

MAINE STATE LEGISLATURE

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131st MAINE LEGISLATURE

FIRST REGULAR SESSION-2023

Legislative Document

No. 835

H.P. 524

House of Representatives, February 21, 2023

An Act to Phase Out the Income Tax

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 BOYER of Poland.
Cosponsored by Senator BRAKEY of Androscoggin and
Representatives: ANDREWS of Paris, ARDELL of Monticello, FAULKINGHAM of Winter
Harbor, HYMES of Waldo, LIBBY of Auburn, NEWMAN of Belgrade, QUINT of Hodgdon,
SMITH of Palermo.

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

2 **Sec. 1. 36 MRSA §5111, sub-§1-F**, as enacted by PL 2015, c. 267, Pt. DD, §3, is
3 amended to read:

4 **1-F. Single individuals and married persons filing separate returns; tax years**
5 **beginning 2017.** For tax years beginning on or after January 1, 2017 but no later than
6 December 31, 2027, for single individuals and married persons filing separate returns:

7	If Maine taxable income is:	The tax is:
8	Less than \$21,050	5.8% of the Maine taxable income
9	At least \$21,050 but less than \$50,000	\$1,221 plus 6.75% of the excess over \$21,050
10		
11	\$50,000 or more	\$3,175 plus 7.15% of the excess over \$50,000
12		

13 **Sec. 2. 36 MRSA §5111, sub-§2-F**, as enacted by PL 2015, c. 267, Pt. DD, §5, is
14 amended to read:

15 **2-F. Heads of households; tax years beginning 2017.** For tax years beginning on or
16 after January 1, 2017 but no later than December 31, 2027, for unmarried individuals or
17 legally separated individuals who qualify as heads of households:

18	If Maine taxable income is:	The tax is:
19	Less than \$31,550	5.8% of the Maine taxable income
20	At least \$31,550 but less than \$75,000	\$1,830 plus 6.75% of the excess over \$31,550
21		
22	\$75,000 or more	\$4,763 plus 7.15% of the excess over \$75,000
23		

24 **Sec. 3. 36 MRSA §5111, sub-§3-F**, as enacted by PL 2015, c. 267, Pt. DD, §7, is
25 amended to read:

26 **3-F. Individuals filing married joint returns or surviving spouses; tax years**
27 **beginning 2017.** For tax years beginning on or after January 1, 2017 but no later than
28 December 31, 2027, for individuals filing married joint returns or surviving spouses
29 permitted to file a joint return:

30	If Maine taxable income is:	The tax is:
31	Less than \$42,100	5.8% of the Maine taxable income
32	At least \$42,100 but less than \$100,000	\$2,442 plus 6.75% of the excess over \$42,100
33		
34	\$100,000 or more	\$6,350 plus 7.15% of the excess over \$100,000
35		

36 **Sec. 4. 36 MRSA §5111, sub-§7** is enacted to read:

37 **7. Phase-out.** For tax years beginning on or after January 1, 2024, for each taxpayer
38 filing an income tax return under this chapter, the amount of tax calculated under subsection
39 1-F, 2-F or 3-F, as adjusted under section 5403, is reduced as follows:

40 A. For tax years beginning in 2024, the amount calculated is multiplied by 80%;

41 B. For tax years beginning in 2025, the amount calculated is multiplied by 60%;

- 1 C. For tax years beginning in 2026, the amount calculated is multiplied by 40%; and
- 2 D. For tax years beginning in 2027, the amount calculated is multiplied by 20%.

3 **Sec. 5. 36 MRSA §5111, sub-§8** is enacted to read:

4 **8. Income tax eliminated.** Beginning January 1, 2028, no taxes are imposed under
5 this section.

6 **Sec. 6. 36 MRSA §5200, sub-§1-A**, as enacted by PL 2017, c. 474, Pt. E, §2, is
7 amended to read:

8 **1-A. Imposition and rate of tax beginning 2018.** For tax years beginning on or after
9 January 1, 2018 but no later than December 31, 2027, a tax is imposed for each taxable
10 year at the following rates on each taxable corporation and on each group of corporations
11 that derives income from a unitary business carried on by 2 or more members of an
12 affiliated group:

13	If the income is:	The tax is:
14	Not over \$350,000	3.5% of the income
15	\$350,000 but not over \$1,050,000	\$12,250 plus 7.93% of the excess over
16		\$350,000
17	\$1,050,000 but not over \$3,500,000	\$67,760 plus 8.33% of the excess over
18		\$1,050,000
19	\$3,500,000 or more	\$271,845 plus 8.93% of the excess
20		over \$3,500,000

21 In the case of an affiliated group of corporations engaged in a unitary business with activity
22 taxable only by Maine, the rates provided in this subsection are applied only to the first
23 \$3,500,000 of the Maine net income of the entire group and must be apportioned equally
24 among the taxable corporations unless those taxable corporations jointly elect a different
25 apportionment. The balance of the Maine net income of the entire group is taxed at 8.93%.

26 In the case of an affiliated group of corporations engaged in a unitary business with activity
27 taxable both within and without this State, the rates provided in this subsection are applied
28 only to the first \$3,500,000 of the net income of the entire group and must be apportioned
29 equally among the taxable corporations unless those taxable corporations jointly elect a
30 different apportionment. The balance of the net income of the entire group is taxed at
31 8.93%.

32 **Sec. 7. 36 MRSA §5200, sub-§7** is enacted to read:

33 **7. Phase-out.** For tax years beginning on or after January 1, 2024, for each taxpayer
34 filing an income tax return under this chapter, the amount of tax calculated under subsection
35 1-A is reduced as follows:

- 36 A. For tax years beginning in 2024, the amount calculated is multiplied by 80%;
- 37 B. For tax years beginning in 2025, the amount calculated is multiplied by 60%;
- 38 C. For tax years beginning in 2026, the amount calculated is multiplied by 40%; and
- 39 D. For tax years beginning in 2027, the amount calculated is multiplied by 20%.

40 **Sec. 8. 36 MRSA §5200, sub-§8** is enacted to read:

1 **8. Income tax eliminated.** Beginning January 1, 2028, no taxes are imposed under
2 this section.

3 **Sec. 9. Spending reductions.** Beginning with fiscal year 2024-25, the Department
4 of Administrative and Financial Services, Bureau of the Budget shall reduce the budget
5 each fiscal year for each department of State Government proportionally to achieve an
6 overall reduction in expenditures equal to the reduction of revenue under the Maine
7 Revised Statutes, Title 36, section 5111, subsections 7 and 8 and section 5200, subsections
8 7 and 8.

9 **SUMMARY**

10 This bill phases out the income tax over 5 years beginning in 2024 and requires that
11 state department budgets be reduced proportionally.