

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 1458

H.P. 1028

House of Representatives, March 16, 2007

### An Act To Reduce the Income Tax Burden on Maine Residents

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Speaker CUMMINGS of Portland.  
Cosponsored by President EDMONDS of Cumberland and  
Representatives: PIOTTI of Unity, VALENTINO of Saco.

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

2 **PART A**

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

5 **1-B. Single individuals and married persons filing separate returns; tax years**  
6 **beginning 2002 but before 2007.** For tax years beginning on or after January 1, 2002  
7 but before January 1, 2007, for single individuals and married persons filing separate  
8 returns:

9 If Maine Taxable income is:	The tax is:
10 Less than \$4,200	2% of the Maine taxable income
11 At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
12	
13 At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
14	
15 At least \$16,700 or more	\$856 plus 8.5% of the excess over
16	\$16,700
17	
18	

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

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

23 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
24 <u>Less than \$4,750</u>	<u>2% of the Maine taxable income</u>
25	
26 <u>At least \$4,750 but less than \$9,450</u>	<u>\$95 plus 4.5% of the excess over \$4,750</u>
27	
28 <u>At least \$9,450 but less than \$18,950</u>	<u>\$307 plus 7% of the excess over \$9,450</u>
29	
30 <u>\$18,950 or more</u>	<u>\$972 plus 7.8% of the excess over</u>
31	<u>\$18,950</u>
32	
33	

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

36 **2-B. Heads of households; tax years beginning 2002 but before 2007.** For tax  
37 years beginning on or after January 1, 2002 but before January 1, 2007, for unmarried  
38 individuals or legally separated individuals who qualify as heads of households:

1		
2	If Maine Taxable income is:	The tax is:
3		
4	Less than \$6,300	2% of the Maine taxable income
5		
6	At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
7		
8	At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
9		
10	\$25,050 or more	\$1,284 plus 8.5% of the excess over
11		\$25,050

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

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

16		
17	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
18		
19	<u>Less than \$7,150</u>	<u>2% of the Maine taxable income</u>
20		
21	<u>At least \$7,150 but less than \$14,200</u>	<u>\$143 plus 4.5% of the excess over \$7,150</u>
22		
23	<u>At least \$14,200 but less than \$28,450</u>	<u>\$460 plus 7% of the excess over \$14,200</u>
24		
25	<u>\$28,450 or more</u>	<u>\$1,458 plus 7.8% of the excess over</u>
26		<u>\$28,450</u>

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

29       **3-B. Individuals filing married joint return or surviving spouses; tax years**  
30 **beginning 2002 but before 2007.** For tax years beginning on or after January 1, 2002  
31 but before January 1, 2007, for individuals filing married joint returns or surviving  
32 spouses permitted to file a joint return:

33		
34	If Maine Taxable income is:	The tax is:
35		
36	Less than \$8,400	2% of the Maine taxable income
37		
38	At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
39		
40	At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700

1  
2 \$33,400 or more \$1,711 plus 8.5% of the excess over  
3 \$33,400

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

5 **3-C. Individuals filing married joint return or surviving spouses; tax years**  
6 **beginning 2007.** For tax years beginning on or after January 1, 2007, for individuals  
7 **filing married joint returns or surviving spouses permitted to file a joint return:**

8 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
9 <u>Less than \$9,500</u>	10 <u>2% of the Maine taxable income</u>
11 <u>At least \$9,500 but less than \$18,950</u>	12 <u>\$190 plus 4.5% of the excess over \$9,500</u>
13 <u>At least \$18,950 but less than \$37,950</u>	14 <u>\$615 plus 7% of the excess over \$18,950</u>
15 <u>\$37,950 or more</u>	16 <u>\$1,945 plus 7.8% of the excess over</u> 17 <u>\$37,950</u>

18  
19 **Sec. A-7. Application.** This Part applies to tax years beginning on or after  
20 January 1, 2007.

21 **PART B**

22 **Sec. B-1. 36 MRSA §5219-N, sub-§1,** as amended by PL 2003, c. 390, §48, is  
23 further amended to read:

24 **1. Generally.** Except as provided in subsection 2, an individual whose Maine  
25 taxable income determined as if the individual were a resident individual for the entire  
26 year is ~~\$2,000~~ \$4,000 or less for single individuals, married individuals filing separately  
27 or heads of households and \$8,000 or less for married individuals and surviving spouses  
28 filing joint returns is allowed a credit equal to the tax otherwise imposed on that  
29 individual by this Part. ~~In no case may this~~ This credit may not reduce the Maine income  
30 tax to less than zero.

31 **Sec. B-2. Application.** This Part applies to tax years beginning on or after  
32 January 1, 2007.

33 **PART C**

34 **Sec. C-1. 36 MRSA §1811, first ¶,** as amended by PL 2001, c. 439, Pt. TTTT,  
35 §2 and affected by §3, is further amended to read:

1 A tax is imposed on the value of all tangible personal property and taxable services  
2 sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed  
3 establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title  
4 28-A, chapter 43; ~~7%~~ 10% on the value of rental of living quarters in any hotel, rooming  
5 house or tourist or trailer camp; 10% on the value of rental for a period of less than one  
6 year of an automobile; ~~7%~~ 9% on the value of prepared food; and 5% on the value of all  
7 other tangible personal property and taxable services. Value is measured by the sale  
8 price, except as otherwise provided.

9 **Sec. C-2. Effective date.** This Part takes effect October 1, 2007.

10 **SUMMARY**

11 This bill reduces the income tax burden on Maine residents by:

- 12 1. Reducing the top individual income tax rate from 8.5% to 7.8%; and
- 13 2. Increasing the low-income tax credit from \$2,000 to \$4,000 for individuals,  
14 married individuals filing separately and heads of households and to \$8,000 for married  
15 persons and surviving spouses filing joint returns.

16 This bill offsets the loss of income tax revenue by increasing the rate of the sales tax  
17 imposed on prepared food from 7% to 9% and on short-term lodging from 7% to 10%.