

# 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 scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

REPORT OF  
THE REVIEW COMMITTEE ON TAX CONFORMITY  
to the  
111th LEGISLATURE  
March, 1984

MEMBERS:

Sen. Frank Wood  
Sen. Thomas Teague  
Rep. H. Craig Higgins  
David Clough  
Thomas Kelly  
Harold Melvin  
Roger Michaud .

STAFF:

Julie S. Jones, Legislative Counsel  
Anthony J. Neves, Director of State Tax,  
Bureau of Taxation, Department of  
Finance and Administration

## TABLE OF CONTENTS

	PAGE
INTRODUCTION	1
BACKGROUND	2
RECOMMENDATIONS	
1. Conformity Date	3
2. 1984 -- Partial Add-back	5
3. 1985 -- Full Conformity	8
4. Recovery of 1984 Add-back	8
ATTACHMENTS	
1. Tax Conformity -- Prior Years	10
2. Tax Conformity Summary	11
3. Recovery of ACRS Addback	12
4. Positions of Tax Jurisdictions on ACRS Corporations	13
5. Recommended Legislation	15

The Review Committee on Tax Conformity was established by chapter 590 of the Public Laws of 1983 to "conduct a general review of the issue of state-federal tax conformity and ... report its conclusions and recommendations to the Legislature." The Committee as appointed by the Speaker of the House and President of the Senate consists of the following persons:

Senator Frank P. Wood	York County
Senator Thomas M. Teague	Somerset County
Rep. H. Craig Higgins	Portland
David R. Clough, National Federation of Independent Business	Augusta
Thomas Kelly, Great Northern Paper Company	Falmouth
Harold Melvin, Guilford Industries	Guilford
Roger Michaud, American Stabilis	Lewiston

The Committee has met several times to review the history of conformity in recent years and projections regarding the costs of conformity in future years. The Committee makes the following recommendations.

#### RECOMMENDATIONS

1. The Committee recommends that, beginning with 1984 tax years, the State of Maine provide continuing conformity with the Internal Revenue Code of 1954, and amendments thereto and other provisions of the laws of the United States relating to federal income taxes as of January 31, 1983.

2. The Committee recommends that, for tax years ending in 1984, the cost of conformity be partially alleviated by requiring all taxpayers using Accelerated Cost Recovery System deductions to add back a portion of their federal deductions to state taxable income. The amount of the add-back for corporate taxpayers is equal to the net loss suffered by the General Fund as a result of corporate conformity. The amount of the add back for other than corporate taxpayers is equal to about one-half of the loss suffered by the General Fund as a result of ACRS deductions claimed by those taxpayers.

3. The Committee recommends that all add-backs be eliminated for tax years ending after 1984.

4. The Committee recommends that all taxpayers who are required to add-back a portion of ACRS deduction in 1984 be allowed to recover the amount of the add-back in three equal installments over the taxable years 1985 through 1987.

#### BACKGROUND

Prior to 1981, conformity with the Internal Revenue Code was more or less a pro forma matter, frequently accomplished as part of the administrative changes bill submitted each session by the Department of Finance and Administration. However, as a result of massive changes in the United States Internal Revenue Code enacted by Congress in 1981 and 1982, the issue of conformity became one of major importance to the State, both because of the significant impact on General Fund revenues and the effect on taxable income of both individual and corporate taxpayers. These changes, if adopted without any adjustment, reduced the ability of the State to collect an estimated \$7 - 10 million annually. This potential reduction in revenues occurred at a time when other changes on the federal level were not only increasing the State's responsibilities in many areas but also reducing the amount of federal money available to assist states in meeting those obligations. In 1981, 1982, and 1983, the Legislature considered the issue of conformity and,

# TABLE OF CONTENTS

PAGE

INTRODUCTION

BACKGROUND

RECOMMENDATIONS

1. Conformity Date
2. 1984 -- Partial Add-back
3. 1985 -- Full Conformity
4. Recovery of 1984 Add-back

ATTACHMENTS

1. Tax Conformity -- Prior Years
2. Tax Conformity Summary
3. Recovery of ACRS Addback
4. Positions of Tax Jurisdictions  
on ACRS Corporations
5. Recommended Legislation

1

2

in Special Sessions, enacted legislation which provided for various versions of conformity. Each time the legislation enacted covered only the year at hand, leaving future years treatment of conformity uncertain. The Legislature dealt with each year's loss individually and was unable to reach a long term solution. The chart attached entitled Tax Conformity Prior Years summarizes the status of conformity for those three years.

