Comey ROPS

L.D. 849

Date: 3-20-12 (Filing No. H-718)

Reproduced and distributed under the direction of the Clerk of the House.

STATE OF MAINE

HOUSE OF REPRESENTATIVES

125TH LEGISLATURE

SECOND REGULAR SESSION

HOUSE AMENDMENT "A" to COMMITTEE AMENDMENT "C" 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 section 1 (page 1, lines 13 to 35 and page 2, lines 1 to 21 in amendment) and inserting the following:

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

§1518-A. Tax Relief Fund for Maine Residents

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 subsection 4 and section 1536 and other resources made available to the fund. The fund must be used in the order of the following.

A. As the first priority, amounts in the fund must be used to increase the earned income credit under Title 36, section 5219-S until the credit is equal to 50% of the federal earned income credit for the same taxable year, and the credit is refundable.

B. As the 2nd priority, amounts in the fund must be used to increase the individual income tax bracket threshold amounts under Title 36, section 5111 until the bracket thresholds are 20% higher than those in effect for tax years beginning in 2014.

C. As the 3rd priority, after the increase in bracket thresholds required under paragraph B has been achieved, amounts in the fund must be used to reduce the highest individual income tax rate until it reaches 6.5%.

1-A. Implementation. By September 15, 2014 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 use the amount in the fund identified by the State Controller to calculate the new earned income credit percentage and refundability under subsection 1, paragraph A.

B. After the earned income credit under paragraph A has been increased to 50% of the federal earned income credit for the same taxable year and the credit has been made refundable, by November 1st annually the State Tax Assessor shall use the amount in the fund identified by the State Controller to calculate new individual income tax bracket thresholds under subsection 1, paragraph B by proportional increases in each bracket until the thresholds are 20% higher than the bracket thresholds in effect for tax years beginning on or after January 1, 2014.

C. After bracket thresholds have reached the amounts required under subsection 1, paragraph B, by November 1st annually the State Tax Assessor shall calculate the amount by which the highest income tax rate under Title 36, section 5111 may be reduced. Bracket rate reductions must be 0.2% in the first year in which reductions are made and 0.1% 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 8.5% bracket under Title 36, section 5111 has been reduced to 7%, the 2 highest brackets for all categories under Title 36, section 5111 must be combined into one bracket. Future annual rate reductions must be calculated until the tax rate for the highest bracket is 6.5%.

D. The State Tax Assessor shall provide public notice of new earned income credit percentages and the refundability of that credit, bracket thresholds and rates calculated under this subsection by November 15th annually.

E. New earned income credit percentages and the refundability of that credit, bracket thresholds and rates take effect beginning with tax years that begin on or after January 1st of the calendar year following the determinations made under this subsection.

2. Nonlapsing fund. Any unexpended balance in the Tax Relief Fund for Maine Residents may not lapse but must be carried forward to be used pursuant to subsection ~~1~~ 1-A.

3. Transfer for income tax reduction. In the fiscal years immediately following the calculation of the earned income credit, the refundable status of that earned income credit and the income tax rate reduction under subsection 1-A, paragraphs A, B and C, the State Tax Assessor shall certify to the State Controller the amount of the reduction in General Fund revenue by fiscal year, and the State Controller shall transfer from the fund the amount certified for the reduction in revenue attributable to adjustments made under subsection 1-A to the General Fund unappropriated surplus.

4. Transfer from General Fund revenue growth. Beginning with fiscal year 2013-14 and before any other transfers from the General Fund, the State Controller shall transfer to the fund at the close of each fiscal year 40% of the amount by which General Fund revenue for that fiscal year exceeds the General Fund appropriation limitation calculated for that fiscal year under section 1534.'

SUMMARY

This amendment removes the requirement proposed in Committee Amendment "C" that a portion of revenue exceeding the General Fund appropriation limitation and unappropriated surplus of the General Fund be deposited in the Tax Relief Fund for

Maine Residents and used to reduce the tax rates gradually to 4%. Instead, this amendment requires that revenue exceeding the General Fund appropriation limitation and unappropriated surplus of the General Fund be deposited in the Tax Relief Fund for Maine Residents and used to increase the earned income tax credit from 5% of the federal earned income credit to 50% of the federal earned income credit and make the credit refundable. Once the earned income credit is 50% of the federal earned income credit and refundable, as a 2nd priority, if funds are available in the Tax Relief Fund for Maine Residents, then the fund must be used to gradually increase by 20% the income bracket thresholds. As a 3rd priority, the Tax Relief Fund for Maine Residents must be used to reduce the highest income tax rate to 6.5%.

SPONSORED BY: ______________________

(Representative KUMIEGA)

TOWN: Deer Isle

FISCAL NOTE REQUIRED
(See attached)

Approved: 03/19/12 mac

125th MAINE LEGISLATURE

LD 849 **LR 149(17)**

An Act To Provide Tax Relief for Maine's Citizens by Reducing Income Taxes

Fiscal Note for House Amendment "A" to Committee Amendment "C"
Sponsor: Rep. Kumiega, III of Deer Isle
Fiscal Note Required: Yes

Fiscal Note

Potential future biennium revenue increase - General Fund

Fiscal Detail and Notes

The amendment changes the objective of the Tax Relief Fund for Maine Residents from gradually reducing the tax rates to 4% to funding the following initiatives (in order): increase the earned income tax credit from 5% of the federal credit to 50% of the federal credit and make the credit refundable, proportionately increase individual income tax bracket threshholds until they are 20% higher than the brackets in effect for taxable years beginning on or after January 1, 2014 and to gradually reduce the highest income tax rate from 7.95% to 6.5%. Based on currently budgeted revenue, no transfers of General Fund revenue in excess of the appropriation limitation are expected through the end of fiscal year 2014-15. Since the funding for the changes is non-recurring and the tax changes permanent, it is possible that the bill could result in significantly reduced General Fund revenues for all years following their implementation. The potential future revenue loss under this amendment is expected to be less than under the committee amendment. Therefore, the impact of this amendment is higher revenues in future biennia.