

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

## **An Act To Reduce Maine's Income Tax Rates by 50 Percent**

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

**Sec. 1. 36 MRSA §5111, sub-§1-B,** as enacted by PL 1999, c. 731, Pt. T, §3, is amended to read:

**1-B. Single individuals and married persons filing separate returns; tax years beginning 2002, 2003, 2004, 2005 and 2006.** For tax years beginning ~~on or after January 1, in~~ 2002, 2003, 2004, 2005 and 2006, for single individuals and married persons filing separate returns:

| If Maine Taxable income is:             | The tax is:                                 |
|---|---|
| Less than \$4,200                       | 2% of the Maine taxable income              |
| At least \$4,200 but less than \$8,350  | \$84 plus 4.5% of the excess over \$4,200   |
| At least \$8,350 but less than \$16,700 | \$271 plus 7% of the excess over \$8,350    |
| \$16,700 or more                        | \$856 plus 8.5% of the excess over \$16,700 |

**Sec. 2. 36 MRSA §5111, sub-§1-C** is enacted to read:

**1-C. Single individuals and married persons filing separate returns; tax years beginning 2007.** For tax years beginning on or after January 1, 2007, for single individuals and married persons filing separate returns:

| <u>If Maine Taxable income is:</u>             | <u>The tax is:</u>                                  |
|--|---|
| <u>Less than \$4,200</u>                       | <u>1% of the Maine taxable income</u>               |
| <u>At least \$4,200 but less than \$8,350</u>  | <u>\$42 plus 2.25% of the excess over \$4,200</u>   |
| <u>At least \$8,350 but less than \$16,700</u> | <u>\$135 plus 3.5% of the excess over \$8,350</u>   |
| <u>\$16,700 or more</u>                        | <u>\$428 plus 4.25% of the excess over \$16,700</u> |

**Sec. 3. 36 MRSA §5111, sub-§2-B,** as enacted by PL 1999, c. 731, Pt. T, §5, is amended to read:

**2-B. Heads of households; tax years beginning 2002, 2003, 2004, 2005 and 2006.**

For tax years beginning ~~on or after January 1,~~ in 2002, 2003, 2004, 2005 and 2006, for unmarried individuals or legally separated individuals who qualify as heads of households:

| If Maine Taxable income is:              | The tax is:                                   |
|--|---|
| Less than \$6,300                        | 2% of the Maine taxable income                |
| At least \$6,300 but less than \$12,500  | \$126 plus 4.5% of the excess over \$6,300    |
| At least \$12,500 but less than \$25,050 | \$405 plus 7% of the excess over \$12,500     |
| \$25,050 or more                         | \$1,284 plus 8.5% of the excess over \$25,050 |

**Sec. 4. 36 MRSA §5111 sub-§2-C** is enacted to read:

**2-C. Heads of households; tax years beginning 2007.** For tax years beginning on or after January 1, 2007, for unmarried individuals or legally separated individuals who qualify as heads of households:

| <u>If Maine Taxable income is:</u>              | <u>The tax is:</u>                                  |
|---|---|
| <u>Less than \$6,300</u>                        | <u>1% of the Maine taxable income</u>               |
| <u>At least \$6,300 but less than \$12,500</u>  | <u>\$63 plus 2.25% of the excess over \$6,300</u>   |
| <u>At least \$12,500 but less than \$25,050</u> | <u>\$203 plus 3.5% of the excess over \$12,500</u>  |
| <u>\$25,050 or more</u>                         | <u>\$642 plus 4.25% of the excess over \$25,050</u> |

**Sec. 5. 36 MRSA §5111, sub-§3-B,** as enacted by PL 1999, c. 731, Pt. T, §7, is amended to read:

**3-B. Individuals filing married joint return or surviving spouses; tax years beginning 2002, 2003, 2004, 2005 and 2006.** For tax years beginning ~~on or after January 1,~~ in 2002, 2003, 2004, 2005 and 2006, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

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| If Maine Taxable income is:              | The tax is:                                   |
|--|---|
| Less than \$8,400                        | 2% of the Maine taxable income                |
| At least \$8,400 but less than \$16,700  | \$168 plus 4.5% of the excess over \$8,400    |
| At least \$16,700 but less than \$33,400 | \$542 plus 7% of the excess over \$16,700     |
| \$33,400 or more                         | \$1,711 plus 8.5% of the excess over \$33,400 |

**Sec. 6. 36 MRSA §5111, sub-§3-C** is enacted to read:

**3-C. Individuals filing married joint return or surviving spouses; tax years beginning 2007.** For tax years beginning on or after January 1, 2007, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

| <u>If Maine Taxable income is:</u>              | <u>The tax is:</u>                                  |
|---|---|
| <u>Less than \$8,400</u>                        | <u>1% of the Maine taxable income</u>               |
| <u>At least \$8,400 but less than \$16,700</u>  | <u>\$84 plus 2.25% of the excess over \$8,400</u>   |
| <u>At least \$16,700 but less than \$33,400</u> | <u>\$271 plus 3.5% of the excess over \$16,700</u>  |
| <u>\$33,400 or more</u>                         | <u>\$855 plus 4.25% of the excess over \$33,400</u> |

**Sec. 7. 36 MRSA §5200, sub-§1**, as amended by PL 2005, c. 618, §6 and as affected by §22, is further amended to read:

**1. Imposition and rate of tax.** A tax is imposed for each taxable year beginning before January 1, 2007 at the following rates on each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group:

| If the income is:               | The tax is:                                    |
|---------------------------------|--|
| Not over \$25,000               | 3.5% of the income                             |
| \$25,000 but not over \$75,000  | \$875 plus 7.93% of the excess over \$25,000   |
| \$75,000 but not over \$250,000 | \$4,840 plus 8.33% of the excess over \$75,000 |

\$250,000 or more

\$19,418 plus 8.93% of the  
excess over \$250,000

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable only by Maine, the rates provided in this subsection are applied only to the first \$250,000 of the Maine net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the Maine net income of the entire group is taxed at 8.93%.

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable both within and without this State, the rates provided in this subsection are applied only to the first \$250,000 of the net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the net income of the entire group is taxed at 8.93%.

**Sec. 8. 36 MRSA §5200-B** is enacted to read:

**§ 5200-B. Imposition and rate of tax.**

**1. Imposition and rate of tax** A tax is imposed for each taxable year beginning on or after January 1, 2007 at the following rates on each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group:

If the income is:

The tax is:

Not over \$25,000

1.75% of the income

\$25,000 but not over \$75,000

\$438 plus 3.965% of the excess over  
\$25,000

\$75,000 but not over \$250,000

\$2,420 plus 4.165% of the excess  
over \$75,000

\$250,000 or more

\$9,709 plus 4.465% of the excess  
over \$250,000

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable only by Maine, the rates provided in this subsection are applied only to the first \$250,000 of the Maine net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the Maine net income of the entire group is taxed at 4.465%.

In the case of an affiliated group of corporations engaged in a unitary business with activity taxable both within and without this State, the rates provided in this subsection are applied only to the first \$250,000 of the net income of the entire group and must be apportioned equally among the taxable corporations unless those corporations jointly elect a different apportionment. The balance of the net income of the entire group is taxed at 4.465%.

## **SUMMARY**

This bill reduces the individual and corporate income tax rates by 50% beginning in the 2007 tax year.