

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 569

S.P. 181

February 5, 2007

### An Act To Reduce Maine's Income Tax Rates by 50 Percent

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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 SMITH of Piscataquis.  
Cosponsored by Representative CLARK of Millinocket and  
Senators: MILLS of Somerset, NUTTING of Androscoggin, SNOWE-MELLO of  
Androscoggin, TURNER of Cumberland, Representatives: FITTS of Pittsfield, HANLEY of  
Gardiner, RECTOR of Thomaston, SAVIELLO of Wilton.

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

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

4 **1-B. Single individuals and married persons filing separate returns; tax years**  
5 **beginning 2002, 2003, 2004, 2005 and 2006.** For tax years beginning ~~on or after~~  
6 ~~January 1, in 2002, 2003, 2004, 2005 and 2006,~~ for single individuals and married  
7 persons filing separate returns:

8 If Maine Taxable income is:	The tax is:
9	
10 Less than \$4,200	2% of the Maine taxable income
11	
12 At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
13	
14 At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
15	
16 \$16,700 or more	\$856 plus 8.5% of the excess over
17	\$16,700

18 **Sec. 2. 36 MRSA §5111, sub-§1-C** is enacted to read:

19 **1-C. Single individuals and married persons filing separate returns; tax years**  
20 **beginning 2007.** For tax years beginning on or after January 1, 2007, for single  
21 individuals and married persons filing separate returns:

22 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
23	
24 <u>Less than \$4,200</u>	<u>1% of the Maine taxable income</u>
25	
26 <u>At least \$4,200 but less than \$8,350</u>	<u>\$42 plus 2.25% of the excess over \$4,200</u>
27	
28 <u>At least \$8,350 but less than \$16,700</u>	<u>\$135 plus 3.5% of the excess over \$8,350</u>
29	
30 <u>\$16,700 or more</u>	<u>\$428 plus 4.25% of the excess over</u>
31	<u>\$16,700</u>

32 **Sec. 3. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c. 731, Pt. T, §5, is  
33 amended to read:

34 **2-B. Heads of households; tax years beginning 2002, 2003, 2004, 2005 and 2006.**  
35 For tax years beginning ~~on or after January 1, in 2002, 2003, 2004, 2005 and 2006,~~ for  
36 unmarried individuals or legally separated individuals who qualify as heads of  
37 households:

38 If Maine Taxable income is: The tax is:

1		
2	Less than \$6,300	2% of the Maine taxable income
3		
4	At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
5		
6	At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
7		
8	\$25,050 or more	\$1,284 plus 8.5% of the excess over
9		\$25,050

10       **Sec. 4. 36 MRSA §5111 sub-§2-C** is enacted to read:

11       **2-C. Heads of households; tax years beginning 2007.** For tax years beginning on  
12 or after January 1, 2007, for unmarried individuals or legally separated individuals who  
13 qualify as heads of households:

14	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
15		
16	<u>Less than \$6,300</u>	<u>1% of the Maine taxable income</u>
17		
18	<u>At least \$6,300 but less than \$12,500</u>	<u>\$63 plus 2.25% of the excess over \$6,300</u>
19		
20	<u>At least \$12,500 but less than \$25,050</u>	<u>\$203 plus 3.5% of the excess over</u>
21		<u>\$12,500</u>
22		
23	<u>\$25,050 or more</u>	<u>\$642 plus 4.25% of the excess over</u>
24		<u>\$25,050</u>

25       **Sec. 5. 36 MRSA §5111, sub-§3-B**, as enacted by PL 1999, c. 731, Pt. T, §7, is  
26 amended to read:

27       **3-B. Individuals filing married joint return or surviving spouses; tax years**  
28 **beginning 2002, 2003, 2004, 2005 and 2006.** For tax years beginning ~~on or after~~  
29 ~~January 1, in 2002, 2003, 2004, 2005 and 2006,~~ for individuals filing married joint  
30 returns or surviving spouses permitted to file a joint return:

31	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
32		
33	<u>Less than \$8,400</u>	<u>2% of the Maine taxable income</u>
34		
35	<u>At least \$8,400 but less than \$16,700</u>	<u>\$168 plus 4.5% of the excess over \$8,400</u>
36		
37	<u>At least \$16,700 but less than \$33,400</u>	<u>\$542 plus 7% of the excess over \$16,700</u>
38		
39	<u>\$33,400 or more</u>	<u>\$1,711 plus 8.5% of the excess over</u>
40		<u>\$33,400</u>

