 to the personal exemption amount determined under the Code,
 Section 151 for each exemption that the individual properly
 claims for the taxable year for federal income tax purposes,
 unless the taxpayer is claimed as a dependent on another return.

44 **Sec. 97. 36 MRSA §5219-S**, as amended by PL 2003, c. 20, Pt.
 46 GG, §1, is further amended to read:

48 **§5219-S. Earned income credit**

50 A taxpayer is allowed a refundable credit against the taxes
 otherwise due under this Part equal to ~~-5%~~ 10% of the federal

2 earned income credit for the same taxable year, except that for
3 tax years beginning in 2003, 2004 and 2005, the applicable
4 percentage is 4.92% ~~instead of 5%. The credit may not reduce the
state income tax to less than zero.~~

6 **Sec. 98. 36 MRSA §5403**, as repealed and replaced by PL 1999,
7 c. 731, Pt. T, §10 and affected by §11, is amended to read:

8 **§5403. Annual adjustments for inflation**

10 Beginning in 2002, and each subsequent calendar year
12 thereafter, on or about September 15th, the State Tax Assessor
14 shall multiply the cost-of-living adjustment for taxable years
16 beginning in the succeeding calendar year by the dollar amounts
17 of the tax rate tables specified in section 5111, subsections
18 ~~1-B, 2-B and 3-B~~ 1-C, 2-C and 3-C. If the dollar amounts of each
19 rate bracket, adjusted by application of the cost-of-living
20 adjustment, are not multiples of \$50, any increase must be
21 rounded to the next lowest multiple of \$50. If the
22 cost-of-living adjustment for any taxable year is 1.000 or less,
23 no adjustment may be made for that taxable year in the dollar
24 bracket amounts of the tax rate tables. The assessor shall
incorporate such changes into the income tax forms, instructions
and withholding tables for the taxable year.

26 **Sec. 99. Revisor's review; cross-references.** The Revisor of
27 Statutes shall review the Maine Revised Statutes and include in
28 the errors and inconsistencies bill submitted to the Second
29 Regular Session of the 122nd Legislature pursuant to Title 1,
30 section 94 any sections necessary to correct and update any
31 cross-references in the statutes to provisions of law repealed in
32 this Act.

34 **Sec. 100. Application.** Those sections of this Act that amend
35 the Maine Revised Statutes, Title 36, section 5126 and section
36 5219-S apply to tax years beginning on or after January 1, 2006.

38 **SUMMARY**

40 This bill repeals exemptions, credits and refunds under the
42 sales and use tax and the service provider tax, lowers the rate
43 of those taxes from 5% to 2% and changes the income tax rates.
44 It also increases the earned income tax credit and makes that
45 credit refundable and increases the personal exemption to match
46 the federal exemption.