

MAINE STATE LEGISLATURE

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129th MAINE LEGISLATURE

FIRST REGULAR SESSION-2019

Legislative Document

No. 1491

H.P. 1093

House of Representatives, April 4, 2019

An Act To Establish the Maine Work Tax Credit

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R. B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative TERRY of Gorham.
Cosponsored by Senator VITELLI of Sagadahoc and
Representatives: MADIGAN of Waterville, MASTRACCIO of Sanford, RILEY of Jay,
TALBOT ROSS of Portland, TIPPING of Orono.

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

2 **Sec. 1. 36 MRSA §5219-S, sub-§5** is enacted to read:

3 **5. Application.** This section applies to tax years beginning before January 1, 2020.

4 **Sec. 2. 36 MRSA §5219-TT** is enacted to read:

5 **§5219-TT. Maine work credit**

6 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
7 following terms have the following meanings.

8 **A. "Eligible caregiver" means a resident individual who claims as a dependent:**

9 (1) A qualifying child who has not attained 6 years of age; or

10 (2) A relative who has attained 70 years of age or who is permanently and totally
11 disabled as defined in Section 22(e)(3) of the Code and who is claimed as a
12 dependent on an eligible individual's tax return.

13 **B. "Eligible individual" means:**

14 (1) An individual who is eligible for a federal earned income credit; or

15 (2) An individual who is at least 18 years of age and less than 25 years of age
16 who does not have a qualifying child.

17 **C. "School" means an institution that has a regular teaching staff, courses of study**
18 **and a regular student body and that:**

19 (1) Provides regular full-time education for children from kindergarten to grade
20 12;

21 (2) Is a college or university;

22 (3) Provides technical, trade or mechanical instruction; or

23 (4) Provides any program of instruction leading to an industry-recognized
24 credential or certificate of value.

25 **D. "Student" means an individual who, during some part of each of any 5 calendar**
26 **months during the tax year:**

27 (1) Attends a school as a full-time student; or

28 (2) Participates full-time in a training course offered by a school or a state,
29 county or municipal government.

30 A student attends or participates full-time if the student is enrolled for the number of
31 hours or courses the school considers to be full-time attendance. Attendance or
32 participation includes work in the public or private sector as part of a school's regular
33 course of classroom and practical training.

34 **2. Credit for resident individuals.** For tax years beginning on or after January 1,
35 2020, a resident individual is allowed a credit against the tax otherwise due under this

1 Part calculated in the same manner as the federal earned income credit under Section 32
2 of the Code with the exceptions provided in this section. An eligible individual described
3 in subsection 1, paragraph B, subparagraph (2) is eligible for a credit calculated in the
4 same manner as for a similarly situated individual who is 25 years of age or older.

5 **3. Credit for nonresident individuals.** For tax years beginning on or after January
6 1, 2020, a nonresident individual is allowed a credit against the tax otherwise due under
7 this Part calculated in the same manner as the credit for resident individuals under
8 subsection 2 and multiplied by the ratio of the individual's Maine adjusted gross income,
9 as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal
10 adjusted gross income as modified by section 5122.

11 **4. Credit for part-year resident individuals.** For tax years beginning on or after
12 January 1, 2020, an individual who files a return as a part-year resident in accordance
13 with section 5224-A is allowed a credit against the tax otherwise due under this Part
14 calculated in the same manner as the credit for resident individuals under subsection 2
15 and multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross
16 income as defined in section 5102, subsection 1-C, paragraph A for that portion of the
17 taxable year during which the individual was a resident plus the individual's Maine
18 adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that
19 portion of the taxable year during which the individual was a nonresident and the
20 denominator of which is the individual's entire federal adjusted gross income as modified
21 by section 5122.

22 **5. Earned income amount.** For the purposes of calculating a credit under this
23 section, the maximum earned income amount described in Section 32(b)(2)(A) of the
24 Code is:

- 25 A. For an eligible individual with one qualifying child, \$5,185;
- 26 B. For an eligible individual with 2 or more qualifying children, \$7,285; and
- 27 C. For an eligible individual with no qualifying children, \$3,460.

