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Legislative Document

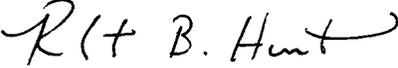
No. 1445

H.P. 941

House of Representatives, March 30, 2023

**An Act to Enact a Seasonal Sales Tax to Provide Income Tax Relief
to Maine Residents**

Reference to the Committee on Taxation suggested and ordered printed.


ROBERT B. HUNT
Clerk

Presented by Representative FAULKINGHAM of Winter Harbor.
Cosponsored by Representatives: BOYER of Poland, CARMICHAEL of Greenbush,
GALLETTA of Durham, HEPLER of Woolwich, LANIGAN of Sanford, PERRY of Bangor.

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

2 **Sec. 1. 5 MRSA §1518-B** is enacted to read:

3 **§1518-B. Maine Residents Income Tax Relief Fund**

4 **1. Maine Residents Income Tax Relief Fund established; purpose.** The Maine
5 Residents Income Tax Relief Fund, referred to in this section as "the fund," is established
6 to provide relief from income taxes imposed on residents of this State, as described in this
7 subsection.

8 A. Beginning in fiscal year 2024-25, all resources appropriated to the fund must be
9 used to increase the personal exemption amount authorized pursuant to Title 36, section
10 5126-A. The State Tax Assessor shall annually determine the amount of the increase
11 rounded down to the nearest \$50 and as limited by paragraph B. If any increase is
12 made, it is effective for the current taxable year and must be incorporated into the
13 income tax forms and instructions of the State Tax Assessor for that taxable year. Any
14 increase pursuant to this section must be determined before the adjustments authorized
15 in Title 36, section 5403, subsections 7 and 8.

16 B. The adjustment required pursuant to paragraph A may not be made if it would result
17 in a personal exemption amount higher than that allowed for federal tax purposes.

18 C. If the amount of an increase in the personal exemption pursuant to paragraph A
19 would result in a personal exemption amount higher than that allowed for federal tax
20 purposes, the State Tax Assessor shall report that fact to the joint standing committee
21 of the Legislature having jurisdiction over taxation matters. The joint standing
22 committee of the Legislature having jurisdiction over taxation matters may report out
23 legislation that provides a method different than that specified in paragraph A of
24 providing tax relief to residents of the State using the resources transferred to the fund.

25 **2. Transfers to the Maine Residents Income Tax Relief Fund.** Notwithstanding
26 any provision of law to the contrary, the State Controller shall transfer to the Maine
27 Residents Income Tax Relief Fund all revenue generated by the seasonal sales tax imposed
28 pursuant to Title 36, section 1811, subsection 3.

29 **3. Nonlapsing fund.** Any unexpended balance in the Maine Residents Income Tax
30 Relief Fund may not lapse, but must be carried forward to be used pursuant to subsection
31 1.

32 **Sec. 2. 36 MRSA §1811, sub-§3** is enacted to read:

33 **3. Seasonal sales tax.** Beginning in 2024, in addition to the 5.5% tax imposed
34 pursuant to subsection 1, paragraph D, for sales occurring during the period starting with
35 the last Monday in May until the 2nd Monday in October, an additional tax at the rate of
36 2% is imposed on the value of all tangible personal property and taxable services. The tax
37 imposed pursuant to this subsection applies only to those sales of personal property and
38 services subject to the 5.5% tax.

39 Notwithstanding Title 30-A, section 5681 or any other provision of law to the contrary, all
40 revenue from the tax imposed pursuant to this subsection must be deposited in the Maine
41 Residents Income Tax Relief Fund established in Title 5, section 1518-B to be used for the
42 purposes stated in Title 5, section 1518-B, subsection 1.

1 **Sec. 3. 36 MRSA §5213-A, sub-§1, ¶A-1**, as enacted by PL 2017, c. 474, Pt. B,
2 §9, is amended to read:

3 A-1. For tax years beginning on or after January 1, 2018 and before January 1, 2024,
4 "base credit" means:

5 (1) For single individuals, \$125;

6 (2) For individuals filing joint returns or as heads of households, \$175 plus an
7 additional amount equal to:

8 (a) For individuals filing joint returns, \$25 if they can claim the federal child
9 tax credit pursuant to the Code, Section 24 for no more than one qualifying
10 child or dependent or \$50 if they can claim the credit for more than one
11 qualifying child or dependent; or

12 (b) For individuals filing as heads of households, \$25 if they can claim the
13 federal child tax credit pursuant to the Code, Section 24 for 2 qualifying
14 children or dependents or \$50 if they can claim the credit for more than 2
15 qualifying children or dependents.

16 **Sec. 4. 36 MRSA §5213-A, sub-§1, ¶A-2** is enacted to read:

17 A-2. For tax years beginning on or after January 1, 2024, "base credit" means:

18 (1) For single individuals, \$185;

19 (2) For individuals filing joint returns or as heads of households, \$235 plus an
20 additional amount equal to:

21 (a) For individuals filing joint returns, \$40 if they can claim the federal child
22 tax credit pursuant to the Code, Section 24 for no more than one qualifying
23 child or dependent or \$65 if they can claim the credit for more than one
24 qualifying child or dependent; or

25 (b) For individuals filing as heads of households, \$40 if they can claim the
26 federal child tax credit pursuant to the Code, Section 24 for 2 qualifying
27 children or dependents or \$65 if they can claim the credit for more than 2
28 qualifying children or dependents.

29 **Sec. 5. 36 MRSA §5213-A, sub-§4**, as enacted by PL 2015, c. 267, Pt. DD, §19,
30 is amended to read:

31 **4. Phase-out of credit.** The Until tax years beginning January 1, 2024, the credit
32 allowed under this section is phased out as follows.

33 A. For single individuals, the credit is reduced by \$10 for every \$500 or portion thereof
34 that exceeds \$20,000 of the income.

35 B. For unmarried individuals or legally separated individuals who qualify as heads of
36 households, the credit is reduced by \$15 for every \$750 or portion thereof that exceeds
37 \$30,000 of the income.

38 C. For individuals filing married joint returns or surviving spouses permitted to file
39 joint returns, the credit is reduced by \$20 for every \$1,000 or portion thereof that
40 exceeds \$40,000 of the income.

