

# COMPARISON -- TAXATION PROVISIONS IN THE BIENNIAL BUDGET

2/1/17 jsj/OFPR

**MON**

	Current law	Budget proposal	MRS estimated revenue impact	Comments
<b>PROPERTY TAX</b>				
Homestead exemption Part G	A. \$15,000 in 2016 and \$20,000 in 2017 B. State reimburses municipalities 50% in 2016 and 62.5 % in 2017 C. No age restrictions	A. No change to amount of exemption B. State reimburses municipalities 50% (no increase to 62.5%) C. Restricted to persons age 65 or older	<u>GF savings</u> FY 18 (\$39,400,000) FY 19 (\$53,800,000) FY 20 (\$55,500,000) FY 21 (\$57,250,000)	
Revenue sharing Part K	2% of income tax, sales tax and portion of service provider tax for FY 15 to FY19 returning to 5% in FY 20	Maintains revenue sharing % at 2% after FY19.	<u>GF savings</u> FY 18 \$0 FY 19 \$0 FY 20 \$101,956,500 FY 21 \$106,129,500	

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## TUES

	Current law	Budget proposal	MRS estimated revenue impact	Comments
<b>PROPERTY TAX</b>				
Telecommunications personal property Part H	State excise tax based on equalized value of telecommunications personal property taxed at municipal mill rate where property is located	Repeals state telcom excise tax  Returns taxation of telcom personal property to municipal property tax	<u>GF loss</u> FY 18 (\$6,500,000) FY 19 (\$6,500,000) FY 20 (\$6,500,000) FY 21 (\$6,500,000)	
BETR/BETE Part I	BETR—certain business personal property tax reimbursed to taxpayer (PIS 4/2/95 to 4/1/07 and certain “small-box” retail)  BETE – Certain business personal property exempt from tax (PIS 4/2/01 or after – no retail)	Transitions BETR eligible property to BETE program as of 4/1/18  Excludes from either program property located at a retail sales facility and used in a retail sales activity that is first placed in service on or after 4/1/18.  Excludes all retail property after 4/1/27.	Net GF gain/cost (BETR savings/BETE cost) FY 18 \$3,500,000 FY 19 (\$3,180,308) FY 20 (\$5,320,258) FY 21 (\$5,112,841)  <i>timing</i>	

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## THURS

	Current law	Budget proposal	MRS estimated revenue impact	Comments
<b>ADMINISTRATIVE PROVISIONS</b>		<b>MULTIPLE PARTS</b>		
Board of Tax Appeals Part J		Terminated 10/1/17. Appeal will be to Superior Court only.	GF deappropriation: FY 18 (\$308,606) FY 19 (\$445,669)	
Tax expenditures Part S	Budget is required by statute to contain a provision authorizing the continuation of tax expenditures	Authorizes continuation of tax expenditures		
MRS Training Part T		Authorizes STA to implement training program for revenue agents and property appraisers. Employees who successfully complete training may automatically move to senior classification status.		
“LD 1 report” -- property tax burden reduction goals Part GG	Governor’s Office of Policy and Management required to assess and report by 1/15 annually on progress by State, municipalities, counties and SAUs in reducing property tax burden	Requirement to collect data and report is repealed.		

