

MAINE STATE LEGISLATURE

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R. & S.

L.D. 849

Date: 6-16-11

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STATE OF MAINE
SENATE
125TH LEGISLATURE
FIRST REGULAR SESSION

SENATE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 252, L.D. 849, Bill, "An Act To Provide Tax Relief for Maine's Citizens by Reducing Income Taxes"

Amend the amendment by striking out all of sections 1 and 2 (page 1, lines 12 to 36 and page 2, lines 1 to 27 in amendment) and inserting the following:

Sec. 1. 5 MRSA §1518-A, sub-§1, as enacted by PL 2005, c. 2, Pt. A, §4 and affected by §14, is amended to read:

1. Tax Relief Fund for Maine Residents. There is created the Tax Relief Fund for Maine Residents, referred to in this section as "the fund," which must be used to provide tax relief to residents of the State. The fund consists of all resources transferred to the fund under section 1518-B and section 1536 and other resources made available to the fund. The fund must be used to reduce the individual income tax rates until they reach 4.5% pursuant to subsection 1-A.

Sec. 2. 5 MRSA §1518-A, sub-§1-A is enacted to read:

1-A. Implementation. By July 1, 2013 and annually thereafter, the State Controller shall inform the State Tax Assessor of the amount available in the fund for the purposes of subsection 1.

A. By November 1st annually, the State Tax Assessor shall calculate the amount by which the income tax rates under Title 36, section 5111 may be reduced. Bracket rate reductions must be a minimum of 0.2 percentage points in the first year in which reductions are made and a minimum of 0.1 percentage points in subsequent years. If sufficient funds are not available to pay for the minimum reduction, a rate reduction may not be made until the amount in the fund is sufficient to pay for the reduction. When the amount is sufficient to pay for the reduction, the reduction must first be applied equally to each bracket for all categories under Title 36, section 5111 until one of the brackets reaches 4.5%, at which time the funds in subsequent years must be applied to the remaining bracket until there is a single bracket with a rate of 4.5%.

B. The State Tax Assessor shall provide public notice of new bracket rates calculated under this subsection by November 15th annually.

1 C. New bracket rates take effect beginning with tax years that begin on or after
 2 January 1st of the calendar year following the determinations made under this
 3 subsection.'

4 Amend the amendment by striking out all of sections 5 to 10 and inserting the
 5 following:

6 'Sec. 5. 36 MRSA §5111, sub-§1-B, as enacted by PL 1999, c. 731, Pt. T, §3, is
 7 amended to read:

8 **1-B. Single individuals and married persons filing separate returns; tax years**
 9 **from 2002 to 2012.** For tax years beginning on or after January 1, 2002 but not later than
 10 December 31, 2012, for single individuals and married persons filing separate returns:

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

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

17 **1-C. Single individuals and married persons filing separate returns; tax years**
 18 **beginning 2013.** For tax years beginning on or after January 1, 2013, for single
 19 **individuals and married persons filing separate returns:**

20 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
21 <u>At least \$5,000 but less than \$19,950</u>	<u>6.5% of the excess over \$5,000</u>
22 <u>\$19,950 or more</u>	<u>\$972 plus 7.95% of the excess over</u>
23	<u>\$19,950</u>

24 **Sec. 7. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c. 731, Pt. T, §5, is
 25 amended to read:

26 **2-B. Heads of households; tax years from 2002 to 2012.** For tax years beginning
 27 on or after January 1, 2002 but not later than December 31, 2012, for unmarried
 28 individuals or legally separated individuals who qualify as heads of households:

29 If Maine Taxable income is:	The tax is:
30 Less than \$6,300	2% of the Maine taxable income
31 At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
32 At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
33 \$25,050 or more	\$1,284 plus 8.5% of the excess over
34	\$25,050

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

36 **2-C. Heads of households; tax years beginning 2013.** For tax years beginning on
 37 or after January 1, 2013, for unmarried individuals or legally separated individuals who
 38 qualify as heads of households:

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<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>At least \$7,500 but less than \$29,900</u>	<u>6.5% of the excess over \$7,500</u>
<u>\$29,900 or more</u>	<u>\$1,456 plus 7.95% of the excess over \$29,900</u>

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

3-B. Individuals filing married joint return or surviving spouses; tax years from 2002 to 2012. For tax years beginning on or after January 1, 2002 but not later than December 31, 2012, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

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

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

3-C. Individuals filing married joint return or surviving spouses; tax years beginning 2013. For tax years beginning on or after January 1, 2013, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>At least \$10,000 but less than \$39,900</u>	<u>6.5% of the excess over \$10,000</u>
<u>\$39,900 or more</u>	<u>\$1,944 plus 7.95% of the excess over \$39,900</u>

Amend the amendment by striking out all of section 12 (page 5, lines 20 to 38 in amendment) and inserting the following:

'Sec. 12. Application. Unless otherwise indicated, this Act applies to income tax years beginning on or after January 1, 2012.

Sec. 13. Effective date. That section of this Act that amends the Maine Revised Statutes, Title 36, section 5402, subsection 1-B takes effect January 1, 2012.'

Amend the amendment by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

SUMMARY

This amendment strikes the provisions of Committee Amendment "A" that require that revenue that exceeds the General Fund appropriation limitation and unappropriated surplus of the General Fund be used to gradually increase by 20% the income tax bracket thresholds at which higher income tax rates apply. This amendment retains the requirement that revenue be used to reduce the highest income tax rates to 4.5% over time to eventually establish one income tax rate.

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SENATE AMENDMENT "A" to COMMITTEE AMENDMENT "A" to S.P. 252, L.D. 849

1 This amendment removes the provisions of Committee Amendment "A" that
2 establish income tax rates at 0%, 6.5% and 8.5% for tax years beginning in 2012 but
3 retains the changes made for tax years beginning in 2013 or later.

4 **FISCAL NOTE REQUIRED**

5
6 (See attached)
7

8 **SPONSORED BY:**  _____

9 (Senator TRAHAN)

10 **COUNTY: Lincoln**

**125th MAINE LEGISLATURE****LD 849****LR 149(05)****An Act To Provide Tax Relief for Maine's Citizens by Reducing Income Taxes****Fiscal Note for Senate Amendment "A" to Committee Amendment "A" S - 330****Sponsor: Sen. Trahan of Lincoln****Fiscal Note Required: Yes**

Fiscal Note

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
Net Cost (Savings)				
General Fund	(\$11,852,200)	(\$17,778,300)	\$0	\$0
Revenue				
General Fund	\$11,852,200	\$17,778,300	\$0	\$0
Other Special Revenue Funds	\$623,800	\$935,700	\$0	\$0

Fiscal Detail and Notes

This amendment delays the noncontingent tax changes in the committee amendment and revises the changes to be consistent with the changes proposed in LD 1043, the Biennial Budget Bill as amended. This amendment reduces the revenue loss during the 2012-2013 biennium from the bill as amended by the committee amendment. The reductions to Individual Income Tax revenue for the bill as amended by this amendment are presented in the table below.

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Individual Income Tax Revenue	\$0	(\$37,004,000)	(\$94,290,000)	(\$98,408,000)
Net General Fund Revenue	\$0	(\$35,153,800)	(\$89,575,500)	(\$93,487,600)
Local Government Fund Revenue	\$0	(\$1,850,200)	(\$4,714,500)	(\$4,920,400)

If LD 1043 as amended is enacted, the bill would have no budgeted revenue effect, because that bill includes the same changes.

This amendment eliminates several provisions for transfers to the Tax Relief Fund for Maine Residents that would have triggered further individual income tax reductions.