

# MAINE STATE LEGISLATURE

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# 125th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2011

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Legislative Document

No. 1369

H.P. 1008

House of Representatives, March 31, 2011

### An Act To Simplify the Maine Income Tax Law

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading 'Heather J.R. Priest'.

HEATHER J.R. PRIEST  
Clerk

Presented by Representative WINSOR of Norway.

Cosponsored by Representatives: CURTIS of Madison, FITTS of Pittsfield.

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

2 **Sec. 1. 36 MRSA §5117** is enacted to read:

3 **§5117. Imposition of tax on individual income**

4 Notwithstanding the other provisions of this Part, for tax years beginning on or after  
5 January 1, 2013, the tax on individual income is calculated under this section.

6 **1. Imposition of tax on resident individual income.** A tax is imposed on the  
7 individual income of every resident individual. The tax is 36.25% of the federal income  
8 tax liability under the Code.

9 **2. Imposition of tax on nonresident individual income.** A tax is imposed on the  
10 individual income of every nonresident individual who earns income in the State. The  
11 tax is 36.25% of the Maine portion of federal income tax liability under the Code on  
12 income derived from or connected with sources in this State as described under section  
13 5142. The Maine portion of federal liability is determined by multiplying the total  
14 federal income tax liability by a fraction, the numerator of which is gross income derived  
15 from or connected with sources in this State and the denominator of which is total federal  
16 gross income.

17 **3. Adjustments required of State Tax Assessor.** By September 1, 2014 and  
18 annually thereafter, the State Tax Assessor shall determine if changes have been made in  
19 the Code since September 1st of the previous year that alter total anticipated federal  
20 income tax liability by more than 4% for tax years beginning during the following  
21 calendar year. If the assessor determines that the 4% level has been reached, the assessor  
22 shall calculate the percentage of federal income tax liability that must be imposed on  
23 individual income under this Part to retain substantially the same amount of individual  
24 income tax revenue forecasted by the most recent report of the Revenue Forecasting  
25 Committee under Title 5, section 1710-F.

26 **Sec. 2. Statutory revisions.** By January 15, 2012, the State Tax Assessor shall  
27 submit legislation to the Second Regular Session of the 125th Legislature to make any  
28 statutory changes necessary to implement this Act.

29 **SUMMARY**

30 This bill simplifies the Maine Income Tax Law and replaces the current system with  
31 a system of personal income taxation that calculates state income tax as a percentage of  
32 federal income tax liability. The bill also provides a mechanism for the State Tax  
33 Assessor to adjust the tax rate when changes in federal law are estimated to change total  
34 federal anticipated revenue by more than 4% to maintain forecasted state income tax  
35 revenue.