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TAXATION

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**STATE OF MAINE
HOUSE OF REPRESENTATIVES
132ND LEGISLATURE
FIRST SPECIAL SESSION**

COMMITTEE AMENDMENT “ ” to H.P. 711, L.D. 1089, “An Act to Permanently Fund 55 Percent of the State's Share of Education by Establishing a Tax on Incomes of More than \$1,000,000”

Amend the bill by striking out the title and substituting the following:

'An Act to Permanently Fund 55 Percent of the State's Share of Education by Establishing a Tax on High-income Earners'

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 20-A MRSA §15699 is enacted to read:

§15699. Fund for Public Prekindergarten to Grade 12 Education

1. Fund established. The Fund for Public Prekindergarten to Grade 12 Education, referred to in this section as "the fund," is established as an interest-bearing account administered by the department.

2. Revenue. The Treasurer of State shall deposit all revenue collected pursuant to Title 36, section 5111, subsection 7 from the income tax surcharge to fund education into the fund according to the schedule in Title 36, section 5111, subsection 7. All interest earned by the fund becomes part of the fund.

3. Use of fund. The commissioner shall use the fund to ensure the State meets or exceeds the annual target established by section 15752, inclusive of prekindergarten funding.

Sec. 2. 30-A MRSA §5681, sub-§5, as amended by PL 2023, c. 412, Pt. XXX, §1 and affected by §15, is further amended to read:

5. Transfers to funds. Before January 1, 2025, no later than the 10th day of each month, the State Controller shall transfer to the Local Government Fund 5% of the receipts during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, former subsection 1, paragraphs A to F and L, and credited to the General

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1 Fund without any reduction, except that for fiscal years 2015-16, 2016-17, 2017-18 and
2 2018-19 the amount transferred is 2%, for fiscal year 2019-20 the amount transferred is
3 3%, for fiscal year 2020-21 the amount transferred is 3.75% and for fiscal year 2021-22 the
4 amount transferred is 4.5% of the receipts during the previous month from the taxes
5 imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, former subsection 1,
6 paragraphs A to F and L, and credited to the General Fund without any reduction, and
7 except that the postage, state cost allocation program and programming costs of
8 administering state-municipal revenue sharing may be paid by the Local Government Fund.

9 Beginning January 1, 2025 and ending January 31, 2026, no later than the 10th day of each
10 month, the State Controller shall transfer to the Local Government Fund 5% of the receipts
11 during the previous month from the taxes imposed under Title 36, Parts 3 and 8 and Title
12 36, section 2552, subsection 1-A, and credited to the General Fund without any reduction,
13 except that the postage, state cost allocation program and programming costs of
14 administering state-municipal revenue sharing may be paid by the Local Government Fund.
15 Twenty percent of the amounts transferred to the Local Government Fund each month must
16 be transferred to the Disproportionate Tax Burden Fund and distributed pursuant to
17 subsection 4-B.

18 Beginning February 1, 2026, no later than the 10th day of each month, the State Controller
19 shall transfer to the Local Government Fund 5% of the receipts during the previous month
20 from the taxes imposed under Title 36, Parts 3 and 8 and Title 36, section 2552, subsection
21 1-A, and credited to the General Fund without any reduction, except for the reduction for
22 the transfer to the Fund for Public Kindergarten to Grade 12 Education as described by
23 Title 36, section 5111, subsection 7, paragraph B and except that the postage, state cost
24 allocation program and programming costs of administering state-municipal revenue
25 sharing may be paid by the Local Government Fund. Twenty percent of the amounts
26 transferred to the Local Government Fund each month must be transferred to the
27 Disproportionate Tax Burden Fund and distributed pursuant to subsection 4-B.

28 **Sec. 3. 36 MRSA §5111, sub-§7** is enacted to read:

29 **7. Income tax surcharge to fund education.** An income tax surcharge is established
30 and administered as follows.

31 A. For tax years beginning on or after January 1, 2026, in addition to any other tax
32 imposed by this chapter, a surcharge at the rate of 2% is imposed on that portion of the
33 taxpayer's Maine taxable income in excess of:

34 (1) For single individuals and married persons filing separate returns, \$1,000,000;

35 (2) For heads of households, \$1,500,000; and

36 (3) For individuals filing married joint returns or surviving spouses, \$2,000,000.

37 B. All revenue collected under this subsection must be used to fund public
38 prekindergarten to grade 12 education and must be deposited each year into the Fund
39 for Public Prekindergarten to Grade 12 Education established in Title 20-A, section
40 15699 in accordance with this paragraph.

41 (1) Prior to January 1st of each year, the bureau shall estimate the annual revenue
42 to be collected from the surcharge for the immediately following calendar year.

1 (2) On the first of each month, beginning on January 1, 2026, the Treasurer of State
2 shall deposit 8.333% of the estimated annual total revenue from the surcharge into
3 the Fund for Public Prekindergarten to Grade 12 Education.

4 (3) The bureau may adjust the monthly transfer amount once annually to account
5 for any difference between the estimated collection and actual collection of
6 revenue for the year in which the transfer is made and any tax years prior to that
7 year.

