

MAINE STATE LEGISLATURE

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N I N E T Y - F I F T H L E G I S L A T U R E

Legislative Document

No. 666

H. P. 1133

House of Representatives, February 14, 1951.

Referred to Committee on Taxation. Sent up for concurrence and 1500 copies ordered printed.

HARVEY R. PEASE, Clerk.

Presented by Mr. Burgess of Limestone.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
FIFTY-ONE

AN ACT Imposing a Personal Income Tax.

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

Sec.1. R. S., c. 14, §§ 330-347, additional. Chapter 14 of the revised statutes, as amended, is hereby further amended by adding thereto 18 new sections to be numbered 330 to 347, inclusive, to read as follows:

'Personal Income Tax

Sec 330. Definitions. The following definitions shall apply throughout sections 330 to 347, inclusive, unless the context requires otherwise:

I. "Dependent" means any of the following persons over half of whose support for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer:

- A. a son or daughter of the taxpayer, or a descendant of either,
- B. a stepson or stepdaughter of the taxpayer,
- C. a brother, sister, stepbrother or stepsister of the taxpayer,
- D. the father or mother of the taxpayer, or an ancestor of either,
- E. a stepfather or stepmother of the taxpayer,

F. a son or daughter of a brother or sister of the taxpayer,

G. a brother or sister of the father or mother of the taxpayer,

H. a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law of the taxpayer;

II. "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator or any person acting in any fiduciary capacity for any person, estate or trust;

III. "Fiscal year" means an accounting period of 12 months ending on the last day of any month other than December;

IV. "Individual" means a natural person;

V. "Net income" means the same as net income as now defined under the Internal Revenue Code but excluding income which under such code is expressly exempted from taxation by the states and also excluding capital gains and losses; and provided that, if the taxpayer so elects, "net income for any taxable year" means the same as net income, as defined under the laws of the United States in effect for such year, with the exceptions above noted.

VI. "Adjusted gross income" means the same as adjusted gross income as now or hereafter defined under the laws of the United States, without consideration of either a capital gain or capital loss;

VII. "Person" means and includes an individual, a trust, estate or partnership;

VII. "Taxable year" means the calendar year or fiscal year ending during such calendar year, upon the basis of which net income is computed and in the case of a return made for a fractional part of a year under the provisions of sections 330 to 347, inclusive, or under regulations prescribed by the assessor, "taxable year" means a period for which such return is made.

Sec. 331. Imposition of tax. A tax of 3% is hereby imposed upon every individual who is a resident of the state, which tax shall be levied, collected and paid annually, with respect to his net income as herein defined, after deducting the exemptions provided in sections 330 to 347, inclusive.

Sec. 332. Imposition of tax, non-residents. A like tax is hereby imposed, which shall be levied, collected and paid annually, at the rate specified in section 331 above, upon and with respect to such net income after deducting the exemptions provided in sections 330 to 347, inclusive, from all

property owned and from every business, trade, profession or occupation carried on in this state by individuals not residents of the state; provided, however, that interest, dividends and gains from the sale or exchange of property shall be excluded from gross income except to the extent that such interest, dividends and gains are part of income from such business, trade, profession or occupation.

Sec. 333. Simplified returns. In lieu of the taxes imposed by sections 331 and 332, there shall be levied, collected and paid for each taxable year upon the net income of each individual whose adjusted gross income for such year is less than \$5,000 and who has elected to pay the tax imposed by this section for such year a tax determined on the basis of the following tables:

