

MAINE STATE LEGISLATURE

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SEVENTY-FIFTH LEGISLATURE

HOUSE

NO. 755

House of Representatives, March 27, 1911.

Report of the Taxation Committee on Resolve in favor of Taxation on Incomes. On motion of Mr. Mace of Great Pond, tabled for printing pending acceptance.

C. C. HARVEY, Clerk.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND ELEVEN.

DRAFT OF BILL FOR STATE INCOME TAX.

The accompanying bill has been prepared after reference to the Income Tax Bills of other countries, to the Federal Income Tax levied during the war, to the Income Tax Bill of 1895 declared unconstitutional, and to the Income Tax Laws of the different States of the Union which are now in force in six. The aim has been to frame a law calling for no new administrative machinery, also one that makes as little inducement to perjury as is possible, also one that avoids as much as possible the inquisitorial features which are so obnoxious in most Income Tax Bills. Under the provisions of the accompanying bill a person taxed, if he so chooses, may be relieved of the

necessity of taking an oath provided he submits to the tax which in the opinion of the assessors he should be called upon to pay.

RATES AND EXEMPTIONS.

The best opinion is that the best results are obtained with a comparatively low rate of tax, making it progressive. Also that income from fixed investments should pay a higher rate than income depending upon the personal exertion or qualifications of the person paying, this latter income being more precarious. For this reason the bill divides into two classes, those who would have the tax imposed upon them.

Exemptions vary. The first exemption is the amount below which no income is taxed. This exemption ought to cover when a family can reasonably live upon. Other exemptions are made for those additions to income which are plainly made as a safeguard for the protection of a family excepting those which are exempted by reason of constitutional restraints. The minimum rate provided seems not too much for the income on which it is assessed. The minimum income which is taxed seems reasonable for the State of Maine, but these figures are of course arbitrary.

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

Section 1. That from and after January first, 1911, there shall be assessed, levied, collected and paid annually upon the gains, profits and income received in the preceding calendar year by any citizen of this state, whether residing within or without the state, whether said gains, profit or income be derived from any kind of property, rents, interest, dividends, or from any profession, trade, employment or vocation carried on in this state, or elsewhere, a graduated tax on the amount so received over and above five thousand dollars, at the rates hereinafter provided; and a like tax shall be assessed, levied, collected and paid annually upon the gains, profits and income from all property owned and of every business, trade or profession carried on in this state, by persons residing without the state. The tax herein imposed shall be assessed by the Board of State Assessors upon the gains, profits and income for the year ending on the thirty-first day of December next preceding the time for levying, collecting and paying said tax.

Sect. 2. From all the gains, profit or income arising or derived from any kind of real or personal property, rents, interest, dividends, there shall be collected and paid to the state, for the use of the state, a tax graduated as follows: on all such gains, profits or income amounting to five thousand dollars and not exceeding ten thousand dollars, seven and one-half mills, or three-fourths of one per centum, on each dollar thereof; if amounting to ten thousand dollars

9 and not exceeding twenty thousand dollars, twelve mills, or
10 one and one-fifth per centum, on each dollar thereof; if ex-
11 ceeding twenty thousand dollars and not exceeding fifty
12 thousand dollars, fifteen mills, or one and one-half per cen-
13 tum on each dollar thereof; if in excess of fifty thousand,
14 twenty mills, or two per centum, on each dollar thereof.

B. Upon all gains, profits or income arising or derived
16 from any trade, employment, vocation, or salary (except
17 salaries of the United States judges and of the judges of
18 the supreme and superior courts of the state) in excess of
19 five thousand dollars per annum, and depending wholly upon
20 the personal learning, skill or exertion of the person receiv-
21 ing such gains, profits or income, there shall be assessed,
22 levied and paid a tax of three-fourths of the amounts here-
23 inbefore established.