28 **6. Phase-out amount.** For the purposes of calculating a credit under this section, the
29 phase-out amount described in Section 32(b)(2)(A) of the Code is:

- 30 A. For an eligible individual with one or more qualifying children, \$19,030; and
- 31 B. For an eligible individual with no qualifying children, \$8,560.

32 **7. Credit percentage.** For the purposes of calculating a credit under this section, the
33 credit percentage described in Section 32(b)(1) of the Code is:

- 34 A. For an eligible individual with one qualifying child, 20.4%;
- 35 B. For an eligible individual with 2 qualifying children, 24%;
- 36 C. For an eligible individual with 3 or more qualifying children, 27%; and
- 37 D. For an eligible individual with no qualifying children, 15.3%.

38 **8. Phase-out percentage.** For the purposes of calculating a credit under this section,
39 the phase-out percentage described in Section 32(b)(1) of the Code is:

- 1 A. For an eligible individual with one qualifying child, 2.94%;
- 2 B. For an eligible individual with 2 qualifying children, 4.86%;
- 3 C. For an eligible individual with 3 or more qualifying children, 5.47%; and
- 4 D. For an eligible individual with no qualifying children, 2.81%.

5 **9. Students and eligible caregivers.** For a student or an eligible caregiver with
6 qualifying income that is less than the applicable earned income amount under subsection
7 5, the minimum credit under this section is 50% of the earned income amount under
8 subsection 5 multiplied by the credit percentage under subsection 7.

9 **10. Refundability.** The credit allowed under subsections 2 and 4 is refundable.

10 **Sec. 3. 36 MRSA §5403, sub-§§7 and 8,** as enacted by PL 2017, c. 474, Pt. B,
11 §24, are amended to read:

12 **7. Personal exemptions.** Beginning in 2018 and each year thereafter, by the dollar
13 amounts contained in section 5126-A, subsection 1, except that for the purposes of this
14 subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment"
15 is the Chained Consumer Price Index for the 12-month period ending June 30th of the
16 preceding calendar year divided by the Chained Consumer Price Index for the 12-month
17 period ending June 30, 2017; and

18 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by
19 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,
20 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding
21 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer
22 Price Index for the 12-month period ending June 30th of the preceding calendar year
23 divided by the Chained Consumer Price Index for the 12-month period ending June 30,
24 2017; and

25 **Sec. 4. 36 MRSA §5403, sub-§9** is enacted to read:

26 **9. Maine work credit.** Beginning in 2021 and each year thereafter, by the dollar
27 amounts of the earned income amount and the phase-out amount specified for the Maine
28 work credit in section 5219-TT, subsections 5 and 6 except that for the purposes of this
29 subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment"
30 is the Chained Consumer Price Index for the 12-month period ending June 30th of the
31 preceding calendar year divided by the Chained Consumer Price Index for the 12-month
32 period ending June 30, 2019.

33 **Sec. 5. Working Group to Study Consolidation of Payment of Cost-of-**
34 **living Tax Credits established.** The Working Group to Study Consolidation of
35 Payment of Cost-of-living Tax Credits, referred to in this section as "the working group,"
36 is established to make recommendations to the Legislature regarding the most efficient
37 and effective means to consolidate application and payment of cost-of-living tax credits,
38 including recommendations for making such payments available on a periodic advance
39 basis throughout the year. For the purposes of this section, "cost-of-living tax credits"
40 means the following individual income tax credits under the Maine Revised Statutes,

1 Title 36, chapter 822, which assist Maine taxpayers with basic living expenses: the sales
2 tax fairness credit, the property tax fairness credit, the credit for child care expenses, the
3 credit for adult dependent care expenses and the Maine work credit.

