

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals
(may include minor formatting differences from printed original)



131st MAINE LEGISLATURE

FIRST SPECIAL SESSION-2023

Legislative Document

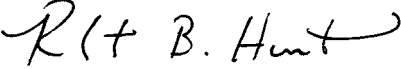
No. 1544

H.P. 996

House of Representatives, April 6, 2023

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

Reference to the Committee on Taxation suggested and ordered printed.


ROBERT B. HUNT
Clerk

Presented by Representative TERRY of Gorham.
Cosponsored by Senator DAUGHTRY of Cumberland and
Representatives: CLOUTIER of Lewiston, COLLINGS of Portland, GATTINE of Westbrook,
GRAHAM of North Yarmouth, GRAMLICH of Old Orchard Beach, MILLIKEN of Blue Hill.

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

2 **Sec. 1. 36 MRSA §199-B, sub-§1, ¶E**, as amended by PL 2017, c. 211, Pt. E, §4,
3 is further amended to read:

4 E. Any recommendation regarding the amendment, repeal or replacement of the tax
5 expenditure; ~~and~~

6 **Sec. 2. 36 MRSA §199-B, sub-§1, ¶F**, as enacted by PL 2017, c. 211, Pt. E, §4, is
7 amended to read:

8 F. The total amount of reimbursement paid to each person claiming a reimbursement
9 for taxes paid on certain business property under chapter 915; and

10 **Sec. 3. 36 MRSA §199-B, sub-§1, ¶G** is enacted to read:

11 G. In addition to the other requirements of this subsection, for purposes of the Maine
12 dependent tax credit under section 5219-TT:

13 (1) The number of taxpayers claiming the credit;

14 (2) The geographic distribution of taxpayers claiming the credit, grouped by
15 county;

16 (3) The income levels of the taxpayers under subparagraph (1), grouped in
17 increments of \$10,000;

18 (4) The number of dependents under 18 years of age and dependents 18 years of
19 age or older claimed, quantified separately; and

20 (5) The average amount of the credit claimed per dependent and per taxpayer, each
21 grouped by the income levels specified in subparagraph (3).

22 **Sec. 4. 36 MRSA §5219-SS, sub-§5** is enacted to read:

23 **5. Termination of credit.** The credit allowed by this section is not available for tax
24 years beginning on or after January 1, 2023.

25 **Sec. 5. 36 MRSA §5219-TT** is enacted to read:

26 **§5219-TT. Maine dependent tax credit**

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

29 A. "Base credit" means the amount of the tax credit a taxpayer is allowed for each
30 dependent. For tax years beginning in 2023, the base credit is \$350. For tax years
31 beginning after 2023, the base credit is indexed for inflation annually pursuant to
32 section 5403, subsection 9.

33 B. "Dependent" means an individual:

34 (1) For whom the taxpayer has provided more than 50% of the individual's
35 financial support during the tax year; and

36 (2) Who was born during the tax year or has lived with the taxpayer for more than
37 half of the tax year for which the credit is claimed.

1 **2. Resident taxpayer.** For tax years beginning on or after January 1, 2023, a resident
2 individual is allowed a credit against the tax otherwise due under this Part equal to the base
3 credit for each dependent of the taxpayer.

4 **3. Nonresident taxpayer.** For tax years beginning on or after January 1, 2023, a
5 nonresident individual is allowed a credit against the tax otherwise due under this Part equal
6 to the base credit for each dependent of the taxpayer, multiplied by the ratio of the
7 individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C,
8 paragraph B, to the individual's entire federal adjusted gross income as modified by section
9 5122.

10 **4. Part-year resident taxpayer.** For tax years beginning on or after January 1, 2023,
11 an individual who files a return as a part-year resident in accordance with section 5224-A
12 is allowed a credit against the tax otherwise due under this Part equal to the base credit for
13 each dependent of the taxpayer, multiplied by a fraction, the numerator of which is the
14 individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C,
15 paragraph A, for that portion of the taxable year during which the individual was a resident
16 plus the individual's Maine adjusted gross income, as defined in section 5102, subsection
17 1-C, paragraph B, for that portion of the tax year during which the individual was a
18 nonresident and the denominator of which is the individual's entire federal adjusted gross
19 income as modified by section 5122.

