

MAINE STATE LEGISLATURE

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H.P. 1008

House of Representatives, March 15, 2007

An Act To Lower Maine Income Tax Rates

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative ROBINSON of Raymond.
Cosponsored by Senator ROSEN of Hancock and
Representatives: BROWNE of Vassalboro, FLETCHER of Winslow, HOTHAM of Dixfield,
MILLETT of Waterford, SAVAGE of Falmouth, SYKES of Harrison, TARDY of Newport,
WEAVER of York.

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

2 **Sec. 1. 36 MRSA §5111, first ¶**, as amended by PL 1999, c. 731, Pt. T, §1, is
3 further amended to read:

4 A tax is imposed ~~for each taxable year beginning on or after January 1, 2000~~, on the
5 Maine taxable income of every resident individual of this State. The amount of the tax is
6 determined as provided in this section, except that the rates provided in this section for
7 tax years beginning on or after January 1, 2008 must be adjusted as provided by section
8 5111-C.

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

11 **1-B. Single individuals and married persons filing separate returns; tax years**
12 **beginning 2002 but before 2007.** For tax years beginning on or after January 1, 2002
13 but before January 1, 2007, for single individuals and married persons filing separate
14 returns:

15 If Maine Taxable income is:	The tax is:
16 Less than \$4,200	2% of the Maine taxable income
17 At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
18 At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
19 \$16,700 or more	\$856 plus 8.5% of the excess over
20	\$16,700

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

22 **1-C. Single individuals and married persons filing separate returns; tax years**
23 **beginning 2007.** For tax years beginning on or after January 1, 2007, for single
24 individuals and married persons filing separate returns:

25 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
26 <u>Less than \$4,750</u>	<u>2% of the Maine taxable income</u>
27 <u>At least \$4,750 but less than \$9,450</u>	<u>\$95 plus 4.5% of the excess over \$4,750</u>
28 <u>At least \$9,450 but less than \$18,950</u>	<u>\$307 plus 6.5% of the excess over \$9,450</u>
29 <u>\$18,950 or more</u>	<u>\$924 plus 8% of the excess over \$18,950</u>

30 **Sec. 4. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c. 731, Pt. T, §5, is
31 amended to read:

32 **2-B. Heads of households; tax years beginning 2002 but before 2007.** For tax
33 years beginning on or after January 1, 2002 but before January 1, 2007, for unmarried
34 individuals or legally separated individuals who qualify as heads of households:

35 If Maine Taxable income is:	The tax is:
36 Less than \$6,300	2% of the Maine taxable income
37 At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
38 At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500

1 **§5111-C. Reductions in individual income tax rates**

2 **1. Highest rates reduced.** For tax years beginning on or after January 1, 2008, the
3 8% tax rate on the top tax brackets contained in section 5111, subsections 1-C, 2-C and
4 3-C must be adjusted as follows.

5 A. For each tax year beginning in 2008 to 2010, the tax rate that was applicable in
6 the immediately preceding tax year must be reduced by 1% until that rate equals 5%.

7 B. For each tax year beginning in 2011 or after, the tax rate is 5%.

8 **2. Second-highest rates reduced.** For tax years beginning on or after January 1,
9 2008, the 6.5% tax rate on the second-highest tax brackets contained in section 5111,
10 subsections 1-C, 2-C and 3-C must be adjusted as follows.

11 A. For each tax year beginning in 2008 to 2010, the tax rate that was applicable in
12 the immediately preceding tax year must be reduced by 0.5% until that rate equals
13 5%.

14 B. For each tax year beginning in 2011 or after, the tax rate is 5%.

15 **3. Forms, instructions and tables.** The State Tax Assessor shall incorporate the
16 changes arising from this section into the forms, instructions, rate schedules and
17 withholding tables for the appropriate tax years.

18 **Sec. 9. 36 MRSA §5403,** as repealed and replaced by PL 1999, c. 731, Pt. T, §10
19 and affected by §11, is amended to read:

20 **§5403. Annual adjustments for inflation**

21 Beginning in ~~2002~~ 2008, and each subsequent calendar year thereafter, on or about
22 September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for
23 taxable years beginning in the succeeding calendar year by the dollar amounts of the tax
24 rate tables specified in section 5111, subsections ~~1-B, 2-B and 3-B~~ 1-C, 2-C and 3-C. If
25 the dollar amounts of each rate bracket, adjusted by application of the cost-of-living
26 adjustment, are not multiples of \$50, any increase must be rounded to the next lowest
27 multiple of \$50. If the cost-of-living adjustment for any taxable year is 1.000 or less, no
28 adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate
29 tables. The assessor shall incorporate such changes into the income tax forms,
30 instructions and withholding tables for the taxable year.

31 **Sec. 10. Application.** This Act applies to tax years beginning on or after January
32 1, 2007.

33 **SUMMARY**

34 This bill decreases the top 2 income tax rates over a 4-year period, beginning with tax
35 year 2007. The initial decrease is from 8.5% and 7% to 8% and 6.5%, respectively, and
36 then a further 1% and 0.5% decrease in each rate, respectively, for the 2008, 2009 and
37 2010 tax years until both rates are 5%.