

MAINE STATE LEGISLATURE

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126th MAINE LEGISLATURE

FIRST REGULAR SESSION-2013

Legislative Document

No. 1124

H.P. 796

House of Representatives, March 21, 2013

An Act To Provide Income Tax Relief

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative STUCKEY of Portland.
Cosponsored by President ALFOND of Cumberland and
Representatives: BROOKS of Winterport, CHAPMAN of Brooksville, EVANGELOS of
Friendship, GILBERT of Jay, KUSIAK of Fairfield, PRIEST of Brunswick, SANBORN of
Gorham.

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

2 **Sec. 1. 36 MRSA §5111, sub-§1-C**, as enacted by PL 2011, c. 380, Pt. N, §2 and
3 affected by §19, is amended to read:

4 **1-C. Single individuals and married persons filing separate returns; tax year**
5 **2013.** For the tax years year beginning on or after January 1, 2013 and before January 1,
6 2014, for single individuals and married persons filing separate returns:

| | | |
|----|---|-------------------------------------|
| 7 | If Maine Taxable income is: | The tax is: |
| 8 | At least \$5,000 but less than \$19,950 | 6.5% of the excess over \$5,000 |
| 9 | \$19,950 or more | \$972 plus 7.95% of the excess over |
| 10 | | \$19,950 |

11 **Sec. 2. 36 MRSA §5111, sub-§2-C**, as enacted by PL 2011, c. 380, Pt. N, §4 and
12 affected by §19, is amended to read:

13 **2-C. Heads of households; tax year 2013.** For the tax years year beginning on or
14 after January 1, 2013 and before January 1, 2014, for unmarried individuals or legally
15 separated individuals who qualify as heads of households:

| | | |
|----|---|---------------------------------------|
| 16 | If Maine Taxable income is: | The tax is: |
| 17 | At least \$7,500 but less than \$29,900 | 6.5% of the excess over \$7,500 |
| 18 | \$29,900 or more | \$1,456 plus 7.95% of the excess over |
| 19 | | \$29,900 |

20 **Sec. 3. 36 MRSA §5111, sub-§3-C**, as enacted by PL 2011, c. 380, Pt. N, §6 and
21 affected by §19, is amended to read:

22 **3-C. Individuals filing married joint return or surviving spouses; tax year 2013.**
23 For the tax years year beginning on or after January 1, 2013 and before January 1, 2014,
24 for individuals filing married joint returns or surviving spouses permitted to file a joint
25 return:

| | | |
|----|--|---------------------------------------|
| 26 | If Maine Taxable income is: | The tax is: |
| 27 | At least \$10,000 but less than \$39,900 | 6.5% of the excess over \$10,000 |
| 28 | \$39,900 or more | \$1,944 plus 7.95% of the excess over |
| 29 | | \$39,900 |

30 **Sec. 4. 36 MRSA §5111, sub-§6** is enacted to read:

31 **6. Balancing of tax brackets.** For tax years beginning on or after January 1, 2014,
32 taxes assessed under this section are calculated using income tax bracket thresholds
33 calculated under this subsection.

34 A. By October 1, 2013 and every 5 years thereafter, the assessor shall calculate
35 income tax bracket thresholds for single persons and married persons filing
36 separately, married persons filing jointly and surviving spouses and heads of
37 household that result in the balancing of individual income taxes so that the following

1 percentages of tax filers for each filing status pay the following top marginal tax rates
2 ranked from lowest taxable income to highest taxable income:

| <u>Top marginal tax rate</u> | <u>Percentage of filers</u> |
|------------------------------|-----------------------------|
| <u>0%</u> | <u>18%</u> |
| <u>2%</u> | <u>22%</u> |
| <u>4.5%</u> | <u>22%</u> |
| <u>7%</u> | <u>17%</u> |
| <u>8.5%</u> | <u>13%</u> |
| <u>10%</u> | <u>8%</u> |

10 B. For purposes of making the calculation under paragraph A, the following
11 provisions apply.

12 (1) When determining the percentage of filers, the assessor shall use the average
13 number of Maine resident filers for the 5 years prior to the calculation.

14 (2) The percentage of filers must be determined for each filing status of: single
15 persons and married persons filing separately; married persons filing jointly and
16 surviving spouses; and heads of household.

17 (3) The top marginal tax rates are for Maine taxable income.

18 C. The income tax bracket thresholds calculated under paragraph A apply to tax
19 years beginning on or after the January 1st following the determination of the new
20 bracket thresholds.

21 D. The assessor shall submit a report to the joint standing committee of the
22 Legislature having jurisdiction over taxation matters by the October 15th of the year
23 of calculation containing the new income tax bracket thresholds, describing the
24 method used to make the calculation and the bracket threshold amounts and
25 estimating the impact of the new rates on individual income tax revenues.

26 **SUMMARY**

27 This bill reforms the Maine income tax by establishing a rate structure that includes 6
28 income tax bracket thresholds with top marginal tax rates from 0% to 10%. The income
29 thresholds for each rate are calculated by the State Tax Assessor every 5 years to
30 maintain the same level of progressivity of the tax by maintaining the same percentage of
31 taxpayers in each top marginal rate category.