

# MAINE STATE LEGISLATURE

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Date 6/22/23

Majority

(Filing No H-712)

TAXATION

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
131ST LEGISLATURE  
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H P 996, L D 1544, "An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit"

Amend the bill by striking out the title and substituting the following

'An Act to Improve Economic Security for Maine Children by Amending the Maine Dependent Exemption Tax Credit'

Amend the bill by striking out everything after the enacting clause and inserting the following

'Sec. 1. 36 MRSA §5219-SS, as enacted by PL 2017, c 474, Pt B, §17, is amended to read

§5219-SS. Dependent exemption tax credit

1. Resident taxpayer; tax years beginning on or after January 1, 2018 and before January 1, 2023. A For tax years beginning on or after January 1, 2018 and before January 1, 2023, a resident individual is allowed a credit against the tax otherwise due under this Part equal to \$300 for each qualifying child and dependent of the taxpayer for whom the taxpayer was eligible to claim the federal child tax credit pursuant to the Code, Section 24 was claimed for the same taxable year

1-A. Resident taxpayer; tax years beginning on or after January 1, 2023 and before January 1, 2026. For tax years beginning on or after January 1, 2023 and before January 1, 2026, a resident individual is allowed a credit against the tax otherwise due under this Part equal to \$350 for each qualifying child and dependent of the taxpayer for whom the taxpayer was eligible to claim the federal child tax credit pursuant to the Code, Section 24 for the same taxable year

1-B. Resident taxpayer; tax years beginning 2026 or after. For tax years beginning on or after January 1, 2026, a resident individual is allowed a credit against the tax otherwise due under this Part equal to \$350 for each dependent of the taxpayer for whom the taxpayer was eligible to claim the federal personal exemption pursuant to the Code, Section 151 in an amount greater than \$0 for the same taxable year

COMMITTEE AMENDMENT

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1           **2. Nonresident taxpayer; tax years beginning on or after January 1, 2018 and**  
2 **before January 1, 2023.** A For tax years beginning on or after January 1, 2018 and before  
3 January 1, 2023, a nonresident individual is allowed a credit against the tax otherwise due  
4 under this Part equal to \$300 for each qualifying child and dependent of the taxpayer for  
5 whom ~~the taxpayer was eligible to claim~~ the federal child tax credit pursuant to the Code,  
6 Section 24 ~~was claimed~~ for the same taxable year, multiplied by the ratio of the individual's  
7 Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to  
8 the individual's entire federal adjusted gross income as modified by section 5122

9           **2-A. Nonresident taxpayer; tax years beginning on or after January 1, 2023 and**  
10 **before January 1, 2026.** For tax years beginning on or after January 1, 2023 and before  
11 January 1, 2026, a nonresident individual is allowed a credit against the tax otherwise due  
12 under this Part equal to \$350 for each qualifying child and dependent of the taxpayer for  
13 whom the taxpayer was eligible to claim the federal child tax credit pursuant to the Code,  
14 Section 24 for the same taxable year, multiplied by the ratio of the individual's Maine  
15 adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the  
16 individual's entire federal adjusted gross income as modified by section 5122.

17           **2-B. Nonresident taxpayer; tax years beginning 2026 or after.** For tax years  
18 beginning on or after January 1, 2026, a nonresident individual is allowed a credit against  
19 the tax otherwise due under this Part equal to \$350 for each dependent of the taxpayer for  
20 whom the taxpayer was eligible to claim the federal personal exemption pursuant to the  
21 Code, Section 151 in an amount greater than \$0 for the same taxable year, multiplied by  
22 the ratio of the individual's Maine adjusted gross income, as defined in section 5102,  
23 subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income as  
24 modified by section 5122.

