

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

FIRST REGULAR SESSION-2009

Legislative Document

No. 1288

S.P. 469

In Senate, March 31, 2009

An Act To Reduce Income Tax Rates

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 TARDY of Newport and

Senators: COURTNEY of York, McCORMICK of Kennebec, NASS of York, Representatives:
CRAFTS of Lisbon, CURTIS of Madison, DAVIS of Sangerville, GILES of Belfast, LEWIN
of Eliot.

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 but before 2009.** For tax years beginning on or after January 1, 2002
6 but before January 1, 2009, for single individuals and married persons filing separate
7 returns:

8 If Maine Taxable income is:	9 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 At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
13 \$16,700 or more	\$856 plus 8.5% of the excess over \$16,700

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

15 **1-C. Single individuals and married persons filing separate returns; tax years**
16 **beginning in 2009.** For tax years beginning on or after January 1, 2009 but before
17 January 1, 2010, for single individuals and married persons filing separate returns:

18 If Maine Taxable income is:	19 The tax is:
20 <u>\$4,850 or less</u>	<u>1% of the Maine taxable income</u>
21 <u>More than \$4,850 but less than \$9,700</u>	<u>\$49 plus 3.5% of the excess over \$4,850</u>
22 <u>At least \$9,700 but less than \$19,450</u>	<u>\$218 plus 6% of the excess over \$9,700</u>
23 <u>\$19,450 or more</u>	<u>\$803 plus 7.5% of the excess over \$19,450</u>

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

25 **1-D. Single individuals and married persons filing separate returns; tax years**
26 **beginning in 2010.** For tax years beginning on or after January 1, 2010 but before
27 January 1, 2011, for single individuals and married persons filing separate returns:

28 If Maine Taxable income is:	29 The tax is:
30 <u>\$4,850 or less</u>	<u>\$0</u>
31 <u>More than \$4,850 but less than \$9,700</u>	<u>2% of the excess over \$4,850</u>

1	<u>At least \$9,700 but less than \$19,450</u>	<u>\$97 plus 4.5% of the excess over \$9,700</u>
2		
3	<u>\$19,450 or more</u>	<u>\$536 plus 6% of the excess over \$19,450</u>

4 **Sec. 4. 36 MRSA §5111, sub-§1-E** is enacted to read:

5 **1-E. Single individuals and married persons filing separate returns; tax years**
6 **beginning 2011.** For tax years beginning on or after January 1, 2011, for single
7 individuals and married persons filing separate returns:

8	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
9		
10	<u>\$4,850 or less</u>	<u>\$0</u>
11		
12	<u>More than \$4,850 but less than \$9,700</u>	<u>0.5% of the excess over \$4,850</u>
13		
14	<u>At least \$9,700 but less than \$19,450</u>	<u>\$24 plus 3% of the excess over \$9,700</u>
15		
16	<u>\$19,450 or more</u>	<u>\$317 plus 4.5% of the excess over \$19,450</u>

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

19 **2-B. Heads of households; tax years beginning 2002 but before 2009.** For tax
20 years beginning on or after January 1, 2002 but before January 1, 2009, for unmarried
21 individuals or legally separated individuals who qualify as heads of households:

22	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
23		
24	<u>Less than \$6,300</u>	<u>2% of the Maine taxable income</u>
25		
26	<u>At least \$6,300 but less than \$12,500</u>	<u>\$126 plus 4.5% of the excess over \$6,300</u>
27		
28	<u>At least \$12,500 but less than \$25,050</u>	<u>\$405 plus 7% of the excess over \$12,500</u>
29		
30	<u>\$25,050 or more</u>	<u>\$1,284 plus 8.5% of the excess over</u>
31		<u>\$25,050</u>

32 **Sec. 6. 36 MRSA §5111, sub-§2-C** is enacted to read:

33 **2-C. Heads of households; tax years beginning in 2009.** For tax years beginning
34 on or after January 1, 2009 but before January 1, 2010, for unmarried individuals or
35 legally separated individuals who qualify as heads of households:

