

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 131

H.P. 123

House of Representatives, January 9, 2007

An Act To Provide Tax Relief to Working Families

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative HAYES of Buckfield.
Cosponsored by Senator STRIMLING of Cumberland and
Representatives: BARSTOW of Gorham, CANAVAN of Waterville, CRAVEN of Lewiston,
PIOTTI of Unity, SAMSON of Auburn, SUTHERLAND of Chapman, WAGNER of
Lewiston, WATSON of Bath.

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

2 **Sec. 1. 36 MRSA §5126, first ¶**, as amended by PL 2001, c. 583, §16, is further
3 amended to read:

4 For income tax years beginning on or after January 1, 1998 but before January 1,
5 1999, a resident individual is allowed \$2,400 for each exemption that the individual
6 properly claims for the taxable year for federal income tax purposes, unless the taxpayer
7 is claimed as a dependent on another return. For income tax years beginning on or after
8 January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for
9 each exemption that the individual properly claims for the taxable year for federal income
10 tax purposes, unless the taxpayer is claimed as a dependent on another return. For
11 income tax years beginning on or after January 1, 2000 but before January 1, 2007, a
12 resident individual is allowed \$2,850 for each exemption that the individual properly
13 claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed
14 as a dependent on another return. For income tax years beginning on or after January 1,
15 2007, a resident individual is allowed \$3,200 for each exemption that the individual
16 properly claims for the taxable year for federal income tax purposes, unless the taxpayer
17 is claimed as a dependent on another return.

18 **Sec. 2. 36 MRSA §5218**, as amended by PL 2005, c. 519, Pt. DD, §§1 to 3, is
19 further amended to read:

20 **§5218. Income tax credit for child care expenses**

21 **1. Resident taxpayer.** A resident individual is allowed a credit against the tax
22 otherwise due under this Part in the amount of ~~25%~~ 100% of the federal tax credit
23 allowable for child and dependent care expenses in the same tax year, ~~except that for tax~~
24 ~~years beginning in 2003, 2004 and 2005, the applicable percentage is 21.5% instead of~~
25 ~~25%.~~

26 **2. Nonresident taxpayer.** A nonresident individual is allowed a credit against the
27 tax otherwise due under this Part in the amount of ~~25%~~ 100% of the federal tax credit
28 allowable for child and dependent care expenses multiplied by the ratio of the individual's
29 Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to
30 the individual's entire federal adjusted gross income, as modified by section 5122, ~~except~~
31 ~~that for tax years beginning in 2003, 2004 and 2005, the applicable percentage is 21.5%~~
32 ~~instead of 25%.~~

33 **2-A. Part-year resident taxpayer.** An individual who files a return as a part-year
34 resident in accordance with section 5224-A is allowed a credit against the tax otherwise
35 due under this Part in the amount of ~~25%~~, ~~except that for tax years beginning in 2003,~~
36 ~~2004 and 2005 the applicable percentage is 21.5%, instead of 25%,~~ 100% of the federal
37 tax credit allowable for child and dependent care expenses multiplied by a ratio, the
38 numerator of which is the individual's Maine adjusted gross income as defined in section
39 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the
40 individual was a resident plus the individual's Maine adjusted gross income as defined in
41 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-BB** is enacted to read:

20 **§5219-BB. 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.

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

28 **3. 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 100% of the federal child tax credit multiplied by a
31 ratio, the numerator of which is the individual's Maine adjusted gross income as defined
32 in section 5102, subsection 1-C, paragraph A for that portion of the taxable year during
33 which the individual was a resident plus the individual's Maine adjusted gross income as
34 defined in section 5102, subsection 1-C, paragraph B for that portion of the taxable year
35 during which the individual was a nonresident and the denominator of which is the
36 individual's entire federal adjusted gross income, as modified by section 5122.

37 **Sec. 4. Application.** That section of this Act that amends the Maine Revised
38 Statutes, Title 36, section 5126 applies to tax years beginning on or after January 1, 2007.
39 That section of this Act that amends Title 36, section 5218 and that section that enacts
40 Title 36, section 5219-BB apply to tax years beginning on or after January 1, 2008.

1 **SUMMARY**

2 This bill is a recommendation of the Study Commission Regarding Liveable Wages
3 established in Resolve 2005, chapter 128. The bill amends Maine's tax laws to achieve
4 conformity with federal tax laws regarding the child care credit, personal exemption and
5 child tax credit.