If total income is		And the number of persons are as shown						
at	but less	1	2	3	4	5	6	7 or more
least	than	Your tax is						
\$ 0	\$ 600	0	0	0	0	0	0	0
600	650	0	0	0	0	0	0	0
650	700	0	0	0	0	0	0	0
700	750	\$ 1	0	0	0	0	0	0
750	800	2	0	0	0	0	0	0
800	850	3	0	0	0	0	0	0
850	900	4	0	0	0	0	0	0
900	950	6	0	0	0	0	0	0
950	1,000	7	0	0	0	0	0	0
1,000	1,050	8	0	0	0	0	0	0
1,050	1,100	9	0	0	0	0	0	0
1,100	1,150	11	0	0	0	0	0	0
1,150	1,200	12	0	0	0	0	0	0
1,200	1,250	14	0	0	0	0	0	0
1,250	1,300	15	0	0	0	0	0	0
1,300	1,350	16	0	0	0	0	0	0
1,350	1,400	17	0	0	0	0	0	0
1,400	1,450	19	\$ 1	0	0	0	0	0
1,450	1,500	20	2	0	0	0	0	0
1,500	1,550	21	3	0	0	0	0	0
1,550	1,600	23	5	0	0	0	0	0
1,600	1,650	24	6	0	0	0	0	0
1,650	1,700	25	7	0	0	0	0	0
1,700	1,750	27	9	0	0	0	0	0

If total income is		And the number of persons are as shown						
at	but less	1	2	3	4	5	6	7 or more
least	than	Your tax is						
1,750	1,800	28	10	0	0	0	0	0
1,800	1,850	29	11	0	0	0	0	0
1,850	1,900	31	13	0	0	0	0	0
1,900	1,950	32	14	0	0	0	0	0
1,950	2,000	33	15	0	0	0	0	0
2,000	2,050	35	17	0	0	0	0	0
2,050	2,100	36	18	0	0	0	0	0
2,100	2,150	37	19	\$ 1	0	0	0	0
2,150	2,200	38	20	2	0	0	0	0
2,200	2,250	40	22	4	0	0	0	0
2,250	2,300	41	23	5	0	0	0	0
2,300	2,350	42	24	6	0	0	0	0
2,350	2,400	44	26	8	0	0	0	0
2,400	2,450	45	27	9	0	0	0	0
2,450	2,500	46	28	10	0	0	0	0
2,500	2,550	48	30	12	0	0	0	0
2,550	2,600	49	31	13	0	0	0	0
2,600	2,650	50	32	14	0	0	0	0
2,650	2,700	52	34	16	0	0	0	0
2,700	2,750	53	35	17	0	0	0	0
2,750	2,800	54	36	18	0	0	0	0
2,800	2,850	56	38	20	\$ 2	0	0	0
2,850	2,900	57	39	21	3	0	0	0
2,900	2,950	58	40	22	4	0	0	0
2,950	3,000	59	41	23	5	0	0	0
3,000	3,050	61	43	25	7	0	0	0
3,050	3,100	62	44	26	8	0	0	0
3,100	3,150	63	45	27	9	0	0	0
3,150	3,200	65	47	29	11	0	0	0
3,200	3,250	66	48	30	12	0	0	0
3,250	3,300	67	49	31	13	0	0	0
3,300	3,350	69	51	33	15	0	0	0
3,350	3,400	70	52	34	16	0	0	0
3,400	3,450	71	53	35	17	0	0	0
3,450	3,500	73	55	37	19	\$ 1	0	0
3,500	3,550	74	56	38	20	2	0	0
3,550	3,600	75	57	39	21	3	0	0

If total income is		And the number of persons are as shown						
at	but less	1	2	3	4	5	6	7 or more
least	than	Your tax is						
3,600	3,650	77	59	41	23	5	0	0
3,650	3,700	78	60	42	24	6	0	0
3,700	3,750	79	61	43	25	7	0	0
3,750	3,800	80	62	44	26	9	0	0
3,800	3,850	82	64	46	28	10	0	0
3,850	3,900	83	65	47	29	11	0	0
3,900	3,950	84	66	48	30	12	0	0
3,950	4,000	86	68	50	32	14	0	0
4,000	4,050	87	69	51	33	15	0	0
4,050	4,100	88	70	52	34	16	0	0
4,100	4,150	90	72	54	36	18	0	0
4,150	4,200	91	73	55	37	19	\$ 1	0
4,200	4,250	92	74	56	38	20	2	0
4,250	4,300	94	76	58	40	22	4	0
4,300	4,350	95	77	59	41	23	5	0
4,350	4,400	96	78	60	42	24	6	0
4,400	4,450	98	80	62	44	26	8	0
4,450	4,500	99	81	63	45	27	9	0
4,500	4,550	100	82	64	46	28	10	0
4,550	4,600	101	83	65	47	29	11	0
4,600	4,650	103	85	67	49	31	13	0
4,650	4,700	104	86	68	50	32	14	0
4,700	4,750	105	87	69	51	33	15	0
4,750	4,800	107	89	71	53	35	17	0
4,800	4,850	108	90	72	54	36	18	0
4,850	4,900	109	91	73	55	37	19	\$1
4,900	4,950	111	93	75	57	39	21	3
4,950	5,000	112	94	76	58	40	22	4

