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## **An Act To Provide Tax Fairness to Maine's Middle Class and Working Families**

### **CONCEPT DRAFT SUMMARY**

This bill is a concept draft pursuant to Joint Rule 208.

This bill proposes emergency legislation to accomplish the following goals:

- (1) To equalize the total state and local effective tax rate paid by low-income, middle-income and high-income Maine tax filers;
- (2) To partially fund the income and estate tax reductions of Public Law 2011, chapter 380 by providing revenue of between \$150,000,000 and \$250,000,000 over the next 2 years; and
- (3) To maintain an equalized state and local tax rate while enabling future changes that may also simplify Maine's tax code, stabilize revenues and reduce the tax burden on Maine residents.

To accomplish these goals, the bill proposes to establish a tax equalization assessment on those income tax filers who have an annual income equal to or exceeding \$250,000, but whose total effective state and local tax rate is lower than the average effective state and local tax rate for all other Maine households. The tax equalization assessment must bring the total effective state and local tax rate of these tax filers to the average rate paid by all other Maine households, as determined by the Department of Administrative and Financial Services, Bureau of Revenue Services. The tax equalization assessment must be structured for both administrative simplicity and tax parity and must apply to tax years beginning on or after January 1, 2013.

The bill also proposes to establish a tax equalization credit for those income tax filers who have an annual income below \$125,000, but who pay a total effective state and local tax rate that is significantly higher than the average effective state and local tax rate for all other Maine households. The tax equalization credit may be structured as an expansion of an existing credit or refund or may replace and enhance such credits or refunds. The tax equalization credit must be funded entirely by the tax equalization assessment and must bring the total effective state and local tax rate of these tax filers as nearly as possible to the average rate paid by all other Maine households, as determined by the Department of Administrative and Financial Services, Bureau of Revenue Services. The tax equalization credit must be structured for both administrative simplicity and tax parity and must be made effective beginning January 1, 2016.

For the purposes of calculating the tax equalization assessment and credit, the rate impact of the tax equalization assessment and credit from the previous year must be excluded from the determination of the average effective state and local tax rate paid by all Maine households.

In addition, the bill proposes that the State Tax Assessor be required to report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over taxation matters each year with respect to

the total effective state and local tax rate for Maine residents, nonresidents and businesses, as well as the aggregate rate impact of the tax equalization assessment and credit. Upon receiving this report, the joint standing committee of the Legislature having jurisdiction over taxation matters is authorized to report out legislation to simplify and to further equalize the tax code, as well as legislation to repeal or modify the tax equalization assessment and credit once it determines the overall state and local tax burden to be fair and proportionate for all.