1	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
2		
3	<u>\$7,300 or less</u>	<u>1% of the Maine taxable income</u>
4		
5	<u>More than \$7,300 but less than \$14,550</u>	<u>\$73 plus 3.5% of the excess over \$7,300</u>
6		
7	<u>At least \$14,550 but less than \$29,200</u>	<u>\$327 plus 6% of the excess over \$14,550</u>
8		
9	<u>\$29,200 or more</u>	<u>\$1,206 plus 7.5% of the excess over</u>
10		<u>\$29,200</u>

11 **Sec. 7. 36 MRSA §5111, sub-§2-D** is enacted to read:

12 **2-D. Heads of households; tax years beginning in 2010.** For tax years beginning
13 on or after January 1, 2010 but before January 1, 2011, for unmarried individuals or
14 legally separated individuals who qualify as heads of households:

15	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
16		
17	<u>\$7,300 or less</u>	<u>\$0</u>
18		
19	<u>More than \$7,300 but less than \$14,550</u>	<u>2% of the excess over \$7,300</u>
20		
21	<u>At least \$14,550 but less than \$29,200</u>	<u>\$145 plus 4.5% of the excess over \$14,550</u>
22		
23	<u>\$29,200 or more</u>	<u>\$804 plus 6% of the excess over \$29,200</u>

24 **Sec. 8. 36 MRSA §5111, sub-§2-E** is enacted to read:

25 **2-E. Heads of households; tax years beginning 2011.** For tax years beginning on
26 or after January 1, 2011, for unmarried individuals or legally separated individuals who
27 qualify as heads of households:

28	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
29		
30	<u>\$7,300 or less</u>	<u>\$0</u>
31		
32	<u>More than \$7,300 but less than \$14,550</u>	<u>0.5% of the excess over \$7,300</u>
33		
34	<u>At least \$14,550 but less than \$29,200</u>	<u>\$36 plus 3% of the excess over \$14,550</u>
35		
36	<u>\$29,200 or more</u>	<u>\$476 plus 4.5% of the excess over \$29,200</u>

37 **Sec. 9. 36 MRSA §5111, sub-§3-B**, as enacted by PL 1999, c. 731, Pt. T, §7, is
38 amended to read:

39 **3-B. Individuals filing married joint return or surviving spouses; tax years**
40 **beginning 2002 but before 2009.** For tax years beginning on or after January 1, 2002

1 but before January 1, 2009, for individuals filing married joint returns or surviving
2 spouses permitted to file a joint return:

3 If Maine Taxable income is:	The tax is:
4 Less than \$8,400	2% of the Maine taxable income
5 At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
6 At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
7 \$33,400 or more	\$1,711 plus 8.5% of the excess over
8	9 \$33,400

13 **Sec. 10. 36 MRSA §5111, sub-§3-C** is enacted to read:

14 **3-C. Individuals filing married joint return or surviving spouses; tax years**
15 **beginning in 2009.** For tax years beginning on or after January 1, 2009 but before
16 January 1, 2010, for individuals filing married joint returns or surviving spouses
17 permitted to file a joint return:

18 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
19 \$9,750 or less	1% of the Maine taxable income
20 More than \$9,750 but less than \$19,450	\$98 plus 3.5% of the excess over \$9,750
21 At least \$19,450 but less than \$38,900	\$437 plus 6% of the excess over \$19,450
22 \$38,900 or more	\$1,604 plus 7.5% of the excess over
23	24 \$38,900

28 **Sec. 11. 36 MRSA §5111, sub-§3-D** is enacted to read:

29 **3-D. Individuals filing married joint return or surviving spouses; tax years**
30 **beginning in 2010.** For tax years beginning on or after January 1, 2010 but before
31 January 1, 2011, for individuals filing married joint returns or surviving spouses
32 permitted to file a joint return:

33 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
34 \$9,750 or less	\$0
35 More than \$9,750 but less than \$19,450	2% of the excess over \$9,750
36 At least \$19,450 but less than \$38,900	\$194 plus 4.5% of the excess over \$19,450
37 \$38,900 or more	\$1,069 plus 6% of the excess over \$38,900