The practice of providing conformity for one year at a time, only, has been unsatisfactory for several reasons. It creates a great deal of uncertainty for taxpayers who are unable to predict their taxes beyond one year. In addition, in some instances, the Legislature has not determined the form of conformity until late in the tax year, causing some taxpayers to keep records which would satisfy several possible conformity configurations. From a Legislative standpoint, the issue of conformity has been one which has caused difficult choices based upon the status of the General Fund and the conflicting needs of many different groups. In addition, the need for a Special Session to decide this issue each year has been time consuming and costly.

RECOMMENDATION 1. The Committee recommends that, beginning with 1984 tax years, the State of Maine provide continuing conformity with the Internal Revenue Code of 1954, and amendments thereto and other provisions of the laws of the United States relating to federal income taxes as of January 31, 1983.

Conformity with the Internal Revenue Code is accomplished by changing the date of reference to the Code in 36 M.R.S.A.

@5102, sub-@11. It is generally believed that that reference may not incorporate future changes in the Internal Revenue Code because of Article IV, Part 3, Section 1 of the Constitution of Maine which has been interpreted to prohibit an incorporation by reference of future federal revisions as an unconstitutional delegation of legislative power. State v. Webber, 125 Me. 319, 133 A. 738 (1926).

The bills providing for conformity in 1981, 1982 and 1983, all contained a provision which changed the reference to the Internal Revenue Code for the year under consideration, only. After each year, if there was no further change, the reference would revert to December 31, 1980. The result of this year to year revision was that revenue estimates for future years were projected on the assumption of the 1980 Code. Therefore, the cost of conformity each year increased not only by the amount caused by changes over the previous year but by the entire amount caused by all changes since 1980.

The Committee recommends that the date of reference to the Internal Revenue Code be changed to January 31, 1983 with no provision to revert to any prior date at some future time. This change will cause future revenue projections to be based upon this date and result in less dramatic loss estimates for future updates. This Committee believes that the incorporation of federal changes occurring after 1980--though resulting in reduced corporate income tax revenues--will provide a valuable benefit to the business community in the State of Maine. Most importantly, this change will send a signal to taxpayers that the State of Maine is conforming to the Internal Revenue Code.



It will also provide a more stable climate within which long range tax decisions can be made, both on the part of business and the Legislature. This recommendation restores the State to the more orderly path of annual revisions prior to the massive 1981 federal changes and recognizes the paramount goal of stability in the State's tax structure.

The January 31, 1983 date is a continuation of the conformity date used for 1983 tax years. It ensures that federal changes enacted in April, 1983, which would tax a portion of Social Security and Railroad Retirement benefits received by persons with an annual income in excess of \$25,000 for individuals or \$32,000 for couples, will not be incorporated into the state income tax. The Committee does not believe that it is wise to begin taxing these retirement benefits of persons who have planned for their retirement on the assumption that the benefits would not be taxed.

RECOMMENDATION 2. The Committee recommends that, for tax years ending in 1984, the cost of conformity be partially alleviated by requiring all taxpayers using Accelerated Cost Recovery System deductions to add-back a portion of their federal deductions to state taxable income. The formula for determination of the add-back is calculated so that the amount added-back by corporate taxpayers is equal to the net loss to the General Fund from corporate conformity.

The Bureau of Taxation estimates that the total cost of conformity for fiscal year 1984-85 (income tax year 1984) is \$10,704,000. The attached chart entitled Tax Conformity Summary, Fiscal Year 1984-85, provides a further breakdown of that cost. As that chart indicates, the largest component of conformity which results in a loss to the General Fund is the

Accelerated Cost Recover System providing for accelerated depreciation of capital assets. The goal of this system, when enacted on the federal level, was to provide businesses with additional capital for expansion to spur the economy and speed economic recovery. As the attachment entitled Positions of Tax Jurisdictions on ACRS for Corporations indicates, about two-thirds of taxing jurisdictions, presently conform to the ACRS provisions, and the other New England states, except Connecticut, conform. A number of states, including Connecticut, not presently in conformity would come into full conformity shortly (most by 1985), upon "expiration" of current non-conforming provisions, in which event over three-quarters of the states would be conforming.

