

MAINE STATE LEGISLATURE

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Date: **3/28/06**
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L.D. 2026
(Filing No. H-**911**)

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Taxation
MINORITY

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5 STATE OF MAINE
6 HOUSE OF REPRESENTATIVES
7 122ND LEGISLATURE
8 SECOND REGULAR SESSION

9 COMMITTEE AMENDMENT **A** to H.P. 1427, L.D. 2026, Bill, "An Act To
10 Implement Recommendations of the Study Commission Regarding Liveable Wages
11 Concerning Conformity with Federal Tax Laws"

12 Amend the bill by striking out all of sections 2 and 3 and inserting in their place the
13 following:

14 'Sec. 2. 36 MRSA §5218, as amended by PL 2005, c. 12, Pt. L, §§2 to 4, is further
15 amended to read:

16 **§5218. Income tax credit for child care expenses**

17 1. **Resident taxpayer.** A resident individual is allowed a credit against the tax
18 otherwise due under this Part in the amount of ~~25%~~ 100% of the federal tax credit
19 allowable for child and dependent care expenses in the same tax year, ~~except that for tax~~
20 ~~years beginning in 2003 to 2006, the applicable percentage is 21.5% instead of 25%.~~

21 2. **Nonresident taxpayer.** A nonresident individual is allowed a credit against the
22 tax otherwise due under this Part in the amount of ~~25%~~ 100% of the federal tax credit
23 allowable for child and dependent care expenses multiplied by the ratio of the individual's
24 Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to
25 the individual's entire federal adjusted gross income, as modified by section 5122, ~~except~~
26 ~~that for tax years beginning in 2003 to 2006, the applicable percentage is 21.5% instead~~
27 ~~of 25%.~~

28 2-A. **Part-year resident taxpayer.** An individual who files a return as a part-year
29 resident in accordance with section 5224-A is allowed a credit against the tax otherwise
30 due under this Part in the amount of ~~25%, except that for tax years beginning in 2003 to~~
31 ~~2006 the applicable percentage is 21.5% instead of 25%,~~ 100% of the federal tax credit
32 allowable for child and dependent care expenses multiplied by a ratio, the numerator of
33 which is the individual's Maine adjusted gross income as defined in section 5102,
34 subsection 1-C, paragraph A for that portion of the taxable year during which the
35 individual was a resident plus the individual's Maine adjusted gross income as defined in
36 section 5102, subsection 1-C, paragraph B for that portion of the taxable year during

1 which the individual was a nonresident and the denominator of which is the individual's
2 entire federal adjusted gross income, as modified by section 5122.

3 **3. Quality child care services.** The credit provided by subsections 1, 2 and 2-A
4 doubles in amount if the child care expenses were incurred through the use of quality
5 child care services as defined in section 5219-Q, subsection 1.

6 **4. Refund.** The credit allowed by this section may result in a refund of up to \$500.
7 In the case of a nonresident individual, the refundable portion of the credit may not
8 exceed \$500 multiplied by the ratio of the individual's Maine adjusted gross income, as
9 defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal
10 adjusted gross income, as modified by section 5122. In the case of an individual who
11 files a return as a part-year resident in accordance with section 5224-A, the refundable
12 portion of the credit may not exceed \$500 multiplied by a ratio, the numerator of which is
13 the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C,
14 paragraph A for that portion of the taxable year during which the individual was a
15 resident plus the individual's Maine adjusted gross income as defined in section 5102,
16 subsection 1-C, paragraph B for that portion of the taxable year during which the
17 individual was a nonresident and the denominator of which is the individual's entire
18 federal adjusted gross income, as modified by section 5122.

19 **Sec. 3. 36 MRSA §5219-Y** is enacted to read:

20 **§5219-Y. Child tax credit**

21 **1. Resident taxpayer.** A resident individual is allowed a credit against the tax
22 otherwise due under this Part in the amount of 100% of the federal child tax credit for
23 each qualifying child under 17 years of age.

24 **2. Nonresident taxpayer.** A nonresident individual is allowed a credit against the
25 tax otherwise due under this Part in the amount of 100% of the federal child tax credit for
26 each qualifying child under 17 years of age multiplied by the ratio of the individual's
27 Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to
28 the individual's entire federal adjusted gross income, as modified by section 5122.

29 **3. Part-year resident taxpayer.** An individual who files a return as a part-year
30 resident in accordance with section 5224-A is allowed a credit against the tax otherwise
31 due under this Part in the amount of 100% of the federal child tax credit for each
32 qualifying child under 17 years of age multiplied by a ratio, the numerator of which is the
33 individual's Maine adjusted gross income as defined in section 5102, subsection 1-C,
34 paragraph A for that portion of the taxable year during which the individual was a
35 resident plus the individual's Maine adjusted gross income as defined in section 5102,
36 subsection 1-C, paragraph B for that portion of the taxable year during which the
37 individual was a nonresident and the denominator of which is the individual's entire
38 federal adjusted gross income, as modified by section 5122.

39 **Sec. 4. Application.** That section of this Act that amends the Maine Revised
40 Statutes, Title 36, section 5126 applies to tax years beginning on or after January 1, 2006.
41 That section of this Act that amends Title 36, section 5218 and the section that enacts
42 Title 36, section 5219-Y apply to tax years beginning on or after January 1, 2007.

1 **Sec. 5. Appropriations and allocations.** The following appropriations and
2 allocations are made.

3 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

4 **Maine Revenue Services 0002**

5 Initiative: Provides funds for the administrative costs associated with the changes in the
6 child care credit, personal exemption and the child tax credit, including funds for one Tax
7 Examiner position.

8

9 GENERAL FUND	2005-06	2006-07
10 POSITIONS - LEGISLATIVE COUNT	0.000	1.000
11 Personal Services	\$0	\$26,265
12 All Other	\$0	\$22,822
13		
14 GENERAL FUND TOTAL	<hr/> \$0	<hr/> \$49,087

15

16

SUMMARY

17 This amendment makes changes to resolve an issue of the constitutionality of the
18 bill's proposed changes and adds an application section and an appropriations and
19 allocations section to the bill.



122nd MAINE LEGISLATURE

LD 2026

LR 3116(02)

An Act To Implement Recommendations of the Study Commission Regarding Liveable Wages Concerning Conformity with Federal Tax Laws

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	Projection 2008-09
Net Cost (Savings)				
General Fund	\$0	\$45,112,084	\$175,306,373	\$176,414,562
Appropriations/Allocations				
General Fund	\$0	\$49,087	\$64,135	\$67,111
Revenue				
General Fund	\$0	(\$45,062,997)	(\$175,242,238)	(\$176,347,449)
Other Special Revenue Funds	\$0	(\$2,421,721)	(\$9,612,443)	(\$9,673,061)

Fiscal Detail and Notes

Conforming to the federal law regarding the child care credit, personal exemption and the child tax credit is expected to reduce General Fund revenue by \$45,062,997 in fiscal year 2006-07. This bill also includes a General Fund appropriation of \$49,087 in fiscal year 2006-07 for Maine Revenue Services' administrative costs associated with these changes.