1 **Sec. 12. 36 MRSA §5111, sub-§3-E** is enacted to read:

2 **3-E. Individuals filing married joint return or surviving spouses; tax years**
3 **beginning 2011.** For tax years beginning on or after January 1, 2011, for individuals
4 **filing married joint returns or surviving spouses permitted to file a joint return:**

5 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
6	
7 <u>\$9,750 or less</u>	<u>\$0</u>
8	
9 <u>More than \$9,750 but less than \$19,450</u>	<u>0.5% of the excess over \$9,750</u>
10	
11 <u>At least \$19,450 but less than \$38,900</u>	<u>\$48 plus 3% of the excess over \$19,450</u>
12	
13 <u>\$38,900 or more</u>	<u>\$632 plus 4.5% of the excess over \$38,900</u>

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

16 **1. Imposition and rate of tax; tax years ending before 2009.** A For tax years
17 ending before January 1, 2009, a tax is imposed for each taxable year at the following
18 rates on each taxable corporation and on each group of corporations that derives income
19 from a unitary business carried on by 2 or more members of an affiliated group:

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

28 In the case of an affiliated group of corporations engaged in a unitary business with
29 activity taxable only by Maine, the rates provided in this subsection are applied only to
30 the first \$250,000 of the Maine net income of the entire group and must be apportioned
31 equally among the taxable corporations unless those taxable corporations jointly elect a
32 different apportionment. The balance of the Maine net income of the entire group is taxed
33 at 8.93%.

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

40 **Sec. 14. 36 MRSA §5200, sub-§1-A** is enacted to read:

1 **1-A. Imposition and rate of tax; tax years beginning 2009.** For tax years
2 beginning in 2009, a tax is imposed for each taxable year at the following rates on each
3 taxable corporation and on each group of corporations that derives income from a unitary
4 business carried on by 2 or more members of an affiliated group:

<u>If the income is:</u>	<u>The tax is:</u>
<u>Not over \$25,000</u>	<u>2.5% of the income</u>
<u>\$25,000 but not over \$75,000</u>	<u>\$625 plus 6.93% of the excess over</u> <u>\$25,000</u>
<u>\$75,000 but not over \$250,000</u>	<u>\$4,090 plus 7.33% of the excess over</u> <u>\$75,000</u>
<u>\$250,000 or more</u>	<u>\$16,918 plus 7.93% of the excess over</u> <u>\$250,000</u>

13 In the case of an affiliated group of corporations engaged in a unitary business with
14 activity taxable only by Maine, the rates provided in this subsection are applied only to
15 the first \$250,000 of the Maine net income of the entire group and must be apportioned
16 equally among the taxable corporations unless those taxable corporations jointly elect a
17 different apportionment. The balance of the Maine net income of the entire group is taxed
18 at 7.93%.

19 In the case of an affiliated group of corporations engaged in a unitary business with
20 activity taxable both within and without this State, the rates provided in this subsection
21 are applied only to the first \$250,000 of the net income of the entire group and must be
22 apportioned equally among the taxable corporations unless those taxable corporations
23 jointly elect a different apportionment. The balance of the net income of the entire group
24 is taxed at 7.93%.

25 **Sec. 15. 36 MRSA §5200, sub-§1-B** is enacted to read:

26 **1-B. Imposition and rate of tax; tax years beginning 2010.** For tax years
27 beginning in 2010, a tax is imposed for each taxable year at the following rates on each
28 taxable corporation and on each group of corporations that derives income from a unitary
29 business carried on by 2 or more members of an affiliated group:

<u>If the income is:</u>	<u>The tax is:</u>
<u>Not over \$25,000</u>	<u>1% of the income</u>
<u>\$25,000 but not over \$75,000</u>	<u>\$250 plus 5.43% of the excess over</u> <u>\$25,000</u>
<u>\$75,000 but not over \$250,000</u>	<u>\$2,965 plus 5.83% of the excess over</u> <u>\$75,000</u>
<u>\$250,000 or more</u>	<u>\$13,168 plus 6.43% of the excess over</u> <u>\$250,000</u>

38 In the case of an affiliated group of corporations engaged in a unitary business with
39 activity taxable only by Maine, the rates provided in this subsection are applied only to
40 the first \$250,000 of the Maine net income of the entire group and must be apportioned
41 equally among the taxable corporations unless those taxable corporations jointly elect a

1 different apportionment. The balance of the Maine net income of the entire group is taxed
2 at 6.43%.

