

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

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

**Sec. 1. 36 MRSA §200, sub-§1, ¶A**, as enacted by PL 1997, c. 744, §1, is amended to read:

A. Part 1 of the report must describe the overall incidence of all state, local and county taxes. The report must present information on the distribution of the tax burden:

- (1) For the overall income distribution, using a measure of system-wide incidence that appropriately measures equality and inequality;
- (2) By income classes, including, at a minimum, deciles of the income distribution; and
- (3) By other appropriate taxpayer characteristics.

The report must include a calculation of the average effective tax rate on state and local taxes paid by the top 1% of tax families and the bottom 99% of tax families. For purposes of this paragraph, "average effective tax rate on state and local taxes paid" and "tax family" have the same meaning as in section 5111-C, subsection 1.

**Sec. 2. 36 MRSA §683, sub-§1**, as amended by PL 2009, c. 213, Pt. YYY, §1 and affected by c. 652, Pt. A, §63, is further amended to read:

**1. Exemption amount.** Except for assessments for special benefits, the just value of ~~\$10,000~~\$30,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed ~~\$10,000~~\$30,000 of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

**Sec. 3. 36 MRSA §5111-C** is enacted to read:

### **§ 5111-C. Tax equalization assessment**

**1. Definitions.** As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Average effective tax rate on state and local taxes paid" means a fraction, based on statewide tax family data for the taxable year, the numerator of which is the sum of income tax liability, property taxes accrued on a homestead and sales taxes paid and the denominator of which is expanded income for the taxable year.

B. "Expanded income" means total gross income required to be reported on United States Internal Revenue Service Form 1040 for the taxable year, plus tax exempt interest earned during the taxable year and, to the extent included in the calculation of federal gross income, the absolute value of the amount of trade or business loss, net operating loss, capital loss, farm loss and partnership or S corporation loss.

C. "Homestead" means any residential property, including cooperative property as defined in section 681, subsection 1-B, in this State assessed as real property owned by a tax family or held in a revocable living trust for a tax family and occupied as a permanent residence or owned by a cooperative housing corporation and occupied as a permanent residence by a tax family who is a qualifying shareholder. "Homestead" does not include any real property used solely for commercial purposes.

D. "Income tax liability" means the total amount of income tax that is estimated to be due for a tax family for a taxable year, exclusive of a withholder's liability for taxes withheld, less any allowable credits for that taxable year. "Income tax liability" does not include the assessment under subsection 2.

E. "Individual effective tax rate on state and local taxes paid" means a fraction the numerator of which is the sum, for the taxable year, of a tax family's income tax paid to other jurisdictions, income tax liability, property taxes accrued on a tax family's homestead and sales taxes paid and the denominator of which is the tax family's expanded income for the taxable year.

F. "Permanent residence" means that place where a tax family has a true, fixed and permanent home and principal establishment to which a tax family, whenever absent, has the intention of returning. A tax family may have only one permanent residence at a time and, once a permanent residence is established, that permanent residence is presumed to continue until circumstances indicate otherwise.

G. "Sales taxes paid" means Maine sales and use tax reported as an itemized deduction for federal income tax purposes or, if not included as an itemized deduction, the amount as calculated by the federal optional state sales tax tables.

H. "Tax equalization assessment" is an amount, which may not be less than zero, equal to the difference in the average effective tax rate on state and local tax taxes paid and a tax family's individual effective tax rate on state and local taxes paid multiplied by a tax family's expanded income.

I. "Tax family" means an individual or a grouping of individuals based on tax filing status.

**2. Assessment.** For tax years beginning on or after January 1, 2014, a tax family must pay a tax equalization assessment if, for the tax year, a tax family has:

A. An individual effective tax rate on state and local tax taxes paid that is less than the average effective tax rate on state and local taxes paid by the bottom 99% of tax families as calculated in the most recent report submitted under section 200, subsection 1; and

B. Expanded income of \$250,000 or more for a tax family filing as a single individual or a married person filing a separate return, \$325,000 or more for a tax family filing as a single individual or legally separated individual who qualifies as a head of household or \$400,000 or more for a tax family filing a married joint return or a tax family who is a surviving spouse permitted to file a joint return.

**Sec. 4. 36 MRSA §6207, sub-§1, ¶A-1,** as amended by PL 2009, c. 213, Pt. XXX, §1, is further amended to read:

A-1. Fifty percentFor application periods beginning on August 1, 2013, 50% of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$2,000; ~~and~~

**Sec. 5. 36 MRSA §6207, sub-§1, ¶A-2** is enacted to read:

A-2. For application periods beginning on or after August 1, 2014, 50% of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$2,500; and

**Sec. 6. Application.** That section of this Act that amends the Maine Revised Statutes, Title 36, section 683 applies to property tax years beginning on or after April 1, 2014.

**Sec. 7. Appropriations and allocations.** The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: Provides funds for the additional costs to increase the homestead property tax exemption to \$30,000.

<b>GENERAL FUND</b>	<b>2013-14</b>	<b>2014-15</b>
All Other	\$0	\$37,204,875
<b>GENERAL FUND TOTAL</b>	<b>\$0</b>	<b>\$37,204,875</b>

**Revenue Services, Bureau of 0002**

Initiative: Provides one-time funding to implement the new tax equalization assessment including the costs of computer programming to update the Maine automated tax and processing systems and a new assessment worksheet form.

<b>GENERAL FUND</b>	<b>2013-14</b>	<b>2014-15</b>
All Other	\$0	\$124,800
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<b>GENERAL FUND TOTAL</b>	<b>\$0</b>	<b>\$124,800</b>

<b>ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS GENERAL FUND</b>	<b>2013-14</b>	<b>2014-15</b>
	<b>\$0</b>	<b>\$37,329,675</b>
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<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>\$37,329,675</b>

## SUMMARY

This amendment, which replaces the concept draft, does the following.

1. For tax years beginning on or after January 1, 2014, it requires payment of a tax equalization assessment if a tax family has an expanded income of at least \$250,000 for a tax family filing as a single individual, \$325,000 for a tax family filing as a head of a household or \$400,000 for a tax family filing a married joint return or filing a joint return as a surviving spouse, and an effective tax rate that is less than the average effective tax rate on state and local taxes paid by the bottom 99% of tax families.
2. For property tax years beginning on or after April 1, 2014, it increases the amount of the Maine resident homestead property tax exemption to \$30,000 of the just value of the homestead.
3. For application periods beginning on or after August 1, 2014, it increases the maximum payment under the Circuitbreaker Program from \$2,000 to \$2,500.

The amendment adds an appropriations and allocations section.

**FISCAL NOTE REQUIRED**  
(See attached)