20 **5. Refundability and phase-out.** The credit allowed by this section is fully
21 refundable, except that the amount of the credit allowed by this section must be reduced,
22 but not below zero, by \$7.50 for each \$1,000 or fraction thereof by which the taxpayer's
23 Maine adjusted gross income exceeds \$400,000 in the case of a joint return and \$200,000
24 in any other case.

25 **6. Credit not income for purposes of state or municipal benefits.** Notwithstanding
26 any provision of law to the contrary, a credit received pursuant to this section may not be
27 counted as income, an asset or a resource for purposes of any state or municipal benefits or
28 assistance program.

29 **7. Application for Maine dependent tax credit.** The State Tax Assessor shall include
30 on the form for the sales tax fairness credit under section 5213-A or the property tax fairness
31 credit under section 5219-II the ability of a taxpayer to claim the Maine dependent tax
32 credit under this section or shall provide a simplified form that allows a taxpayer to apply
33 for the tax credit under this section.

34 The assessor shall work with the Commissioner of Health and Human Services to make the
35 application for the Maine dependent tax credit available through the Department of Health
36 and Human Services' publicly accessible state benefits web portal for food supplement,
37 health care, cash assistance or child care benefits.

38 **Sec. 6. 36 MRSA §5403, sub-§7,** as enacted by PL 2017, c. 474, Pt. B, §24, is
39 amended to read:

40 **7. Personal exemptions.** Beginning in 2018 and each year thereafter, by the dollar
41 amounts contained in section 5126-A, subsection 1, except that for the purposes of this
42 subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment"
43 is the Chained Consumer Price Index for the 12-month period ending June 30th of the

1 preceding calendar year divided by the Chained Consumer Price Index for the 12-month
2 period ending June 30, 2017; and

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

5 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by
6 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,
7 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding
8 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer
9 Price Index for the 12-month period ending June 30th of the preceding calendar year
10 divided by the Chained Consumer Price Index for the 12-month period ending June 30,
11 2017; and

12 **Sec. 8. 36 MRSA §5403, sub-§9** is enacted to read:

13 **9. Maine dependent tax credit.** Beginning in 2024 and each year thereafter, by the
14 dollar amount of the base credit as specified in section 5219-TT, subsection 1, paragraph
15 A, except that, for the purposes of this subsection, notwithstanding section 5402, subsection
16 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month
17 period ending June 30th of the preceding calendar year divided by the Chained Consumer
18 Price Index for the 12-month period ending June 30, 2023.

19 SUMMARY

20 This bill enacts a new Maine dependent income tax credit to replace the existing
21 dependent exemption tax credit beginning in 2023. The dependent tax credit is available
22 for a dependent who has resided with the taxpayer claiming the credit for at least 6 months
23 of the tax year and for whom the taxpayer has provided more than 50% of that dependent's
24 financial support during the tax year. The tax credit is fully refundable and may not be
25 counted as income, an asset or a resource for purposes of state or municipal benefits. The
26 tax credit for 2023 is \$350 for each dependent but is annually indexed for inflation.

27 The bill requires the State Tax Assessor to make the application for the child tax credit
28 available as part of the sales tax fairness credit or property tax fairness credit application
29 or through another simplified application. The assessor is required to work with the
30 Commissioner of Health and Human Services to make the application for the credit
31 available from the Department of Health and Human Services' state benefits web portal,
32 My Maine Connection.

33 Finally, the bill requires the assessor to include as part of the assessor's tax expenditures
34 report to the joint standing committee of the Legislature having jurisdiction over taxation
35 matters specific information about the tax credit, including the number of taxpayers
36 claiming the credit and the number of children and dependents claimed in order to obtain
37 the tax credit.