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 6.43%.

9 **Sec. 16. 36 MRSA §5200, sub-§1-C is enacted to read:**

10 **1-C. Imposition and rate of tax; tax years beginning 2011 or after.** For tax years
11 beginning on or after January 1, 2011, a tax is imposed for each taxable year at the
12 following rates on each taxable corporation and on each group of corporations that
13 derives income from a unitary business carried on by 2 or more members of an affiliated
14 group:

<u>If the income is:</u>	<u>The tax is:</u>
<u>Not over \$25,000</u>	<u>\$0</u>
<u>\$25,000 but not over \$75,000</u>	<u>3.93% of the excess over \$25,000</u>
<u>\$75,000 but not over \$250,000</u>	<u>\$1,965 plus 4.33% of the excess over</u> <u>\$75,000</u>
<u>\$250,000 or more</u>	<u>\$9,543 plus 4.93% of the excess over</u> <u>\$250,000</u>

22 In the case of an affiliated group of corporations engaged in a unitary business with
23 activity taxable only by Maine, the rates provided in this subsection are applied only to
24 the first \$250,000 of the Maine net income of the entire group and must be apportioned
25 equally among the taxable corporations unless those taxable corporations jointly elect a
26 different apportionment. The balance of the Maine net income of the entire group is taxed
27 at 4.93%.

28 In the case of an affiliated group of corporations engaged in a unitary business with
29 activity taxable both within and without this State, the rates provided in this subsection
30 are applied only to the first \$250,000 of the net income of the entire group and must be
31 apportioned equally among the taxable corporations unless those taxable corporations
32 jointly elect a different apportionment. The balance of the net income of the entire group
33 is taxed at 4.93%.

34 **Sec. 17. 36 MRSA §5203-B, as amended by PL 2003, c. 673, Pt. JJ, §2 and**
35 **affected by §6, is further amended to read:**

36 **§5203-B. Corporate income tax surcharge**

37 In addition to the tax liability otherwise established by this Part, a tax surcharge of
38 10% of the total amount of state tax liability established by sections section 5200 and
39 former section 5203-C is imposed on taxable corporations for tax years beginning in 1991
40 or 1992.

1 **Sec. 18. 36 MRSA §5203-C**, as amended by PL 2005, c. 618, §§7 and 8 and
2 affected by §22, is repealed.

3 **Sec. 19. 36 MRSA §5217-A**, as amended by PL 2003, c. 673, Pt. JJ, §4 and
4 affected by §6, is further amended to read:

5 **§5217-A. Income tax paid to other taxing jurisdiction**

6 A resident individual is allowed a credit against the tax otherwise due under this Part,
7 ~~excluding the tax imposed by section 5203-C~~, for the amount of income tax imposed on
8 that individual for the taxable year by another state of the United States, a political
9 subdivision of any such state, the District of Columbia or any political subdivision of a
10 foreign country that is analogous to a state of the United States with respect to income
11 subject to tax under this Part that is derived from sources in that taxing jurisdiction. In
12 determining whether income is derived from sources in another jurisdiction, the assessor
13 may not employ the law of the other jurisdiction but shall instead assume that a statute
14 equivalent to section 5142 applies in that jurisdiction. The credit, for any of the specified
15 taxing jurisdictions, may not exceed the proportion of the tax otherwise due under this
16 Part, ~~excluding the tax imposed by section 5203-C~~, that the amount of the taxpayer's
17 Maine adjusted gross income derived from sources in that taxing jurisdiction bears to the
18 taxpayer's entire Maine adjusted gross income; except that, when a credit is claimed for
19 taxes paid to both a state and a political subdivision of a state, the total credit allowable
20 for those taxes does not exceed the proportion of the tax otherwise due under this Part,
21 ~~excluding the tax imposed by section 5203-C~~, that the amount of the taxpayer's Maine
22 adjusted gross income derived from sources in the other state bears to the taxpayer's
23 entire Maine adjusted gross income.