8 **Sec. 4. 36 MRSA §5160**, as amended by PL 2003, c. 390, §35, is further amended
9 to read:

10 **§5160. Imposition of tax**

11 The tax is imposed, at the rates provided by section 5111, including the surcharge
12 imposed pursuant to section 5111, subsection 7, for single individuals, upon the Maine
13 taxable income of estates and trusts. The tax must be paid by the fiduciary.

14 **Sec. 5. 36 MRSA §5403, sub-§8**, as amended by PL 2023, c. 412, Pt. ZZZ, §9, is
15 further amended to read:

16 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by
17 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,
18 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding
19 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer
20 Price Index for the 12-month period ending June 30th of the preceding calendar year
21 divided by the Chained Consumer Price Index for the 12-month period ending June 30,
22 2017; ~~and~~

23 **Sec. 6. 36 MRSA §5403, sub-§9**, as enacted by PL 2023, c. 412, Pt. ZZZ, §10, is
24 amended to read:

25 **9. Dependent exemption tax credit amount.** Beginning in 2024 and each year
26 thereafter, by the dollar amount of the dependent exemption tax credit under section
27 5219-SS, except that for the purposes of this subsection, notwithstanding section 5402,
28 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for
29 the 12-month period ending June 30th of the preceding calendar year divided by the
30 Chained Consumer Price Index for the 12-month period ending June 30, 2023. If the credit
31 amount, adjusted by application of the cost-of-living adjustment, is not a multiple of \$5,
32 any increase must be rounded to the next lowest multiple of \$5; and

33 **Sec. 7. 36 MRSA §5403, sub-§10** is enacted to read:

34 **10. Income tax surcharge.** Beginning in 2026 and each year thereafter, by the dollar
35 amounts specified in section 5111, subsection 7, paragraph A, subparagraphs (1), (2) and
36 (3), except that for the purposes of this subsection, notwithstanding section 5402,
37 subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for
38 the 12-month period ending June 30th of the preceding calendar year divided by the
39 Chained Consumer Price Index for the 12-month period ending June 30, 2025.

40 **Sec. 8. Appropriations and allocations.** The following appropriations and
41 allocations are made.

42 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

1	Revenue Services, Bureau of 0002		
2	Initiative: Provides one-time funding for computer programming costs.		
3	GENERAL FUND	2025-26	2026-27
4	All Other	\$0	\$155,480
5			
6	GENERAL FUND TOTAL	<u>\$0</u>	<u>\$155,480</u>
7			
8	ADMINISTRATIVE AND FINANCIAL		
9	SERVICES, DEPARTMENT OF		
10	DEPARTMENT TOTALS	2025-26	2026-27
11			
12	GENERAL FUND	\$0	\$155,480
13			
14	DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$155,480</u>
15	EDUCATION, DEPARTMENT OF		
16	Fund for Public Prekindergarten to Grade 12 Education N550		
17	Initiative: Allocates funds from revenues received from an income tax surcharge pursuant		
18	to the Maine Revised Statutes, Title 36, section 5111, subsection 7 provided to ensure the		
19	State meets its obligation to meet or exceed the annual target established in Title 20-A,		
20	section 15752, inclusive of prekindergarten funding.		
21	OTHER SPECIAL REVENUE FUNDS	2025-26	2026-27
22	All Other	\$20,468,500	\$64,348,250
23			
24	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$20,468,500</u>	<u>\$64,348,250</u>
25			
26	EDUCATION, DEPARTMENT OF		
27	DEPARTMENT TOTALS	2025-26	2026-27
28			
29	OTHER SPECIAL REVENUE FUNDS	\$20,468,500	\$64,348,250
30			
31	DEPARTMENT TOTAL - ALL FUNDS	<u>\$20,468,500</u>	<u>\$64,348,250</u>
32			
33	SECTION TOTALS	2025-26	2026-27
34			
35	GENERAL FUND	\$0	\$155,480
36	OTHER SPECIAL REVENUE FUNDS	\$20,468,500	\$64,348,250
37			
38	SECTION TOTAL - ALL FUNDS	<u>\$20,468,500</u>	<u>\$64,503,730</u>
39			
40	Amend the bill by relettering or renumbering any nonconsecutive Part letter or section		
41	number to read consecutively.		

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SUMMARY

This amendment replaces the bill and changes the title. The amendment imposes an income tax surcharge of 2% on that portion of a taxpayer's Maine taxable income in excess of \$1,000,000 for single filers and married persons filing separate returns, \$1,500,000 for heads of households and \$2,000,000 for married persons filing jointly or surviving spouses to fund public prekindergarten to grade 12 education and exempts the revenue from the surcharge from the calculation of state-municipal revenue sharing. The amendment establishes the Fund for Public Prekindergarten to Grade 12 Education and requires the Treasurer of State, beginning January 1, 2026, to deposit monthly into the fund 8.333% of the estimated annual total revenue from the surcharge. Revenue transferred into the fund must be used to ensure the State meets or exceeds the target for education funding, which is currently 55%. The amendment also adds an appropriations and allocations section.

FISCAL NOTE REQUIRED

(See attached)