The Committee recognizes that the availability of increased capital to businesses is important to the state's economic development. In fact, one of the state's major economic difficulties is the lack of investment capital. The Committee believes that the State -- its citizens and businesses -- benefit from attracting capital investment to Maine that might otherwise be made in another state and from encouraging native businesses to not defer capital investment to later years. Increased capital investment improves the economy, creates jobs, allows for better and higher paying jobs, leads to better financial conditions for the State, and results, over time, in increased state and local tax revenues. The Committee also believes that it would be unwise for the State to fail to conform when the vast majority of the states are conforming.

In 1982 and 1983, the loss resulting from complete state incorporation of ACRS was determined by the Legislature to be too large to be adopted on the state level. Therefore, it required of corporate taxpayers, only, an add-back to state taxable income of a portion of all depreciation for 1982 (both ACRS and non-ACRS) and of a portion of ACRS deductions for 1983. In 1983, the add-back required a total add-back approximately equal to the total corporate cost of ACRS. It did not take into consideration other conformity provisions which resulted in increased revenue from corporate taxpayers. The result was that the total income taxes of corporate taxpayers was increased by more than the net cost of corporate conformity. The Legislature recognized that this result was undesirable; however, the decision was made on the basis of other pressing needs and the Constitutional requirement of ensuring a balanced budget. This Committee was established in recognition of the need to provide a more desirable result in future years.

This year, the General Fund is again subject to many demands. In that context, this Committee recommends that the first step be made toward full conformity by providing a partial add-back of ACRS deductions which would be used to reduce the total loss to the General Fund. This proposal would require corporate taxpayers to add-back a percentage of ACRS deductions which would provide state revenue equal to the net cost of corporate conformity. The add-back under this proposal would be one-half of the add-back required in 1983. Individual taxpayers (including partnerships and Subchapter S

corporations), who were not required to add-back in 1983, would be required to add-back the same percentage.

The partial add-back of ACRS for 1984 reduces the burden to the General Fund of immediate full conformity and eases the transition to 1985 when full conformity is recommended.

RECOMMENDATION 3. The Committee recommends that all add-backs be eliminated for tax years ending after 1984.

The Committee recognizes that the past practice of requiring ACRS add-backs has placed a burden on corporate taxpayers in the State of Maine. Although there are other expenses which comprise a higher portion of overall business expenses than do state income taxes, the lack of ACRS is a significant financial consideration, and, the psychological effect of the inability to provide full conformity has been an undesirable result of the 1982 and 1983 resolutions of this problem. Therefore, this Committee recommends that, beginning with 1985 tax years, all add-backs for ACRS be eliminated.

RECOMMENDATION 4: The Committee recommends that all taxpayers who are required to add-back a portion of ACRS deduction in 1984 be allowed to recover the amount of the add-back in three equal installments over the taxable years 1985 through 1987.

Corporate taxpayers with depreciable assets have paid in varying degrees for the cost of conformity in prior years. In 1982, although Corporate taxpayers were permitted to recover the cost of the 18% add-back of all depreciation deductions which was required that year, the amount recovered could not equal the present value of the cost in 1982. In 1983, corporations were required to add-back an amount which was

equal to the total cost of corporate ACRS conformity (\$8,921,000). This resulted in those corporations adding back in excess of \$4,000,000 more than the net cost of corporate conformity. In addition, no provision was made for any recovery of the 1983 add-back. As the attachment entitled Positions of Tax Jurisdictions on ACRS for Corporations indicates, eighty percent of the tax jurisdictions either conform or provide recovery of add-backs. Connecticut, the only other New England state not conforming, allows recovery of add-backs.