Sec. 334. Reciprocal credits. Whenever a taxpayer other than a resident of the state has become liable to the state or foreign country where he resides for a tax upon his income derived from sources within this state and subject to taxation under the provisions of section 332, the state tax assessor shall credit the amount of income tax payable by him under section 332, with such proportion of the tax so payable by him to the state or country where he resides, as his income subject to taxation under said section 332 bears to his entire income upon which the tax so payable to such other

state or country was imposed; provided that such credit shall be allowed only if the laws of said state or country

I. Grant a substantially similar credit to residents of this state subject to income tax under such laws or

II. Impose a tax upon the personal incomes of its residents derived from sources in this state and exempt from taxation the personal incomes of residents of this state. No credit shall be allowed against the amount of the tax on any income taxable under said section 332, which is exempt from taxation under the laws of such other state or foreign country.

Sec. 335. Exemptions. The exemptions provided in sections 331 and 332 shall be as follows:

I. An exemption of \$600 for the taxpayer.

II. An exemption of \$600 for the spouse of the taxpayer if:

A. a joint return, as hereinafter provided, is made by the taxpayer and his spouse in which case the aggregate exemption of the spouses under the provisions of this section shall be \$1,200 or

B. a separate return is made by the taxpayer, and his spouse has no gross income for the calendar year in which the taxable year of the taxpayer begins and is not the dependent of another taxpayer.

III. An exemption of \$600 for each dependent whose gross income for the calendar year in which the taxable year of the taxpayer begins is less than \$500, except that the exemption shall not be allowed in respect of a dependent who has made a joint return with his spouse, as hereinafter provided, for the taxable year beginning in such calendar year.

Sec. 336. Fiduciaries. The taxes provided under the provisions of sections 330 to 347, inclusive, are hereby imposed and shall be levied, collected and paid annually upon the net income of every fiduciary after deducting the exemptions provided in section 337. Such net income shall be computed on the basis now or hereafter provided under the laws of the United States for the computation of net income of estates and trusts, but excluding income exempted from taxation by the states under such laws, and also excluding capital gains and losses.

Sec. 337. Credits. For the purpose of the tax imposed under the provisions of section 336 above an estate shall be allowed, in lieu of the exemptions under section 335, a credit of \$600 against net income, and a trust shall be allowed, in lieu of the exemptions under section 335, a credit of \$100 against net income.

Sec. 338. Charge against the estate. The tax imposed upon a fiduciary by the provisions of sections 330 to 347, inclusive, shall be a charge against the estate or trust.

Sec. 339. Return of net income. For each taxable year taxpayers shall return their net income for such a period and on such an accounting basis as is employed under the internal revenue code.

Sec. 340. Form of returns.

I. Every resident having for the taxable year a gross income of \$600 or over and every non-resident who has gross income from any or all of the following: property owned, a business, trade, profession or occupation carried on in this state of \$600 or more for the taxable year, shall make a return to the state tax assessor under such regulations and in such form and manner and to such extent as he may prescribe.

II. A husband and wife may make a single joint return to the state tax assessor for a taxable year for which such a return is filed under the laws of the United States.

III. If the taxpayer is unable to make his own return, the return shall be made by a duly authorized agent or by the guardian or other person charged with the care of the person or property of such taxpayer.

