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FIRST REGULAR SESSION-2019

Legislative Document

No. 104

S.P. 31

In Senate, January 15, 2019

An Act To Expand the Earned Income Tax Credit in Maine

Reference to the Committee on Taxation suggested and ordered printed.

DAREK M. GRANT Secretary of the Senate

Presented by Senator VITELLI of Sagadahoc.
Cosponsored by Representative TEPLER of Topsham and
Senators: BREEN of Cumberland, CHIPMAN of Cumberland, LIBBY of Androscoggin,
SANBORN, H. of Cumberland, Representatives: EVANGELOS of Friendship, PLUECKER of
Warren, STEWART of Presque Isle.

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

Sec. 1. 26 MRSA §42-C is enacted to read:

§42-C. Notification regarding earned income tax credit eligibility

- 1. Bureau to provide poster or notice. The bureau shall produce and furnish to employers posters or notices in printed form that state that an employee may be eligible for federal and state earned income tax credits and that the employee may apply for the tax credits on the employee's income tax returns.
- 2. Employer to post notice. An employer shall post and keep posted in a place accessible to the employer's employees a copy of the printed poster or notice furnished by the bureau. An employer who violates this section is subject to the same penalties set forth in section 42-B, subsection 3.
- Sec. 2. 36 MRSA §5219-S, as amended by PL 2015, c. 328, §8, is further amended to read:

§5219-S. Earned income credit

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- 1. Resident taxpayer. A resident individual who is an eligible individual is allowed a credit against the tax otherwise due under this Part in the amount of 5% 15% of the federal earned income credit for the same taxable year, except that for tax years beginning in 2009 and 2010, the applicable percentage is 4%.
- 2. Nonresident taxpayer. A nonresident individual who is an eligible individual is allowed a credit against the tax otherwise due under this Part in the amount of 5% 15% of the federal earned income credit for the same taxable year, except that for tax years beginning in 2009 and 2010, the applicable percentage is 4%, multiplied by the ratio of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income, as modified by section 5122.
- **3. Part-year resident taxpayer.** An <u>eligible</u> individual who files a return as a part-year resident in accordance with section 5224-A is allowed a credit against the tax otherwise due under this Part in the amount of 5% 15% of the federal earned income credit for the same taxable year, except that for tax years beginning in 2009 and 2010, the applicable percentage is 4%, multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income, as modified by section 5122.
- **4. Limitation.** The credit allowed by this section may not reduce the Maine income tax to less than zero, except that for tax years beginning on or after January 1, 2016, the credit allowed under subsections 1 and 3 is refundable.

5. Eligible individual less than 25 years of age. The credit for an eligible individual who is entitled to a credit under subsections 1 to 3, has not attained 25 years of age and does not have a qualifying child for the taxable year must be calculated in the same manner as it would be calculated if that individual were eligible for a federal earned income credit.

6. Eligible individual defined. For tax years beginning on or after January 1, 2019, for the purposes of this section, unless the context otherwise indicates, "eligible individual" has the same meaning as under Section 32(c)(1) of the Code except that "eligible individual" also includes an individual who does not have a qualifying child for the taxable year, who is at least 18 years of age and has not attained the age of 25 before the close of the taxable year and who also meets the qualifications under Section 32(c)(1)(A)(ii)(I) and (III) of the Code.

13 SUMMARY

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This bill expands the earned income tax credit by increasing the credit from 5% to 15% of the federal earned income tax credit and extending the credit to persons from 18 to 24 years of age who have no qualifying child.

This bill also requires the Department of Labor, Bureau of Labor Standards to provide a poster or notice to employers that states that employees may be eligible for the earned income tax credit. This bill requires employers to post the poster or notice in a place that is accessible to the employers' employees.