The Committee recognizes the burden of past add-backs on taxpayers with depreciation deductions. The Committee would prefer to provide for full recovery of all prior add-backs. However, the Committee recognizes the burden of full recovery on General Fund revenue and has decided that the first priority must be full conformity in future years and recovery of the 1984 add-backs. Therefore, the Committee recommends that taxpayers be permitted to recover the amount of 1984 add-back, prorated over the succeeding three years. The Committee recognizes that this time delay results in the loss of the present value of the additional taxes that must be paid as a result of the add-back. For example, assuming an interest rate of 10% each dollar of 1984 add-back recovered in 1987 is worth only about seventy-five cents in 1984. However, this recommendation has the advantage of letting business know that future capital expansion can be fully depreciated even if at a somewhat delayed rate for 1984.

	TAX CONFORMITY		PRIOR YEARS	
Tax Year	1980	1981	1982	1983
type of conformity	full	full	full (except safe harbor leasing a. optional b. conditional addback - 18% all depreciation - recovered at 6%/year 1983 - 1985	full a. mandatory b. partial ACRS addback c. no recovery
I.R.C. as of	December 31, 1979	December 1, 1981	December 31, 1981	January 31, 1983
Vehicle	LD 1867 Administrative changes bill P.L. 1979 c. 615	LD 1703 Special Session December 1981 P.L. 1981 c. 536	LD 2147 Special Session April 1982 P.L. 1981 c. 704	LD 1804 Special Session November 1983 P.L. 1983 c. 590
Estimated Cost	None	\$144,000 gain to \$2,093,000 loss	\$6,100,000 loss	\$875,000 loss

## TAX CONFORMITY SUMMARY

Fiscal Year 1984-1985

Using January 31, 1983 Internal Revenue Code

<u>Individuals:</u>	loss due to ACRS	(\$1,500,000)	
	loss due to other provisions	( 8,451,400)	
	provisions resulting in gain	<u>3,904,000</u>	
	net loss to GF		(\$6,047,400)
<u>Corporations:</u>	loss due to ACRS	(\$9,000,000)	
	loss due to other provisions	( 193,600)	
	provisions resulting in gain	<u>4,537,000</u>	
	net loss to GF		<u>(\$4,656,600)</u>
	<u>TOTAL LOSS TO GF</u>		<u>(\$10,704,000)</u>

## RECOVERY OF ACRS ADD-BACK

<u>YEAR</u>	<u>TAXPAYERS ADDING BACK</u>	<u>% OF ADD-BACK</u>	<u>TAX COST OF ADD-BACK</u>	<u>RECOVERY</u>
1982	Corporate (other than Subc. S)	18% of all depreciation	\$1,148,000	1/3 each year 1983 - 1985
1983	Corporate (other than Subc. S)	5%-3 year property 15%-5 " " 25%-10 " " 40%-15 " "	\$8,921,000	none
1984 (recommended)	All	2.5%-3 year property 7.5%-5 " " 12.5%-10 " " 20% -15 " "	\$5,431,600	1/3 each year 1985 - 1987



POSITIONS OF TAX JURISDICTIONS ON ACRS FOR CORPORATIONS

1. As can be seen from the attached summary, about two-thirds of the jurisdictions presently conform to ACRS for corporations. A number of other states would come into full conformity shortly (most by 1985) upon the "expiration" of current non-conforming provisions, in which event over three-quarters of the states would be conforming.

2. The only other New England state which is not conforming is Connecticut, whose non-conforming provisions are scheduled to expire after this year.

3. Of the states which disallow or require an add back of a portion of ACRS depreciation, most allow recovery of the add back, while Maine does not for 1983.

4. Eighty percent of the taxing jurisdictions fully conform or provide for a recovery of depreciation which is added back or otherwise lost. Maine provided neither for corporations in 1983.