Upon all gains, profits or income, wherever arising or de-
25 rived, amounting to less than five thousand dollars per an-
26 num, no tax shall be levied, collected or paid under the
27 provisions of this act.

Sect. 3. The amount of the gains, profit or income arising
2 or derived from property, upon which said tax shall be col-
3 lected, levied and paid, shall be determined by taking the
4 total amount the tax assessed for the current municipal year
5 by the municipal assessors of taxes upon the property of
6 the person to be taxed under the provisions of this act, and
7 computing therefrom the capital amount which said assessed
8 tax represents; the income from this capital amount at four

9 per cent so computed and determined, shall be the sum upon
10 which the tax hereby imposed shall be levied at the respect-
11 ive rates hereinbefore established.

Sect. 4. From the gross amount of gains, profit or income
2 determined as provided in the preceding section, there shall
3 be deducted all sums received by the person chargeable
4 with the tax as a pension from this state or from the United
5 States; any sum paid by such person as a premium or
6 assessment upon a policy of insurance upon his own life,
7 or the life of a member of his family; the proceeds of any
8 life insurance policy paid at the death of the insured and
9 distributed among his heirs; any gift made to any charitable
10 institutions within this state; the interest actually received
11 by such person upon any bonds or other interest bearing
12 obligations of the United States, but no deduction from the
13 total gross income shall be permitted for any sums directly
14 or indirectly expended by such person for the living ex-
15 penses of himself or his family, such expenses including
16 sums paid for clothing, food, furniture, medicines and medi-
17 cal attendance, room rent or house rent for personal or
18 family use, or wages of servants, but the enumeration of
19 these expenses shall not be held to exclude other charges
20 ordinarily included in personal and family expenses; and
21 provided further, that but one sum of five thousand dollars
22 shall be exempt from the tax hereby imposed, from the ag-
23 gregate income of the members of any family composed of
24 one or both parents and minor children, but guardians may

25 make one deduction of one thousand dollars from the gross
26 gains, profit, or income of their wards.

Sect. 5. It shall be the duty of the assessors of taxes of
2 the several cities, towns and plantations in the state prior
3 to the first day of July in each year, to transmit to the Board
4 of State Assessors a list of those persons in their several
5 cities, towns or plantations liable to taxation under the pro-
6 vision of paragraph A of section 2, stating the name and
7 residence of such taxpayer, the amount of the tax assessed
8 upon both his real and personal property for the current
9 year, and the rate of taxation for that year in said city, town
10 or plantation. Said board shall thereupon compute the in-
11 come of each or said persons, as provided in section 3.

At the same time the local assessors shall transmit to the
13 Board of State Assessors a list of those persons in their
14 several cities, towns and plantations who appear to be liable
15 to taxation under the provisions of paragraph B of section
16 2, stating the name and residence of such person, and the
17 amount of the gains, profit or income which said local as-
18 sessors have reason to believe that such person received
19 from the sources and in the manner prescribed in said para-
20 graph B, in the calendar year last pending.

Said Board of State Assessors shall on or before the first
22 day of August next following the receipt of such list cause
23 to be sent to each person liable to taxation under said para-
24 graph A, a proper printed form showing the complication
25 of the income of such person, and the amount of the tax

26 assessed thereon; and to each person liable to taxation under
27 Class B, aforesaid, said board shall send a proper printed
28 form showing the gross income of such person as reported
29 to it by the local assessors, and the amount of the tax as-
30 sessed thereon.

Such taxpayer, under either Class A, or Class B, upon the
32 printed form sent to him by, said board, may, in detail and
33 under oath, make claim for any exemptions or deductions
34 which he claims should be made from his assessed property,
35 or apparent income, and return the same to said board not
36 later than the 15th day of August in that year. Said board
37 shall immediately upon the receipt of such return examine
38 the same, and determine whether the exemptions and deduc-
39 tions claimed, for any part thereof, shall be allowed, and
40 thereupon shall assess the amount of the tax to be paid by
41 such person, and shall give him written notice thereof, and
42 of the amount of such assessment, not later than the first
43 day of September. Said tax, so determined and assessed,
44 shall thereupon be deemed due and payable, and payment
45 shall be made by the person so assessed, to the treasurer of
46 state, accompanying said payment with the original assess-
47 ment, not later than the 15th day of said September.

