

MAINE STATE LEGISLATURE

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L.D. 849

Date: 3-8-12

(Filing No. S-427)

MAJORITY

TAXATION

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STATE OF MAINE

SENATE

125TH LEGISLATURE

SECOND REGULAR SESSION

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 bill by striking out everything after the enacting clause and before the summary 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 to reduce the individual income tax rates to 4% pursuant to subsection 1-A.

1-A. Implementation. By September 1, 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 calculate the amount by which the income tax rates under Title 36, section 5111, subsections 1-C, 2-C and 3-C may be reduced during the subsequent tax year using the amount available from the fund. 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 under Title 36, section 5111, subsections 1-C, 2-C and 3-C until the lower bracket reaches 4%. Funds available from the fund in subsequent years must be applied to reduce the higher bracket rates

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until there is a single bracket with a rate of 4%, after which future tax relief may be identified.

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

C. New bracket rates calculated under this subsection apply 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-A.

3. Transfer for income tax reduction. In the fiscal years immediately following the calculation of the income tax rate reduction under subsection 1-A, paragraph A, 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.

Sec. 2. 5 MRSA §1536, sub-§1, as amended by PL 2011, c. 380, Pt. X, §2, is further amended to read:

1. Fourth priority reserve. The State Controller shall, as the 4th priority after the transfers to the State Contingent Account pursuant to section 1507, the transfers to the Loan Insurance Reserve pursuant to section 1511 and the transfers pursuant to section 1522 at the close of each fiscal year, transfer from the unappropriated surplus of the General Fund an amount equal to the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments considered necessary by the State Controller have been made as follows:

- A. ~~Thirty-five~~ Twenty-one percent to the stabilization fund;
- B. ~~Twenty~~ Twelve percent to the Retirement Allowance Fund established in section 17251;
- C. ~~Twenty~~ Twelve percent to the Reserve for General Fund Operating Capital;
- D. ~~Fifteen~~ Nine percent to the Retiree Health Insurance Internal Service Fund established in section 1519 to be used solely for the purpose of amortizing the unfunded actuarial liability associated with future health benefits; ~~and~~
- E. ~~Ten~~ Six percent to the Capital Construction and Improvements Reserve Fund established in section 1516-A; and
- F. Forty percent to the Tax Relief Fund for Maine Residents established in section 1518-A.

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Sec. 3. Application. That section of this Act that amends the Maine Revised Statutes, Title 5, section 1536, subsection 1 applies to fiscal years beginning on or after July 1, 2012.'

SUMMARY

This amendment replaces the bill. It removes the requirement proposed in the bill that revenue exceeding the General Fund appropriation limitation and unappropriated surplus of the General Fund be applied to gradually increase by 20% the income bracket thresholds at which higher income tax rates apply. The amendment requires that a portion of revenue exceeding the General Fund appropriation limitation and unappropriated surplus of the General Fund be used to gradually reduce the tax rates to 4% instead of 6.5% as proposed in the bill.

FISCAL NOTE REQUIRED
(See attached)



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125th MAINE LEGISLATURE

LD 849

LR 149(08)

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

Fiscal Note for Bill as Amended by Committee Amendment "C" S-427**Committee: Taxation****Fiscal Note Required: Yes**

Fiscal Note

Potential future biennium revenue decrease - General Fund

Fiscal Detail and Notes

In addition to the effects on budgeted revenue, this bill also requires that 40% of any General Fund revenue exceeding the General Fund appropriation limitation as well as a portion of any uncommitted resources in the unappropriated surplus of the General Fund, also known as the Cascade, must be transferred at the close of each fiscal year to the Tax Relief Fund for Maine Residents. 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. If actual revenue in these or later fiscal years exceeds budgeted revenue, leaving an excess for year-end distribution to the Fund, the balance, when sufficient, would be used to replace the revenues that would be lost by reducing individual income tax rates. The amount of rate reduction that would occur in any tax year is to be determined solely by reference to the balance of the Fund and the revenue that would be lost by any rate reduction effective for the following tax year. Since the funding for the rate reduction is non-recurring and the rate reductions permanent, it is possible that the bill could result in significantly reduced revenues for all years following the implementation of a tax rate reduction.