SUMMARY OF POSITIONS OF  
TAXING JURISDICTIONS ON ACRS

STATES CONFORMING TO ACRS

Alabama	Iowa	New Hampshire
Arkansas <sup>1</sup>	Kansas	New Mexico
Arizona	Louisiana	North Carolina
Colorado	Maryland	Oklahoma
District of Columbia	Massachusetts	Pennsylvania
Delaware	Mississippi	Rhode Island <sup>2</sup>
Hawaii	Missouri	South Carolina <sup>2</sup>
Idaho	Montana	Utah
Illinois	Nebraska	Vermont
Indiana		Wisconsin

STATES REQUIRING ADJUSTMENTS TO ACRS<sup>3</sup>

<u>STATE</u>	<u>EXPIRATION<sup>4</sup></u>	<u>RECAPTURE<sup>5</sup></u>
Connecticut	1984	Yes
Florida	1984	Yes
Kentucky	FY84	Yes
Maine	1983	No
Minnesota	None	Yes
North Dakota	1985	Yes
Ohio	None	Yes
Tennessee	1984	No
Virginia	1983	Yes
West Virginia	None	No

STATES NOT PRESENTLY CONFORMING TO ACRS

<u>STATE</u>	<u>EXPIRATION<sup>4</sup></u>	<u>RECAPTURE<sup>5</sup></u>
Alaska	None	No
California	None	No
Georgia	None	No
New Jersey	None	No
New York	1984	No
Oregon	1984	No

- 1 Arkansas conforms to ACRS for 3 yr. and 5 yr. property, and will conform in 1985 for 10 yr. property, and in 1987 for 15 yr. property.
- 2 Conforms except for 15 yr. property.
- 3 Generally, the taxpayer is required to add back to income a portion of ACRS or a portion of ACRS is disallowed.
- 4 Decoupling remains in effect until the completion of the year indicated.
- 5 "Recapture" refers to provisions allowing recovery in later years of depreciation added back or otherwise lost.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

SECOND REGULAR SESSION

---

ONE HUNDRED AND ELEVENTH LEGISLATURE

---

Legislative Document No.

---

S.P. In Senate,.

JOY J. O'BRIEN, Secretary of the Senate

---

STATE OF MAINE

---

IN THE YEAR OF OUR LORD  
NINETEEN HUNDRED AND EIGHTY-FOUR

---

AN ACT to Provide for Conformity with the  
United States Internal Revenue Code.

---

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

Sec. 1. 36 MRSA §5102, sub-§11, as amended by PL 1983, c. 590, §1, is further amended to read:

11. Other terms. Any other term used in this Part has the same meaning as when used in a comparable context in the laws of the United States relating to federal income taxes, unless a different meaning is clearly required. Any reference in this Part to the laws of the United States shall be construed as a reference to the provisions of the United States Internal Revenue Code of 1954, and amendments thereto and other provisions of the laws of the United States relating to federal income taxes as of ~~December 31,~~ January 31, 1983. This subsection shall be effective as to items of income, deductions, loss or

1 gain accruing in taxable years ending on or after  
2 January 1, 1980 but only to the extent that those  
3 items have been earned, received, incurred or accrued  
4 on or after that effective date. Notwithstanding  
5 other provisions of this subsection, for taxable  
6 years ending in 1981 and 1982, any reference in this  
7 Part to the laws of the United States shall be con-  
8 strued as a reference to the provisions of the United  
9 States Internal Revenue Code of 1954, and amendments  
10 thereto and other provisions of the laws of the  
11 United States relating to federal income taxes as of  
12 December 31, 1981 for items of income, deductions,  
13 loss or gain earned, incurred or accrued within those  
14 taxable years. Notwithstanding other provisions of  
15 this subsection, for taxable years ending in 1983,  
16 any reference in this Part to the laws of the United  
17 States shall be construed as a reference to the pro-  
18 visions of the United States Internal Revenue Code of  
19 1954, and amendments thereto and other provisions of  
20 the laws of the United States relating to federal in-  
21 come taxes as of January 31, 1983 for items of in-  
22 come, deductions, loss or gain earned, incurred or  
23 accrued within those taxable years.

