

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 Simplify the Maine Income Tax Law

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

Sec. 1. 36 MRSA §5117 is enacted to read:

§ 5117. Imposition of tax on individual income

Notwithstanding the other provisions of this Part, for tax years beginning on or after January 1, 2013, the tax on individual income is calculated under this section.

1. Imposition of tax on resident individual income. A tax is imposed on the individual income of every resident individual. The tax is 36.25% of the federal income tax liability under the Code.

2. Imposition of tax on nonresident individual income. A tax is imposed on the individual income of every nonresident individual who earns income in the State. The tax is 36.25% of the Maine portion of federal income tax liability under the Code on income derived from or connected with sources in this State as described under section 5142. The Maine portion of federal liability is determined by multiplying the total federal income tax liability by a fraction, the numerator of which is gross income derived from or connected with sources in this State and the denominator of which is total federal gross income.

3. Adjustments required of State Tax Assessor. By September 1, 2014 and annually thereafter, the State Tax Assessor shall determine if changes have been made in the Code since September 1st of the previous year that alter total anticipated federal income tax liability by more than 4% for tax years beginning during the following calendar year. If the assessor determines that the 4% level has been reached, the assessor shall calculate the percentage of federal income tax liability that must be imposed on individual income under this Part to retain substantially the same amount of individual income tax revenue forecasted by the most recent report of the Revenue Forecasting Committee under Title 5, section 1710-F.

Sec. 2. Statutory revisions. By January 15, 2012, the State Tax Assessor shall submit legislation to the Second Regular Session of the 125th Legislature to make any statutory changes necessary to implement this Act.

SUMMARY

This bill simplifies the Maine Income Tax Law and replaces the current system with a system of personal income taxation that calculates state income tax as a percentage of federal income tax liability. The bill also provides a mechanism for the State Tax Assessor to adjust the tax rate when changes in federal law are estimated to change total federal anticipated revenue by more than 4% to maintain forecasted state income tax revenue.