Sec. 341. Returns by fiduciaries. Every fiduciary subject to taxation under the provisions of sections 330 to 347, inclusive, shall make a return to the state tax assessor for any of the following individuals, estates, or trusts for which he acts:

I. Every individual having a gross income for the taxable year of \$600 or over;

II. Every estate the gross income of which for the taxable year is \$600 or over;

III. Every trust the net income of which for the taxable year is \$100 or over, or the gross income of which for the taxable year is \$600 or over, regardless of the amount of net income.

Sec. 342. Information returns. Each individual, partnership, corporation, joint stock company or association or insurance company, being a resident or having a place of business in this state, in whatever capacity acting including lessees or mortgagors or personal property, fiduciaries, employers and all officers and employees of the state or of any political subdivision of the state, having the control, receipt, custody, disposal or payment of in-

terest (other than interest coupons payable to bearer), salaries, wages, rentals, premiums, compensations, remunerations, emoluments or other fixed or determinable annual or periodical gains, profits and income amounting to \$600 or over, paid or payable during any year to any individual or fiduciary, and each such individual, partnership, corporation, joint stock company, association or insurance company paying to any individual or fiduciary any annuity or interest on deposits or funds held in trust, including taxable income from endowment policies, shall on such date or dates as the state tax assessor shall from time to time designate, make complete return thereof, to the state tax assessor. Such returns shall be in substantially the same form as information returns required under the internal revenue code.

Sec. 343. Collection of tax. Returns shall be in such form and shall contain such information and detail as the state tax assessor may from time to time prescribe and shall be filed and the tax shall be paid at his main office or at any branch office which he may establish, on or before the 15th day of the 3rd month following the close of the taxable year, except as provided in section 342, in case of sickness, absence or other disability, or whenever in his judgment good cause exists, the assessor may allow further time for filing returns. Any taxpayer who shall wilfully make any false or fraudulent reports or return required by section 330 to 347, inclusive, or who shall with intent to defraud, evade or violate any of the provisions of said sections, or any rules or regulations made by the state tax assessor thereunder, shall be guilty of a misdemeanor and punished by a fine of not more than \$500. Whenever any taxpayer shall fail to pay any tax or penalty due under the provisions of said sections within the time limit set, the attorney general shall enforce payment thereof against said taxpayer in a court of proper jurisdiction. When a return is made for a partnership, the person signing such return shall be deemed to be the person subject to the pains and penalties above mentioned. The state tax assessor shall cause to be prepared blank forms for the returns and shall cause them to be distributed throughout the state and to be furnished upon application, but failure to receive or secure the form shall not relieve a taxpayer from the obligation of making the return herein required.

Sec. 344. Rules and regulations. The state tax assessor shall administer and enforce the provisions of sections 330 to 347, inclusive. With the approval of the attorney general, he is authorized and empowered to adopt, prescribe and from time to time, alter and amend reasonable rules, orders and regulations for the purpose of carrying out the provisions of said sections; and he shall enforce such rules, orders and regulations.

Sec. 345. Purpose. It is hereby declared that the purpose of sections 330 to 347, inclusive, in addition to the essential purpose of raising revenue, is to conform as closely as may be with the internal revenue code in order that the filing of returns may be simplified and the taxpayers' accounting burdens may be reduced.

Sec. 346. Effective date. The provisions of section 330 to 347, inclusive, shall apply to income received subsequent to December 31, 1950.

Sec. 347. Disposition of proceeds. All taxes collected under the provisions of sections 330 to 347, inclusive, shall be paid by the state tax assessor to the treasurer of state daily, and shall be credited to the general fund.'

Sec. 2. R. S., c. 14, § 110, amended. The 1st sentence of section 110 of chapter 14 of the revised statutes, as amended by section 6 of chapter 42 of the public laws of 1945, is hereby further amended to read as follows:

'Every corporation, person or association operating any railroad in the state under lease or otherwise shall pay to the state tax assessor, for the use of the state, an annual excise tax for the privilege of exercising its franchises and the franchises of its leased roads in the state, which, with the tax provided for in section 4 of chapter 81, **and in sections 348 to 362, inclusive,** is in place of all taxes upon such railroad ~~and its property and stock.~~'

Sec. 3. R. S., c. 14, § 121, amended. The 1st paragraph of section 121 of chapter 14 of the revised statutes, as amended by section 14 of chapter 42 of the public laws of 1945, is hereby further amended to read as follows:

'Every corporation, association or person operating in whole or in part a telephone or telegraph line within the state for tolls or other compensation shall pay to the state tax assessor, for the use of the state, an annual excise tax for the privilege of conducting such business within the state, which tax, with the tax provided for in section 126, **and in sections 348 to 362, inclusive,** is in place of all taxes upon the property of such corporation, association or person employed in such business ~~and of all taxes upon the shares of the capital stock of any such corporation.~~'

Sec. 4. R. S., c. 14, § 126, amended. Section 126 of chapter 14 of the revised statutes, as amended, is hereby further amended to read as follows:

'**Sec. 126. Tax to be in lieu of all taxes.** The excise tax collected under the provisions of the 7 preceding sections **together with the tax imposed under the provisions of sections 348 to 362, inclusive,** shall be in lieu of all

taxes upon any corporation therein designated, ~~upon its shares of capital stock~~, and its property; provided, however, that the land and buildings thereon owned by such corporation, association or person shall be taxed in the municipality in which the same are situated. The assessment of taxes on such land and buildings shall be legal, whether assessed as resident or non-resident property.'

Sec. 5. R. S., c. 14, §§ 145-147-A, 156-158-A; c. 55, § 2-A, repealed. Sections 145 to 147, inclusive, as amended; section 147-A, as enacted by section 26 of chapter 42 of the public laws of 1945; sections 156 to 158, inclusive, as amended; section 158-A, as enacted by section 33 of chapter 42 of the public laws of 1945, all of chapter 14 of the revised statutes; and section 2-A of chapter 55 of the revised statutes, as enacted by section 2 of chapter 438 of the public laws of 1949, are hereby repealed as of December 31, 1950. Any interest on bank deposits and dividends on bank stock received during the calendar year 1951, such deposits or stock having been taxable under statutes repealed by this section, shall be deducted from the taxpayers net income before computing the income tax due under sections 330 to 347, inclusive.

Sec. 6. R. S., c. 14, § 155, amended. Section 155 of chapter 14 of the revised statutes, as amended, is hereby further amended to read as follows:

'Sec. 155. Proceedings in case of failure to make returns and pay tax; authority of state tax assessor to examine books. If any corporation, company, association or person fails to make the returns required by sections 118, 120 and 128, ~~145 and 156~~, the state tax assessor shall make an assessment of a state tax upon such corporation, company, association or person on such valuation, or on such gross receipts thereof, as the case may be, as he thinks just, with such evidence as he may obtain, and such assessment shall be final. The state tax assessor or his duly authorized agent shall have access to the books of any corporation, company, association or person required to make returns under the provisions of sections 118, 128, 136, 137, 139 and 140, ~~145 and 156~~, to ascertain if the required returns are correctly made. If any corporation, company, association or person fails to pay the taxes required or imposed by sections 110, 117, 121 and 127, ~~146 and 157~~, the state tax assessor shall forthwith commence an action of debt, in the name of the state, for the recovery of the same with interest at the rate of 10% a year. In addition to other remedies for the collection of state taxes upon any corporation, such taxes with interest at the rate of 10% a year may be recovered by an action of debt in the name of the state.'

Sec. 7. R. S., c. 81, § 5, amended. Section 5 of chapter 81 of the revised statutes is hereby amended to read as follows:

Sec. 5. Personal estate taxable. Personal estate for the purposes of taxation ~~includes all~~ shall include only tangible, physical goods, chattels, ~~moneys~~, and effects, wheresoever they are, and all vessels, at home or abroad; ~~all obligations for money or other property; money at interest and debts due the persons to be taxed more than they are owing; all public stocks and securities; all shares in moneyed and other corporations within or without the state, except as otherwise provided by law; all annuities payable to the person to be taxed when the capital of such annuity is not taxed in this state; and all other property included in the last preceding state valuation for the purposes of taxation.~~

Sec. 8. R. S., c. 81, § 6, sub-§§ II, XIV, repealed. Subsection II and XIV of section 6 of chapter 81 of the revised statutes are hereby repealed.