24 Sec. 2. 36 M RSA §5122, sub-§1, ¶¶D and E, as en-  
25 acted by PL 1981, c. 706, §35, are amended to read:

26 D. The amount of any net operating loss in the  
27 taxable year which has been carried back to pre-  
28 vious years pursuant to the United States Inter-  
29 nal Revenue Code, Section 172; and

30 E. The amount of any deduction claimed for the  
31 taxable year under the United States Internal  
32 Revenue Code, Section 172 which has previously  
33 been used to offset the modifications provided by  
34 this subsection; and

35 Sec. 3. 36 M RSA §5122, sub-§1, ¶F is enacted to  
36 read:

37 F. For a taxable year ending in 1984, the sum of  
38 the following portions of the deductions allowed  
39 for that taxable year to the taxpayer under the  
40 United States Internal Revenue Code, Section 168:

41 (1) 2.5% of the deductions for 3-year prop-  
42 erty;

1                   (2) 7.5% of the deductions for 5-year prop-  
2                   erty;

3                   (3) 12.5% of the deductions for 10-year  
4                   property; and

5                   (4) 20% of the deductions for 15-year prop-  
6                   erty.

7                   Sec. 4. 36 MRSa §5122, sub-§2, as amended by PL  
8                   1983, c 519, §25, is further amended to read:

9                   2. Subtractions. For tax years beginning on or  
10                   after January 1, 1977, federal adjusted gross income  
11                   shall be reduced by:

12                   A. Interest or dividends on obligations of the  
13                   United States and its territories and possessions  
14                   or of any authority, commission or instrumentali-  
15                   ty of the United States or on a seller-sponsored  
16                   loan, as defined by Title 10, section 974, sub-  
17                   section 16 to the extent includible in gross in-  
18                   come for federal income tax purposes but exempt  
19                   from state income taxes under the laws of the  
20                   United States, provided that the amount sub-  
21                   tracted shall be decreased by any expenses in-  
22                   curred in the production of the interest or divi-  
23                   dend income to the extent that these expenses,  
24                   including amortizable bond premiums, are deduct-  
25                   ible in determining federal adjusted gross in-  
26                   come; and

27                   B. An amount equal to the taxpayer's federal new  
28                   jobs credit as determined under the laws of the  
29                   United States; and

30                   C. For each of the taxable years ending in 1985  
31                   through 1987, 1/3 of the amount by which federal  
32                   adjusted gross income was increased for the tax-  
33                   able year ending in 1984 under subsection 1, par-  
34                   agraph F.

35                   Sec. 5. 36 MRSa §5200-A, sub-§1, ¶D, as enacted  
36                   by PL 1981, c. 704, §4, is amended to read:

37                   D. For a taxable year ending in 1982, Subchapter  
38                   S corporations excepted, the amount of deductions

1 allowed for that taxable year to the taxpayer as  
2 the nominal lessor in a safe harbor lease pursu-  
3 ant to the United States Internal Revenue Code,  
4 Section 168(f)(8), plus 18% of the remaining de-  
5 ductions allowed for that taxable year under the  
6 United States Internal Revenue Code, Sections 167  
7 and 168; and

8 Sec. 6. 36 MRSA §5200-A, sub-§1, ¶F, as enacted  
9 by PL 1983, c. 590, §2, is amended to read:

10 F. For a taxable year ending in 1983, the sum of  
11 the following portions of the deductions allowed  
12 for that taxable year to the taxpayer under the  
13 United States Internal Revenue Code, Section 168:

14 (1) 5% of the deductions for 3-year prop-  
15 erty;

16 (2) 15% of the deductions for 5-year prop-  
17 erty;

18 (3) 25% of the deductions for 10-year prop-  
19 erty; and

20 (4) 40% of the deductions for 15-year prop-  
21 erty; and

22 Sec. 7. 36 MRSA §5200-A, sub-§1, ¶G is enacted  
23 to read:

24 G. For a taxable year ending in 1984, the sum of  
25 the following portions of the deductions allowed  
26 for that taxable year to the taxpayer under the  
27 United States Internal Revenue Code, Section 168:

28 (1) 2.5% of the deductions for 3-year prop-  
29 erty;

30 (2) 7.5% of the deductions for 5-year prop-  
31 erty;

32 (3) 12.5% of the deductions for 10-year  
33 property; and

34 (4) 20% of the deductions for 15-year prop-  
35 erty.