4 **1. Membership.** The working group consists of 9 members appointed by the
5 Associate Commissioner for Tax Policy within the Department of Administrative and
6 Financial Services, Bureau of Revenue Services, referred to in this section as "the
7 associate commissioner":

8 A. Two representatives of organizations with expertise in matters related to
9 accessing income supports, assisting low-income populations with tax filing or tax
10 policy affecting adults with low incomes;

11 B. One representative of an organization representing Maine workers;

12 C. One representative of an organization with expertise in legal and policy matters
13 related to public benefit programs that assist individuals with low incomes;

14 D. Two low-income residents of the State currently enrolled in the federal Medicaid
15 program, the federal supplemental nutrition assistance program administered by the
16 State pursuant to Title 22, section 3104 or the Temporary Assistance for Needy
17 Families program pursuant to Title 22, chapter 1053-B;

18 E. One representative, recommended by the Commissioner of Health and Human
19 Services, with expertise in the administration of public assistance programs; and

20 F. Two other individuals chosen by the associate commissioner or the associate
21 commissioner's designee.

22 **2. First meeting; chair.** The associate commissioner or the associate
23 commissioner's designee shall convene the first meeting of the working group no later
24 than October 15, 2019. At the first meeting the working group shall select a chair from
25 among its membership. The working group may create subgroups to work on specific
26 issues or initiatives and may include individuals who are not working group members.

27 **3. Duties.** The working group shall:

28 A. Review the current method of applying for cost-of-living tax credits to determine
29 how applications for those credits may be consolidated into a single, simplified
30 application;

31 B. Determine the most efficient method for making a single consolidated payment to
32 eligible individuals for all cost-of-living tax credits for which these individuals are
33 eligible;

34 C. For making consolidated payments, review possible periodic schedules that are
35 administratively feasible and best meet the needs of eligible individuals;

36 D. Determine methods to facilitate claims for cost-of-living tax credits, including
37 any consolidated payments recommended by the working group, for persons applying
38 for assistance from the Maine Department of Health and Human Services through its
39 automated client eligibility system;

1 E. Examine mechanisms for providing any advance consolidated payment of cost-of-
2 living tax credits recommended by the working group to persons receiving assistance
3 through means-tested assistance programs, including, but not limited to, the federal
4 Medicaid program, the federal supplemental nutrition assistance program
5 administered by the State pursuant to Title 22, section 3104 or the Temporary
6 Assistance for Needy Families program pursuant to Title 22, chapter 1053-B in a
7 manner that will not reduce assistance from these programs solely as a result of
8 receiving the advance consolidated payment; and

9 F. Review administrative policies and practices to prevent overpayments in advance
10 periodic payments of cost-of-living tax credits and review practices to allow for
11 payment adjustments to reflect changes to income throughout the year.

12 **4. Report.** By February 1, 2020, the associate commissioner shall provide a report
13 describing the plan of the Department of Administrative and Financial Services to comply
14 with the requirements of this section, including any suggested legislation necessary to
15 implement the plan, to the Joint Standing Committee on Taxation and the Joint Standing
16 Committee on Appropriations and Financial Affairs. Each committee may submit a bill
17 to the Second Regular Session of the 129th Legislature related to the report.

18 **5. Implementation.** After reviewing recommendations of the working group, for tax
19 years beginning on or after January 1, 2020 the Department of Administrative and
20 Financial Services, Bureau of Revenue Services shall provide a single, simplified
21 application for all cost-of-living tax credits recommended by the working group, and
22 shall develop a process for making consolidated payments to an eligible individual for all
23 credits for which the individual is eligible. The Bureau of Revenue Services shall
24 implement a payment procedure that permits eligible individuals to choose to receive
25 consolidated payments of cost-of-living tax credits as advance periodic payments to be
26 made throughout the year. If federal requirements do not permit a credit to be
27 consolidated or delivered in periodic payments, the bureau may not include that credit in
28 the consolidated payment process.

29 **6. Staff assistance.** The Department of Administrative and Financial Services shall
30 provide necessary staffing services to the working group.

31 **SUMMARY**

32 This bill replaces the Maine earned income credit under the income tax with the
33 Maine work credit. The Maine work credit is similar to the federal earned income tax
34 credit but uses different factors for calculating the credit that are intended to produce a
35 state credit for individuals with qualifying children that is approximately equal to 30% of
36 the federal credit and for individuals with no qualifying children that is approximately
37 equal to 100% of the federal credit. The bill also provides eligibility for individuals who
38 are at least 18 years of age but less than 25 years of age who have no qualifying children
39 and creates a minimum credit for students and eligible caregivers.

40 The bill also establishes a working group to study ways to streamline applications for
41 tax credits intended to assist low to middle income taxpayers with the cost of basic

1 necessities and to permit administration of those credits as advance consolidated
2 payments.