

MAINE STATE LEGISLATURE

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131st MAINE LEGISLATURE

FIRST REGULAR SESSION-2023

Legislative Document

No. 1434

H.P. 930

House of Representatives, March 30, 2023

An Act to Abolish the Maine Income Tax and Establish a Zero-based Budget

Reference to the Committee on Taxation suggested and ordered printed.


ROBERT B. HUNT
Clerk

Presented by Representative LIBBY of Auburn.
Cosponsored by Senator BRAKEY of Androscoggin and
Representatives: DUNPHY of Embden, PAUL of Winterport, PERKINS of Dover-Foxcroft,
SMITH of Palermo, WHITE of Guilford.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA c. 843** is enacted to read:

4 **CHAPTER 843**

5 **INCOME TAX ELIMINATION**

6 **§5501. Elimination of income tax**

7 For tax years beginning on or after January 1, 2026, no tax may be collected under this
8 Part.

9 **Sec. A-2. Department of Administrative and Financial Services review and**
10 **report; references to income tax.** The Department of Administrative and Financial
11 Services shall review the provisions of the Maine Revised Statutes that refer to Maine
12 income tax and submit a report, including suggested legislation, to the Second Regular
13 Session of the 131st Legislature identifying any changes necessary to implement this Act.

14 **PART B**

15 **Sec. B-1. 5 MRSA §1662, sub-§1-B** is enacted to read:

16 **1-B. State budget document.** For biennial budget documents for fiscal years 2025-
17 26 and 2026-27, the budget document must be prepared and submitted using a budget
18 process that includes zero-based budgeting for each department and other agency in the
19 Executive, Legislative and Judicial Departments of State Government at least once every
20 8 years. For the purposes of this section, "zero-based budgeting" means a method of
21 budgeting in which programs and activities are justified for a budgetary period using cost-
22 benefit analysis without regard to the amount that was budgeted for those programs and
23 activities in a prior budgetary period.

24 **Sec. B-2. Budget provisions review.** By January 1, 2024, the Department of
25 Administrative and Financial Services shall review the provisions of the Maine Revised
26 Statutes, Title 5, chapter 149 and submit legislation to the Second Regular Session of the
27 131st Legislature making necessary changes to statute to facilitate the submission of a
28 budget for fiscal years 2025-26 and 2026-27 that includes zero-based budgeting based on
29 the following conditions:

- 30 1. Establishing a zero-based budgeting system in which each agency is required to use
31 a zero-based budgeting format every 8 years;
- 32 2. Establishing a system for periodic agency review with the biennial budget;
- 33 3. Establishing targeted budgeting or a similar alternative budgeting system for
34 agencies for budget submissions during years when the agency is not submitting a zero-
35 based budget; and
- 36 4. Requiring the provision of alternative funding and budget recommendations for
37 agencies that, at a minimum, require recommendations from each agency outlining 5% and

1 10% funding reduction proposals during years when the agency is not submitting a zero-
2 based budget.

3 **SUMMARY**

4 This bill eliminates the Maine income tax beginning January 1, 2026. It requires the
5 Department of Administrative and Financial Services to review provisions of law that refer
6 to income tax and submit a report, including suggested legislation, to the Second Regular
7 Session of the 131st Legislature identifying necessary changes to implement the
8 elimination. The bill also requires the development of a new budgeting system in which
9 agencies would be subject to zero-based budgeting every 8 years and in the interim years
10 be subject to review and alternative budget requirements.