Sec. 9. R. S., c. 81, § 6, sub-§ XI, amended. Subsection XI of section 6 of chapter 81 of the revised statutes is hereby amended to read as follows:

XI. The aqueducts, pipes and conduits of any corporation supplying a town with water are exempt from taxation, when such town takes water therefrom for the extinguishment of fires without charge; but this exemption does not include therein ~~the capital stock of such corporation~~ any reservoir or grounds occupied for the same, or any property, real or personal, owned by such company or corporation, other than as hereinabove enumerated.'

Sec. 10. R. S., c. 81, § 13, sub-§ III, amended. Subsection III of section 13 of chapter 81 of the revised statutes is hereby amended to read as follows:

III. Machinery employed in any branch of manufacture, goods manufactured or unmanufactured, and real estate belonging to any corporation, except when otherwise expressly provided, shall be assessed to such corporation in the town or place where they are situated or employed; ~~and in assessing stockholders for their share in any such corporation, their proportional part of the assessed value of such machinery, goods, and real estate shall be deducted from the value of such shares.~~

Sec. 11. R. S., c. 81, § 13, sub-§ XI, repealed. Subsection XI of section 13 of chapter 81 of the revised statutes is hereby repealed.

Sec. 12. R. S., c. 81, § 14, repealed. Section 14 of chapter 81 of the revised statutes is hereby repealed.

Sec. 13. R. S., c. 81, § 17, amended. Section 17 of chapter 81 of the revised statutes is hereby amended to read as follows:

'Sec. 17. Stock of companies invested in other stock, how to be taxed. When an insurance or other incorporated company is required by law to invest its capital stock or any part thereof in the stock of a bank or other corporation in the state, for the security of the public, such investments shall not be liable to taxation ~~except to the stockholders of the company so investing as making a part of the value of their shares in the capital stock of said company.~~

Sec. 14. R. S., c. 81, § 18, repealed. Section 18 of chapter 81 of the revised statutes is hereby repealed.

Sec. 15. R. S., c. 81, § 19, amended. Section 19 of chapter 81 of the revised statutes is hereby amended to read as follows:

'Sec. 19. Mortgaged personal property; loan secured by deed taxable to grantee. When personal property is mortgaged or pledged, it shall, for purposes of taxation, be deemed the property of the party who has it in possession, and it may be distrained for the tax thereon. ~~Money or personal~~ **Personal** property, loaned or passed into the hands or possession of another, by any person residing in the state, secured by an absolute deed of real estate, shall be taxed to the grantee, as in case of a mortgage, although the land is taxed to the grantor or other person in possession.'

Sec. 16. R. S., c. 81, §§ 24, 25, amended. Sections 24 and 25 of chapter 81 of the revised statutes are hereby amended to read as follows:

'Sec. 24. Property of manufacturing, mining and smelting corporations, and of stock raising corporations, how taxed. The buildings, lands and other property of manufacturing, mining and smelting corporations, not exempt from taxation, and all stock used in factories shall be taxed to the corporation, or to the person having possession of its property or stock, in the town or place where the buildings and lands are situated and where the property is kept, or where the stock is manufactured; and the buildings and lands and other property of agricultural and stock raising corporations shall be taxed to the corporation, or to the person having possession of its property, in the town where the buildings and lands are situated and where the personal property is kept; and there shall be a lien for 1 year on such property and stock for payment of such tax; and it may be sold for payment thereof as in other cases; ~~and shares of the capital stock of such corporation shall not be taxed to their owners.~~

Sec. 25. Property of corporations organized for dealing in real estate, where taxed; lien. The buildings, lands and all other property, real and personal, ~~including all reserve funds; accumulations, and undivided~~

~~profits~~ of corporations organized for the purpose of buying, selling and leasing real estate, shall be taxed to the corporation or the persons having possession of such property, in the place where such land and other property are situated, and there shall be a lien for 1 year on such property for the payment of such tax, and the same may be sold for payment thereof as in other cases; ~~and shares of the capital stock of such corporation shall not be taxed to the owners thereof.~~