25           **3. Part-year resident taxpayer; tax years beginning on or after January 1, 2018**  
26 **and before January 1, 2023.** A~~n~~ For tax years beginning on or after January 1, 2018 and  
27 before January 1, 2023, an individual who files a return as a part-year resident in  
28 accordance with section 5224-A is allowed a credit against the tax otherwise due under this  
29 Part equal to \$300 for each qualifying child and dependent of the taxpayer for whom ~~the~~  
30 ~~taxpayer was eligible to claim~~ the federal child tax credit pursuant to the Code, Section 24  
31 ~~was claimed~~ for the same taxable year, multiplied by a fraction, the numerator of which is  
32 the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C,  
33 paragraph A, for that portion of the taxable year during which the individual was a resident  
34 plus the individual's Maine adjusted gross income, as defined in section 5102, subsection  
35 1-C, paragraph B, for that portion of the taxable year during which the individual was a  
36 nonresident and the denominator of which is the individual's entire federal adjusted gross  
37 income as modified by section 5122

38           **3-A. Part-year resident taxpayer; tax years beginning on or after January 1, 2023**  
39 **and before January 1, 2026.** For tax years beginning on or after January 1, 2023 and  
40 before January 1, 2026, an individual who files a return as a part-year resident in  
41 accordance with section 5224-A is allowed a credit against the tax otherwise due under this  
42 Part equal to \$350 for each qualifying child and dependent of the taxpayer for whom the  
43 ~~taxpayer was eligible to claim~~ the federal child tax credit pursuant to the Code, Section 24  
44 for the same taxable year, multiplied by a fraction, the numerator of which is the  
45 individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C,  
46 paragraph A, for that portion of the taxable year during which the individual was a resident

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1 plus the individual's Maine adjusted gross income, as defined in section 5102, subsection  
2 1-C, paragraph B, for that portion of the taxable year during which the individual was a  
3 nonresident and the denominator of which is the individual's entire federal adjusted gross  
4 income as modified by section 5122

5 **3-B. Part-year resident taxpayer; tax years beginning 2026 or after.** For tax years  
6 beginning on or after January 1, 2026, an individual who files a return as a part-year  
7 resident in accordance with section 5224-A is allowed a credit against the tax otherwise  
8 due under this Part equal to \$350 for each dependent of the taxpayer for whom the taxpayer  
9 was eligible to claim the federal personal exemption pursuant to the Code, Section 151 in  
10 an amount greater than \$0 for the same taxable year, multiplied by a fraction, the numerator  
11 of which is the individual's Maine adjusted gross income, as defined in section 5102,  
12 subsection 1-C, paragraph A, for that portion of the taxable year during which the  
13 individual was a resident plus the individual's Maine adjusted gross income, as defined in  
14 section 5102, subsection 1-C, paragraph B, for that portion of the taxable year during which  
15 the individual was a nonresident and the denominator of which is the individual's entire  
16 federal adjusted gross income as modified by section 5122

17 **4. Limitation and phase-out.** The credit allowed by this section may not reduce the  
18 tax otherwise due under this Part to less than zero, except that for tax years beginning on  
19 or after January 1, 2023, the credit allowed under subsections 1-A, 1-B, 3-A and 3-B is  
20 refundable The amount of the credit allowed by this section must be reduced, but not  
21 below zero, by \$750 for each \$1,000 or fraction thereof by which the taxpayer's Maine  
22 adjusted gross income exceeds \$400,000 in the case of a joint return and \$200,000 in any  
23 other case

24 **Sec. 2. 36 MRSA §5403, sub-§7,** as enacted by PL 2017, c 474, Pt B, §24, is  
25 amended to read

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

32 **Sec. 3. 36 MRSA §5403, sub-§8,** as enacted by PL 2017, c 474, Pt B, §24, is  
33 amended to read

34 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by  
35 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,  
36 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding  
37 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer  
38 Price Index for the 12-month period ending June 30th of the preceding calendar year  
39 divided by the Chained Consumer Price Index for the 12-month period ending June 30,  
40 2017-, and

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

42 **9. Dependent exemption tax credit amount.** Beginning in 2023 and each year  
43 thereafter, by the dollar amount of the dependent exemption tax credit under section  
44 5219-SS, except for the purposes of this subsection, notwithstanding section 5402,

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1 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for  
2 the 12-month period ending June 30th of the preceding calendar year divided by the  
3 Chained Consumer Price Index for the 12-month period ending June 30, 2022. If the credit  
4 amount, adjusted by application of the cost-of-living adjustment, is not a multiple of \$5,  
5 any increase must be rounded to the next lowest multiple of \$5.