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## FRI

	Current law	Budget proposal	MRS estimated revenue impact	Comments														
<b>INCOME TAX</b>		<b>Part D</b>																
Individual income tax	<p><u>Rates and brackets</u> (not incl. 3% surcharge) Single individuals* (2017+ tax years)</p> <table> <thead> <tr> <th><u>Income</u></th> <th><u>Marginal rate</u></th> </tr> </thead> <tbody> <tr> <td>\$0 to \$21,049</td> <td>5.8%</td> </tr> <tr> <td>\$21,400 to \$49,999</td> <td>6.75%</td> </tr> <tr> <td>\$50,000 or more</td> <td>7.15%</td> </tr> </tbody> </table>	<u>Income</u>	<u>Marginal rate</u>	\$0 to \$21,049	5.8%	\$21,400 to \$49,999	6.75%	\$50,000 or more	7.15%	<p><u>Rates and brackets</u> (not including 3% surcharge) Single individuals (2018 and 2019 tax years)</p> <table> <thead> <tr> <th><u>Income</u></th> <th><u>Marginal rate</u></th> </tr> </thead> <tbody> <tr> <td>\$0 to \$21,049</td> <td>2.75%</td> </tr> <tr> <td>\$21,050 or more</td> <td>3.15%</td> </tr> </tbody> </table> <p>(2020+ tax years) Rate is 2.75% on all taxable income</p>	<u>Income</u>	<u>Marginal rate</u>	\$0 to \$21,049	2.75%	\$21,050 or more	3.15%	<p><u>Rev loss</u> FY 18 (\$267,810,400) FY 19 (\$305,344,000) FY 20 (\$351,066,400) FY 21 (\$414,308,000)</p>	
<u>Income</u>	<u>Marginal rate</u>																	
\$0 to \$21,049	5.8%																	
\$21,400 to \$49,999	6.75%																	
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<u>Income</u>	<u>Marginal rate</u>																	
\$0 to \$21,049	2.75%																	
\$21,050 or more	3.15%																	
	* Multiply bracket amounts by 2 for individuals filing “married joint” returns and 1.5 for heads of household																	
	<p>1. <u>3% surcharge</u> on taxable income over \$200,000 in each filing status beginning with 2017 tax years</p> <p>2. Revenue from surcharge goes to dedicated fund for education funding</p>	<p>1. <u>3% surcharge</u> is delayed until 2018 tax years</p> <p><u>AND</u></p> <p><u>1A.</u> applied to all taxpayers -- not just those with taxable income exceeding \$200,000</p> <p>2. Revenue from surcharge goes to General Fund</p> <p>3. Repeals provision indicating that surcharge must be imposed regardless of whether IT brackets are changed.</p> <p>4. Surcharge is applied to fiduciary taxpayers (trusts and estates)</p>																
Pension exemption	<u>Military retirement plan benefits</u> 100%	No change to military retirement	<u>Rev loss</u>															

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	<p>exempt</p> <p><u>Maximum nonmilitary</u> retirement benefit exemption \$10,000</p>	<p>benefits</p> <p><u>Maximum nonmilitary</u> retirement benefit exemption Increases \$5,000 per year until it reaches maximum of \$35,000 in 2022</p>	<p>FY 18 (\$4,246,000) FY 19 (\$15,170,000) FY 20 (\$23,011,800) FY 21 (\$27,582,000)</p>	
Sales tax fairness credit	<p><u>Sales tax fairness credit</u></p> <p>A. Refundable income tax credit</p> <p>B. Base credit \$100/\$125 for filers with one exemption to 180/\$225 for persons with 4 or more exemptions</p> <p>C. Phases out as expanded income increases over \$20,000 for single individuals, \$30,000 for heads of household and \$40,000 for married joint filers</p>		<p><u>Rev loss</u></p> <p>FY 18 (\$2,956,000) FY 19 (\$29,469,000) FY 20 \$28,643,000 FY 21 (\$28,529,000)</p>	
Property tax fairness credit	<p><u>Property tax fairness credit (refundable)</u></p> <p>A. <u>Benefit base</u>(max tax counted)</p> <p>Single \$2,000 Joint/HoH 2 exmpts \$2,600 Joint/ HoH (3+exmpts) \$3,200</p> <p>B. <u>Credit calculation</u> 50% of (benefit base minus 6% of income)</p> <p>C. <u>Maximum income</u></p> <p>Single \$33,333 Joint/HoH 2 exmpts \$43,333 Joint/ HoH (3+exmpts) \$53,333</p> <p>C. <u>Maximum credit</u> Age 65+ \$900</p>	<p><u>TYs beginning on or after 1/1/18</u></p> <p>A. <u>Benefit base</u>(max tax counted)</p> <p>Single \$2,000 Joint/HoH 2+ exmpts \$2,700 <del>Joint/ Ho H (3+exmpts) \$3,200</del> (repealed)</p> <p>B. <u>Credit calculation</u> 100% of (benefit base minus 5% of income)</p> <p><u>Maximum income</u></p> <p>Single \$40,000 Joint/HoH 2+ exmpts \$54,000</p> <p>C. <u>Maximum credit</u> Age 65+ \$1,000</p>		