1           **Sec. 6. 36 MRSA §5111, sub-§3-C** is enacted to read:

2           **3-C. Individuals filing married joint return or surviving spouses; tax years**  
3 **beginning 2007.** For tax years beginning on or after January 1, 2007, for individuals  
4 **filing married joint returns or surviving spouses permitted to file a joint return:**

5 <u>If Maine Taxable income is:</u>	5 <u>The tax is:</u>
6 <u>Less than \$8,400</u>	6 <u>1% of the Maine taxable income</u>
7 <u>At least \$8,400 but less than \$16,700</u>	7 <u>\$84 plus 2.25% of the excess over \$8,400</u>
8 <u>At least \$16,700 but less than \$33,400</u>	8 <u>\$271 plus 3.5% of the excess over</u> 9 <u>\$16,700</u>
10 <u>\$33,400 or more</u>	10 <u>\$855 plus 4.25% of the excess over</u> 11 <u>\$33,400</u>

12  
13  
14           **Sec. 7. 36 MRSA §5200, sub-§1**, as amended by PL 2005, c. 618, §6 and as  
15 affected by §22, is further amended to read:

16           **1. Imposition and rate of tax.** A tax is imposed for each taxable year beginning  
17 before January 1, 2007 at the following rates on each taxable corporation and on each  
18 group of corporations that derives income from a unitary business carried on by 2 or more  
19 members of an affiliated group:  
20

21           If the income is:	21           The tax is:
22           Not over \$25,000	22           3.5% of the income
23           \$25,000 but not over \$75,000	23           \$875 plus 7.93% of the excess over 24           \$25,000
25           \$75,000 but not over \$250,000	25           \$4,840 plus 8.33% of the excess 26           over \$75,000
27           \$250,000 or more	27           \$19,418 plus 8.93% of the excess 28           over \$250,000

29  
30  
31  
32           In the case of an affiliated group of corporations engaged in a unitary business with  
33 activity taxable only by Maine, the rates provided in this subsection are applied only to  
34 the first \$250,000 of the Maine net income of the entire group and must be apportioned  
35 equally among the taxable corporations unless those taxable corporations jointly elect a  
36  
37

1 different apportionment. The balance of the Maine net income of the entire group is taxed  
2 at 8.93%.

3 In the case of an affiliated group of corporations engaged in a unitary business with  
4 activity taxable both within and without this State, the rates provided in this subsection  
5 are applied only to the first \$250,000 of the net income of the entire group and must be  
6 apportioned equally among the taxable corporations unless those taxable corporations  
7 jointly elect a different apportionment. The balance of the net income of the entire group  
8 is taxed at 8.93%.

9 **Sec. 8. 36 MRSA §5200-B** is enacted to read:

10 **§5200-B. Imposition and rate of tax.**

11 **1. Imposition and rate of tax** A tax is imposed for each taxable year beginning on  
12 or after January 1, 2007 at the following rates on each taxable corporation and on each  
13 group of corporations that derives income from a unitary business carried on by 2 or more  
14 members of an affiliated group:

<u>If the income is:</u>	<u>The tax is:</u>
15 Not over \$25,000	1.75% of the income
16	
17 <u>\$25,000 but not over \$75,000</u>	<u>\$438 plus 3.965% of the excess over</u> 20 <u>\$25,000</u>
18	
19 <u>\$75,000 but not over \$250,000</u>	<u>\$2,420 plus 4.165% of the excess over</u> 23 <u>\$75,000</u>
20	
21	
22 <u>\$250,000 or more</u>	<u>\$9,709 plus 4.465% of the excess over</u> 26 <u>\$250,000</u>

27 In the case of an affiliated group of corporations engaged in a unitary business with  
28 activity taxable only by Maine, the rates provided in this subsection are applied only to  
29 the first \$250,000 of the Maine net income of the entire group and must be apportioned  
30 equally among the taxable corporations unless those taxable corporations jointly elect a  
31 different apportionment. The balance of the Maine net income of the entire group is taxed  
32 at 4.465%.

33 In the case of an affiliated group of corporations engaged in a unitary business with  
34 activity taxable both within and without this State, the rates provided in this subsection  
35 are applied only to the first \$250,000 of the net income of the entire group and must be  
36 apportioned equally among the taxable corporations unless those corporations jointly  
37 elect a different apportionment. The balance of the net income of the entire group is taxed  
38 at 4.465%.

**SUMMARY**

1

2       This bill reduces the individual and corporate income tax rates by 50% beginning in  
3 the 2007 tax year.