Provided, however, that any person liable to taxation under
49 any of the provisions of this act, may, if he prefers, file
50 with the State Assessors not later than the first day of July,
51 in each year, a true and perfect list, under oath, of his es-
52 tate, real and personal, not by law exempt from taxation

53 on the first day of April in that year, of his personal income
54 for the calendar year last preceding; or, if he is taxable
55 only under the provision of paragraph B, of section 2, of
56 the sources and amount of his gross income. The assessors,
57 or either of them, may require him to answer all proper
58 inquiries in writing as to the nature, situation and value of
59 his property, and of the sources and amount of his income,
60 but such list and answers shall not be conclusive upon said
61 Board of State Assessors.

Sect. 6. The taxes on incomes herein imposed shall be
2 due and payable on the first day of September in each year;
3 and to any sums annually due and unpaid after the first
4 day of February aforesaid, and for ten days after demand
5 thereof by the treasurer of state, there shall be levied, in
6 addition thereto, the sum of five per centum on the amount
7 of taxes unpaid, and interest at the rate of one per centum
8 per month upon said tax from the time the same becomes
9 due, as a penalty, except from the estates of deceased, insane
10 or insolvent persons, or minors.

Sect. 7. It shall be unlawful for any person charged by
2 this act with any duty in assessing, levying, or collecting said
3 tax, or any clerk, agent or employee of such person, to make
4 known or disclose in any manner whatever the source or
5 amount of income, profits, losses, expenditures, or any par-
6 ticular thereof, set forth or disclosed in any income return,
7 or to permit any income return or copy thereof or any book
8 containing any abstract or particulars thereof, to be seen or

9 examined by any person except as provided by law; and it
10 shall be unlawful for any person to print or publish in any
11 manner whatever not provided by law, any income return
12 or part thereof or the amount or source of income, profits,
13 losses or expenditures appearing in any income return; any
14 offense against this provision shall be punished by a fine of
15 not less than one hundred nor more than one thousand dol-
16 lars, or by imprisonment for not more than one year, or
17 both at the discretion of the court; and if the offender be
18 an officer or employee of this state he shall, in addition to
19 said fine or imprisonment, be dismissed from said office or
20 employment.

Sect. 8. When any person liable to taxation hereunder
2 fails or neglects to file a list of the exemptions or deduc-
3 tions to which he may be entitled, as provided in section four,
4 the Board of State Assessors shall assess his tax upon the
5 full amount of his property capitalized as provided in sec-
6 tion three. If any person shall intentionally return any list
7 in which he falsely or fraudulently claims deductions or
8 exemptions to which he is not entitled hereunder, said board
9 shall disallow all the deductions or exemptions claimed, and
10 shall assess his tax upon the full amount of his property
11 capitalized as provided in section three, and in addition
12 thereto shall add one hundred per centum to such tax. The
13 amount so added to the tax shall be collected at the same
14 time and in the same manner as the tax, unless the neglect
15 or falsity is discovered after the tax has been paid, in which

16 case the amount so added shall be collected in the same
17 manner as the tax. In case of neglect in claiming the de-
18 ductions or exemptions permitted hereunder, occasioned by
19 illness or absence from the state, said board may allow such
20 further time for making and returning said list as it may
21 deem necessary not exceeding thirty days.

Sect. 9. In case any person neglects or refuses to pay the
2 tax due, after the demand mentioned in section six has been
3 made, an action of debt against said delinquent taxpayer
4 shall be commenced in the name of the treasurer of state by
5 said treasurer, to recover said tax.