1           Sec. 8. 36 MRSA §5200-A, sub-§2, ¶¶C and D, as  
2 enacted by PL 1981, c. 704, §4, are amended to read:

3           C. An amount equal to the taxpayer's new jobs  
4 credit as determined under the laws of the United  
5 States; and

6           D. For each of the taxable years ending in 1983  
7 through 1985, Subchapter S corporations excepted,  
8 6% of the deductions allowed under the United  
9 States Internal Revenue Code, Sections 167 and  
10 168 for the taxable year 1982, excluding the  
11 amount of deduction allowed for that taxable year  
12 to the nominal lessor in a safe harbor lease pur-  
13 suant to the United States Internal Revenue Code,  
14 Section 168(f)(8)-; and

15          Sec. 9. 36 MRSA §5200-A, sub-§2, ¶E is enacted  
16 to read:

17           E. For each of the taxable years ending in 1985  
18 through 1987, 1/3 of the amount by which taxable  
19 income was increased for the taxable year ending  
20 in 1984 under subsection 1, paragraph G.

21          Sec. 10. 36 MRSA §5206, sub-§3, ¶¶C and D, as  
22 enacted by PL 1983, c. 590, §3, are amended to read:

23           C. Increased, for taxable year ending in 1982,  
24 by the amount of deductions allowed for that tax  
25 year to the taxpayer as nominal lessor in a safe  
26 harbor lease pursuant to the United States Inter-  
27 nal Revenue Code, Section 168(f)(8) plus 18% of  
28 the remaining deductions allowed for that year  
29 under the United States Internal Revenue Code,  
30 Sections 167 and 168; and

31           D. Increased, for taxable years ending in 1983,  
32 by the sum of the following portions of the de-  
33 ductions allowed for that taxable year to the  
34 taxpayer under the United States Internal Revenue  
35 Code, Section 168:

36                   (1) 5% of the deductions for 3-year proper-  
37                   ty;

38                   (2) 15% of the deductions for 5-year prop-  
39                   erty;

1 (3) 25% of the deductions for 10-year prop-  
2 erty; and

3 (4) 40% of the deductions for 15-year prop-  
4 erty;

5 Sec. 11. 36 MRSA §5206, sub-§3, ¶¶E and F are  
6 enacted to read:

7 E. Increased, for taxable years ending in 1984,  
8 by the sum of the following portions of the de-  
9 ductions allowed for that taxable year to the  
10 taxpayer under the United States Internal Revenue  
11 Code, Section 168:

12 (1) 2.5% of the deductions for 3-year prop-  
13 erty;

14 (2) 7.5% of the deductions for 5-year prop-  
15 erty;

16 (3) 12.5% of the deductions for 10-year  
17 property; and

18 (4) 20% of the deductions for 15-year prop-  
19 erty; and

20 F. Decreased, for each of the taxable years end-  
21 ing in 1985 through 1987, by 1/3 of the amount by  
22 which taxable income was increased for the tax-  
23 able year ending in 1984 under paragraph E.

24 STATEMENT OF FACT

25 The bill contains the recommendations of the Re-  
26 view Committee on Tax Conformity established by the  
27 First Regular Session of the 111th Legislature to  
28 conduct a general review of the issue of state-  
29 federal conformity and report its conclusions and  
30 recommendations.

31 This bill provides that the date of reference to  
32 the United States Internal Revenue Code be changed to  
33 January 31, 1983, with no expiration date. The  
34 choice of this date incorporates all federal changes  
35 except for taxation of certain Social Security bene-  
36 fits which would not be subject to income taxation at  
37 the state level under this bill.



1           This bill provides that, for taxable years ending  
2 in 1984, all individual and corporate taxpayers will  
3 add-back a portion of their federal Accelerated Cost  
4 Recovery System deductions to state taxable income.  
5 The add-back is 1/2 of the add-back for 1983 and is  
6 designed so that the total add-back for corporations  
7 is equal to the net loss to the General Fund in 1984  
8 of corporate conformity. In 1985, there would be  
9 full conformity with no add-back required.

10           This bill provides that the add-back of Acceler-  
11 ated Cost Recovery System deductions for 1984 may be  
12 recovered in equal proportions over the 3 years 1985  
13 through 1987.

14           It is estimated that enactment of this bill will  
15 result in a loss of revenue to the General Fund in  
16 fiscal year 1984-85 of \$5,297,400.

17

6519032884