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An Act To Restore Some Progressivity and Fairness to the State Income Tax

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

Sec. 1. 36 MRSA §5111, sub-§1-D, as enacted by PL 2013, c. 368, Pt. Q, §4, is amended to read:

1-D. Single individuals and married persons filing separate returns; tax years beginning 2014 and 2015. For tax years beginning on or after January 1, 2014 but not later than December 31, 2015, for single individuals and married persons filing separate returns:

If Maine Taxable income is:	The tax is:
At least \$5,200 but less than \$20,900	6.5% of the excess over \$5,200
\$20,900 or more	\$1,021 plus 7.95% of the excess over \$20,900

Sec. 2. 36 MRSA §5111, sub-§1-E is enacted to read:

1-E. Single individuals and married persons filing separate returns; tax years beginning 2016. For tax years beginning on or after January 1, 2016, for single individuals and married persons filing separate returns:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>At least \$5,200 but less than \$20,900</u>	<u>6.5% of the excess over \$5,200</u>
<u>\$20,900 but less than the top threshold amount</u>	<u>\$1,021 plus 7.95% of the excess over \$20,900</u>
<u>The top threshold amount or more</u>	<u>The top incremental amount plus 10% of the excess over the top threshold amount</u>

For the purposes of this subsection the top threshold amount and the top incremental amount are set pursuant to subsection 6.

Sec. 3. 36 MRSA §5111, sub-§2-D, as enacted by PL 2013, c. 368, Pt. Q, §6, is amended to read:

2-D. Heads of households; tax years beginning 2014 and 2015. For tax years beginning on or after January 1, 2014 but not later than December 31, 2015, for unmarried individuals or legally separated individuals who qualify as heads of households:

If Maine Taxable income is:	The tax is:
At least \$7,850 but less than \$31,350	6.5% of the excess over \$7,850
\$31,350 or more	\$1,528 plus 7.95% of the excess over \$31,350

Sec. 4. 36 MRS §5111, sub-§2-E is enacted to read:

2-E. Heads of households; tax years beginning 2016. For tax years beginning on or after January 1, 2016, for unmarried individuals or legally separated individuals who qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>At least \$7,850 but less than \$31,350</u>	<u>6.5% of the excess over \$7,800</u>
<u>\$31,350 but less than the top threshold amount</u>	<u>\$1,528 plus 7.95% of the excess over \$31,350</u>
<u>The top threshold amount or more</u>	<u>The top incremental amount plus 10% of the excess over the top threshold amount</u>

For the purposes of this subsection the top threshold amount and the top incremental amount are set pursuant to subsection 6.

Sec. 5. 36 MRS §5111, sub-§3-D, as enacted by PL 2013, c. 368, Pt. Q, §8, is amended to read:

3-D. Individuals filing married joint return or surviving spouses; tax years beginning 2014 and 2015. For tax years beginning on or after January 1, 2014 but not later than December 31, 2015, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>At least \$10,450 but less than \$41,850</u>	<u>6.5% of the excess over \$10,450</u>
<u>\$41,850 or more</u>	<u>\$2,041 plus 7.95% of the excess over \$41,850</u>

Sec. 6. 36 MRS §5111, sub-§3-E is enacted to read:

3-E. Individuals filing married joint return or surviving spouses; tax years beginning 2016. For tax years beginning on or after January 1, 2016, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>At least \$10,450 but less than \$41,850</u>	<u>6.5% of the excess over \$10,450</u>
<u>\$41,850 but less than the top threshold amount</u>	<u>\$2,041 plus 7.95% of the excess over \$41,850</u>
<u>The top threshold amount or more</u>	<u>The top incremental amount plus 10% of the excess over the top threshold amount</u>

For the purposes of this subsection the top threshold amount and the top incremental amount are set pursuant to subsection 6.

Sec. 7. 36 MRS §5111, sub-§6 is enacted to read:

6. Top bracket calculations. Beginning October 15, 2015 and every 3 years thereafter, the State Tax Assessor shall calculate the top threshold amount and the top incremental amount for tax years beginning in the succeeding 3 calendar years for each bracket structure under subsections 1-E, 2-E and 3-E as provided in this subsection.

A. To determine the top threshold amount for the bracket structure under subsection 3-E for the first calculation year, the State Tax Assessor shall determine the taxable income threshold that separates the top 2% of individuals filing married joint returns or surviving spouses permitted to file joint returns in the previous calendar year. The top threshold amount under subsection 1-E is 50% of the amount determined for subsection 3-E. The top threshold amount for subsection 2-E is 75% of the amount determined for subsection 3-E.

B. The top incremental amount is the amount of tax that would be paid on the top threshold amount.

C. The top threshold amount for the first calculation year must be indexed for the 2nd and 3rd calculation years in the same manner as other bracket amounts under section 5403.

SUMMARY

This bill adds a new marginal income tax rate of 10% on income tax filers with taxable income in the top 2% of all taxpayers beginning with 2016 tax years. The State Tax Assessor is directed to determine the top taxable income threshold amount establishing the top 2% of taxpayers every 3 years. Bracket amounts are indexed for inflation in the years in which a new calculation is not made.