6 **Sec. 5. 36 MRSA §5403, 2nd ¶,** as amended by PL 2017, c 474, Pt B, §25, is  
7 further amended to read

8 Except for subsection 5, paragraph A and subsection 9, if the dollar amount of each  
9 item, adjusted by the application of the cost-of-living adjustment, is not a multiple of \$50,  
10 any increase must be rounded to the next lowest multiple of \$50

11 **Sec. 6. Appropriations and allocations.** The following appropriations and  
12 allocations are made

13 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

14 **Revenue Services, Bureau of 0002**

15 Initiative Establishes one Tax Examiner position, effective October 1, 2023, to perform  
16 audits of tax returns related to the refundable dependent exemption credit

17	<b>GENERAL FUND</b>	<b>2023-24</b>	<b>2024-25</b>
18	POSITIONS - LEGISLATIVE COUNT	1 000	1 000
19	Personal Services	\$88,100	\$119,500
20	All Other	\$5,818	\$4,345
21			
22	GENERAL FUND TOTAL	\$93,918	\$123,845

23  
24 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section  
25 number to read consecutively

26 **SUMMARY**

27 This amendment replaces the bill and changes the title. The amendment changes  
28 references in the Maine dependent exemption tax credit from the federal child tax credit to  
29 the federal personal exemption for tax years beginning in 2026 and after, increases the  
30 dependent exemption credit from \$300 to \$350 for tax years beginning on or after January  
31 1, 2023 and provides that the credit may be claimed for dependents for whom the taxpayer  
32 was eligible for the federal credit. This will maintain the Maine dependent exemption tax  
33 credit as opposed to current law, current law provides for a reduction in the credit due to  
34 the expiration of the referenced federal child tax credit provisions.

35 **FISCAL NOTE REQUIRED**

36 (See attached)



# 131st MAINE LEGISLATURE

LD 1544

LR 1661(02)

## An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-712)  
Committee: Taxation  
Fiscal Note Required: Yes

### Fiscal Note

	FY 2023-24	FY 2024-25	Projections FY 2025-26	Projections FY 2026-27
<b>Net Cost (Savings)</b>				
General Fund	\$32,393,918	\$38,066,845	\$43,581,147	\$54,444,104
<b>Appropriations/Allocations</b>				
General Fund	\$93,918	\$123,845	\$128,147	\$132,604
<b>Revenue</b>				
General Fund	(\$32,300,000)	(\$37,943,000)	(\$43,453,000)	(\$54,311,500)
Other Special Revenue Funds	(\$1,700,000)	(\$1,997,000)	(\$2,287,000)	(\$2,858,500)

### Fiscal Detail and Notes

This bill increases the Maine dependent exemption tax credit from \$300 to \$350 beginning in tax year 2023 and expands eligibility for the Maine credit relative to current law starting in tax year 2026 when the Maine credit is scheduled to decrease in conjunction with the expiration of federal child tax credit provisions of the 2017 federal Tax Cuts and Jobs Act. The increased amount and expansion of eligibility for this income tax credit will reduce General Fund revenue by \$32,300,000 in fiscal year 2023-24 and \$37,943,000 in fiscal year 2024-25 and reduce Local Government Fund revenue by \$1,700,000 in fiscal year 2023-24 and \$1,997,000 in fiscal year 2024-25.

The bill includes ongoing General Fund appropriations to the Department of Administrative and Financial Services, Bureau of Revenue Services of \$93,918 in fiscal year 2023-24 and \$123,845 in fiscal year 2024-25 for one Tax Examiner position, effective October 1, 2023, to audit tax returns to verify refundable dependent exemption credit eligibility and amounts claimed.