

MAINE STATE LEGISLATURE

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No. 1379

H.P. 971

House of Representatives, March 13, 2007

An Act To Create an Income Tax Stabilization Program

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative TARDY of Newport.
Cosponsored by Senator NASS of York and
Representatives: CHASE of Wells, HOTHAM of Dixfield, KNIGHT of Livermore Falls,
LANSLEY of Sabattus, SAVAGE of Falmouth.

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

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

3 **§5111-C. Revenue targeting**

4 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
5 following terms have the following meanings.

6 **A. "Adjustment factor"** means a number applicable to a tax year determined by
7 dividing the target revenue for the numerically identical fiscal year by the tax revenue
8 for that fiscal year, rounded to the nearest 1/1,000.

9 **B. "Target revenue"** means \$1,400,000,000 for fiscal year 2007-08 and for
10 subsequent fiscal years.

11 **C. "Tax revenue"** means undedicated General Fund individual income tax revenue
12 arising pursuant to this Part.

13 **2. Rate adjustment.** Annually, by September 15th, the State Tax Assessor shall
14 determine for the current tax year whether tax revenue for the fiscal year ending the prior
15 June 30th exceeded the target revenue. If target revenue was exceeded, the State Tax
16 Assessor shall adjust the tax rates as specified in the tax rate tables in section 5111, as
17 adjusted for the prior tax year pursuant to this section, by multiplying the percentage rates
18 by the current tax year's adjustment factor. The State Tax Assessor may not adjust the
19 rates for single individuals and married persons filing separate returns with taxable
20 income of \$30,000 or more; for unmarried individuals or legally separated individuals
21 who qualify as heads of households with taxable income of \$45,000 or more; and for
22 individuals filing married joint returns or surviving spouses permitted to file a joint return
23 with taxable income of \$60,000 or more.

24 **3. Revenue Targeting Fund.** The Revenue Targeting Fund is established to carry
25 out the purposes of this section. For fiscal year 2007-08 and for each subsequent fiscal
26 year up to and including the fiscal year ending during the calendar tax year in which the
27 limitation pursuant to subsection 4 is reached, tax revenue exceeding \$1,400,000,000
28 must be deposited to the Revenue Targeting Fund, the balance of which does not lapse
29 but carries to the subsequent fiscal year. Tax year 2008 and subsequent tax year
30 individual income tax refunds must be paid from this fund until the fund balance carried
31 forward from the prior fiscal year is reduced to zero.

32 **4. Limitation.** The cumulative rate reduction attributable to this section may not
33 exceed 20% of the tax year 2007 rates.

34 **5. Rounding.** Adjustments in tax rates arising pursuant to this section are rounded to
35 the nearest 1/10 of a percent, and the total dollar amount of the tax on taxable income
36 equal to the lower limit of the income brackets is rounded to the nearest dollar.

1 **SUMMARY**

2 This bill proposes to stabilize individual income tax receipts until a reduction of 20%
3 is achieved in the future. The bill provides a mechanism to reduce individual income tax
4 rates periodically until they are 20% less than the 2007 rates, without reducing the
5 anticipated receipt of revenue.

6 The mechanism to achieve the periodic reductions is an adjustment factor using the
7 current income tax revenue target for fiscal year 2007-08 of \$1,400,000,000. A
8 comparison of the actual fiscal year revenue excess to the target amount provides the
9 measure by which tax rates are to be adjusted downward for the tax year. This process
10 repeats itself annually until the cumulative 20% reduction is reached.