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STATE OF MAINE
HOUSE OF REPRESENTATIVES
125TH LEGISLATURE
SECOND REGULAR SESSION

HOUSE AMENDMENT " " to COMMITTEE AMENDMENT "C" to S.P. 252, L.D. 849, Bill, "An Act To Provide Tax Relief for Maine's Citizens by Reducing Income Taxes"

Amend the amendment by striking out all of section 1 (page 1, lines 13 to 35 and page 2, lines 1 to 21 in amendment) and inserting the following:

'Sec. 1. 5 MRSA §1518-A, as enacted by PL 2005, c. 2, Pt. A, §4 and affected by §14, is amended to read:

§1518-A. Tax Relief Fund for Maine Residents

1. Tax Relief Fund for Maine Residents. There is created the Tax Relief Fund for Maine Residents, referred to in this section as "the fund," which must be used to provide tax relief to residents of the State. The fund consists of all resources transferred to the fund under subsection 4 and section 1536 and other resources made available to the fund. The fund must be used in the order of the following.

A. As the first priority, amounts in the fund must be used to increase the earned income credit under Title 36, section 5219-S until the credit is equal to 50% of the federal earned income credit for the same taxable year, and the credit is refundable.

B. As the 2nd priority, amounts in the fund must be used to increase the individual income tax bracket threshold amounts under Title 36, section 5111 until the bracket thresholds are 20% higher than those in effect for tax years beginning in 2014.

C. As the 3rd priority, after the increase in bracket thresholds required under paragraph B has been achieved, amounts in the fund must be used to reduce the highest individual income tax rate until it reaches 6.5%.

1-A. Implementation. By September 15, 2014 and annually thereafter, the State Controller shall inform the State Tax Assessor of the amount available in the fund for the purposes of subsection 1.

A. By November 1st annually, the State Tax Assessor shall use the amount in the fund identified by the State Controller to calculate the new earned income credit percentage and refundability under subsection 1, paragraph A.

1 B. After the earned income credit under paragraph A has been increased to 50% of
2 the federal earned income credit for the same taxable year and the credit has been
3 made refundable, by November 1st annually the State Tax Assessor shall use the
4 amount in the fund identified by the State Controller to calculate new individual
5 income tax bracket thresholds under subsection 1, paragraph B by proportional
6 increases in each bracket until the thresholds are 20% higher than the bracket
7 thresholds in effect for tax years beginning on or after January 1, 2014.

8 C. After bracket thresholds have reached the amounts required under subsection 1,
9 paragraph B, by November 1st annually the State Tax Assessor shall calculate the
10 amount by which the highest income tax rate under Title 36, section 5111 may be
11 reduced. Bracket rate reductions must be 0.2% in the first year in which reductions
12 are made and 0.1% in subsequent years. If sufficient funds are not available to pay for
13 the minimum reduction, a rate reduction may not be made until the amount in the
14 fund is sufficient to pay for the reduction. When the 8.5% bracket under Title 36,
15 section 5111 has been reduced to 7%, the 2 highest brackets for all categories under
16 Title 36, section 5111 must be combined into one bracket. Future annual rate
17 reductions must be calculated until the tax rate for the highest bracket is 6.5%.

18 D. The State Tax Assessor shall provide public notice of new earned income credit
19 percentages and the refundability of that credit, bracket thresholds and rates
20 calculated under this subsection by November 15th annually.

21 E. New earned income credit percentages and the refundability of that credit, bracket
22 thresholds and rates take effect beginning with tax years that begin on or after
23 January 1st of the calendar year following the determinations made under this
24 subsection.

25 **2. Nonlapsing fund.** Any unexpended balance in the Tax Relief Fund for Maine
26 Residents may not lapse but must be carried forward to be used pursuant to subsection 4
27 1-A.

28 **3. Transfer for income tax reduction.** In the fiscal years immediately following
29 the calculation of the earned income credit, the refundable status of that earned income
30 credit and the income tax rate reduction under subsection 1-A, paragraphs A, B and C, the
31 State Tax Assessor shall certify to the State Controller the amount of the reduction in
32 General Fund revenue by fiscal year, and the State Controller shall transfer from the fund
33 the amount certified for the reduction in revenue attributable to adjustments made under
34 subsection 1-A to the General Fund unappropriated surplus.

35 **4. Transfer from General Fund revenue growth.** Beginning with fiscal year
36 2013-14 and before any other transfers from the General Fund, the State Controller shall
37 transfer to the fund at the close of each fiscal year 40% of the amount by which General
38 Fund revenue for that fiscal year exceeds the General Fund appropriation limitation
39 calculated for that fiscal year under section 1534.'

40 SUMMARY

41 This amendment removes the requirement proposed in Committee Amendment "C"
42 that a portion of revenue exceeding the General Fund appropriation limitation and
43 unappropriated surplus of the General Fund be deposited in the Tax Relief Fund for

1 Maine Residents and used to reduce the tax rates gradually to 4%. Instead, this
2 amendment requires that revenue exceeding the General Fund appropriation limitation
3 and unappropriated surplus of the General Fund be deposited in the Tax Relief Fund for
4 Maine Residents and used to increase the earned income tax credit from 5% of the federal
5 earned income credit to 50% of the federal earned income credit and make the credit
6 refundable. Once the earned income credit is 50% of the federal earned income credit
7 and refundable, as a 2nd priority, if funds are available in the Tax Relief Fund for Maine
8 Residents, then the fund must be used to gradually increase by 20% the income bracket
9 thresholds. As a 3rd priority, the Tax Relief Fund for Maine Residents must be used to
10 reduce the highest income tax rate to 6.5%.

11 **SPONSORED BY:** _____

12 **(Representative KUMIEGA)**

13 **TOWN: Deer Isle**