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	under age 65 \$600	under age 65 \$ 750 age 65+ with income ≤ \$20,000 qualifies for minimum benefit of \$400 of benefit base																				
Child care credit	<u>Credit for child care expenses</u> 1. 25% of amount claimed under federal credit 2. 50% of amount claimed under federal credit for “quality child care”	50% of amount claimed under federal credit for all child care																				
Corporate income tax	<table border="0"> <thead> <tr> <th><u>Income</u></th> <th><u>Marginal Rate</u></th> </tr> </thead> <tbody> <tr> <td>\$0 to \$24,999</td> <td>3.5%</td> </tr> <tr> <td>\$25,000 to \$74,999</td> <td>7.93%</td> </tr> <tr> <td>\$75,000 to \$249,999</td> <td>8.33%</td> </tr> <tr> <td>\$250,000 or more</td> <td>8.93%</td> </tr> </tbody> </table>	<u>Income</u>	<u>Marginal Rate</u>	\$0 to \$24,999	3.5%	\$25,000 to \$74,999	7.93%	\$75,000 to \$249,999	8.33%	\$250,000 or more	8.93%	<u>Beginning in 2018 tax years:</u> <table border="0"> <thead> <tr> <th><u>Income</u></th> <th><u>Marginal Rate</u></th> </tr> </thead> <tbody> <tr> <td>\$0 to \$24,999</td> <td>3.5%</td> </tr> <tr> <td>\$25,000 to \$74,999</td> <td>7.93%</td> </tr> <tr> <td>\$75,000 or more</td> <td>8.33%</td> </tr> </tbody> </table> Repeals alternative minimum tax for corporations	<u>Income</u>	<u>Marginal Rate</u>	\$0 to \$24,999	3.5%	\$25,000 to \$74,999	7.93%	\$75,000 or more	8.33%	<u>Rev loss</u> FY 18 (\$2,561,937) FY 19 (\$12,944,065) FY 20 (\$13,589,082) FY 21 (\$14,052,688)	
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Income tax checkoffs	<u>Minimum contribution threshold for inclusion on IT form (in 2016 -- \$22,000):</u> Maine clean election fund Endangered and nongame wildlife fund Maine Children’s Trust Companion animal sterilization fund Maine military family relief fund Maine veterans’ memorial cemetery fund Maine public library fund	<u>Repeals check off and related funds for:</u> Bone marrow screening fund Maine asthma and lung disease research fund																				

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<b>SALES TAX</b>		<b>Part E</b>		
Rates:	<u>Current rates:</u> A. Short-term auto rental 10% B. Lodging 9% C. Prepared food (meals) 8% D. General rate 5.5%	<u>Rates:</u> Rates beginning 10/1/17 A. Short-term auto rental 10% B. Lodging 10% C. Prepared food (meals) 8% D. General rate 5.5%	<u>Rev gain</u> FY 18 \$3,403,400 FY 19 \$10,410,000 FY 20 \$10,831,600 FY 21 \$11,254,864	
Sales tax base expansion		<u>Base expanded beginning 1/1/18 to include:</u> A. Recreation and amusement services B. Installation, repair and maintenance services (nonbusiness) C. Personal services D. Household services E. Personal property services (nonbusiness) (Above services are similar to proposals contained in the 2015 biennial budget proposal but with some changes)	<u>Rev gain</u> FY 18 \$16,974,512 FY 19 \$69,530,308 FY 20 \$71,689,435 FY 21 \$73,938,763	
Sales tax -- other		A. Changes treatment of sales from vending machines by removing wholesale level alternative for certain vendors. B. Requires online real property rental platforms to collect and report sales tax C. Provides that sales tax exemptions for certain nonprofits do not apply to purchases of prepared food, lodging or motor vehicle rental.		

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<b>SERVICE PROVIDER TAX</b>		<b>Part D</b>		
Base expansion Part D		1. Clarifies treatment of streaming video and audio content 2. Expands tax to certain “guided recreation” (other than hunting and fishing) and certain nontransportation rides	Included in sales tax base expansion estimate above	

	Current law	Budget proposal	MRS estimated revenue impact	Comments
<b>ESTATE TAX</b>		<b>Part F</b>		
Exclusion amount Part F	\$5,450,000 for deaths in 2016 (same as federal)	Repealed for deaths on or after 1/1/18	FY 18 \$0 FY 19 (\$9,539,837) FY 20 (\$12,850,000) FY 21 (\$13,300,000)	

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