24 **Sec. 20. 36 MRSA §5219-H**, as repealed and replaced by PL 2003, c. 673, Pt. F,
25 §1 and affected by §2, is further amended to read:

26 **§5219-H. Application of credits against taxes**

27 **1. Meaning of tax.** Whenever a credit provision in chapter 822, other than section
28 5219-W, allows for a credit "against the tax otherwise due under this Part," "against the
29 tax imposed by this Part" or similar language, "tax" means all taxes under this Part,
30 except the ~~minimum tax imposed by section 5203-C~~ and the taxes imposed by chapter
31 827.

32 **2. Meaning of tax liability.** Whenever a credit provided for in chapter 822 is
33 limited by reference to tax liability, "tax liability" means the tax liability for all taxes
34 under this Part, except the ~~minimum tax imposed by section 5203-C~~ and the taxes
35 imposed by chapter 827.

36 **Sec. 21. 36 MRSA §5219-N, sub-§2, ¶A**, as enacted by PL 1997, c. 557, Pt. E,
37 §1 and affected by §2 and Pt. G, §1, is amended to read:

38 A. An individual who is claimed as a dependent on another individual's income tax
39 return; ~~and~~.

1 **Sec. 22. 36 MRSA §5219-N, sub-§2, ¶B,** as amended by PL 2003, c. 673, Pt. JJ,
2 §5 and affected by §6, is repealed.

3 **Sec. 23. 36 MRSA §5403,** as repealed and replaced by PL 1999, c. 731, Pt. T, §10
4 and affected by §11, is amended to read:

5 **§5403. Annual adjustments for inflation**

6 Beginning in 2002, and each subsequent calendar year thereafter, on or about
7 September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for
8 taxable years beginning in the succeeding calendar year by the dollar amounts of the tax
9 rate tables specified in section 5111, subsections ~~1-B, 2-B and 3-B~~ to 3-E. If the dollar
10 amounts of each rate bracket, adjusted by application of the cost-of-living adjustment, are
11 not multiples of \$50, any increase must be rounded to the next lowest multiple of \$50. If
12 the cost-of-living adjustment for any taxable year is 1.000 or less, no adjustment may be
13 made for that taxable year in the dollar bracket amounts of the tax rate tables. The
14 assessor shall incorporate such changes into the income tax forms, instructions and
15 withholding tables for the taxable year.

16 **Sec. 24. Application.** This Act applies to tax years beginning on or after January
17 1, 2009.

18

SUMMARY

19 This bill reduces over a 3-year period the income tax rates imposed on individuals
20 and corporations. For tax years beginning in 2009, the tax rates are reduced by one
21 percentage point; in tax year 2010, by another point and a half; and in 2011 by another
22 point and a half. The effect of these reductions is that, beginning with tax years
23 beginning on or after January 1, 2011, for individuals, income now taxed at the rate of
24 2% will not be taxed; income taxed at the rate of 4.5% will be taxed at the rate of 0.5%;
25 income taxed at the rate of 7% will be taxed at the rate of 3%; and income taxed at the
26 rate of 8.5% will be taxed at the rate of 4.5%.

27 For corporations, beginning with tax years beginning on or after January 1, 2011,
28 income of \$25,000 or less will not be taxed; income of \$25,000 to \$75,000 now taxed at
29 the rate of 7.93% will be taxed at the rate of 3.93%; income of \$75,000 to \$250,000 now
30 taxed at the rate of 8.33% will be taxed at the rate of 4.33%; and income of more than
31 \$250,000 now taxed at the rate of 8.93% will be taxed at the rate of 4.93%.

32 This bill also eliminates the state alternative minimum tax.