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Date: (Filing No. H-)

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

HOUSE AMENDMENT “ ” to COMMITTEE AMENDMENT “A” to S.P. 600, L.D. 1746, Bill, “An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2012 and June 30, 2013”

Amend the amendment by inserting after Part HH the following:

'PART II

Sec. II-1. Tax fairness and responsibility. The joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs shall, by January 15, 2013, report legislation to the First Regular Session of the 126th Legislature that contains the following provisions.

1. Tax fairness. The legislation must include provisions imposing a tax equalization payment on resident individual taxpayers whose expanded income is among the top 1% of all resident individual taxpayer incomes. The payment must be based on a tax equalization assessment that is applied to every resident individual taxpayer whose income is determined, solely on the basis of expanded income and with respect to the most recent tax incidence analysis report filed by the Department of Administrative and Financial Services, Bureau of Revenue Services with the Legislature under the Maine Revised Statutes, Title 36, section 200, to fall within the top 1% of resident individual taxpayers. The payment must ensure that no resident individual taxpayer whose income is within the top 1% based on expanded income has a lower state and local tax burden than the average of taxpayers whose incomes are not within the top 1%.

2. Tax and budget responsibility. The legislation must include provisions that establish a separate nonlapsing fund for receipt of revenue from the tax equalization payment. Amounts in the fund must be transferred to the General Fund to provide a supplemental payment to persons receiving benefits under the Maine Public Employees Retirement System during the periods when no cost-of-living adjustment is allowed under Public Law 2011, chapter 380, Part T, section 21 and to reimburse the General Fund for the cost of the following tax expenditures adopted after May 1, 2012 in the following order of priority:

HOUSE AMENDMENT

1 A. An amendment of the law governing the income tax deduction for certain
2 retirement plan benefits under the Maine Revised Statutes, Title 36, section 5122,
3 subsection 2, paragraph M-1 to increase the deduction to \$14,000. The cost of this
4 tax expenditure must be determined in comparison to what the cost would have been
5 under former Title 36, section 5122, subsection 2, paragraph M;

6 B. The income tax exemption for certain military compensation available under Title
7 36, section 5122, subsection 2, paragraph LL;

8 C. The expansion of the sales tax exemption or refund for certain products used in
9 commercial agricultural production and commercial wood harvesting enacted in this
10 Act;

11 D. The increase enacted in this Act in the maximum amount of capital or equity
12 investment in or loan to a qualified active low-income community business from
13 \$10,000,000 to \$40,000,000 under the new markets capital investment credit;

14 E. An amendment of the law governing the earned income credit under Title 36,
15 section 5219-S making the credit refundable; and

16 F. An amendment of the law governing the earned income credit under Title 36,
17 section 5219-S increasing the credit to 10% of the federal credit.

18 The legislation must provide that any money remaining in the fund after reimbursing the
19 General Fund for expenditures under this subsection must be used to increase the state
20 share of general purpose aid for public education for kindergarten to grade 12 until the
21 state share reaches 55%.'

22 Amend the amendment by relettering or renumbering any nonconsecutive Part letter
23 or section number to read consecutively.

24 **SUMMARY**

25 This amendment directs the joint standing committee of the Legislature having
26 jurisdiction over appropriations and financial affairs by January 15, 2013 to report
27 legislation to the First Regular Session of the 126th Legislature that provides for tax
28 fairness and responsibility. The legislation must establish a tax equalization payment to
29 narrow the gap in tax burden between the top 1% of all resident taxpayers and the bottom
30 99% based on expanded income. The legislation must provide that revenue from the
31 equalization payment must be paid to a nonlapsing fund to be used to provide a
32 supplemental payment to public retirees during the period when cost-of-living
33 adjustments are not allowed and to reimburse the General Fund for the loss of revenue
34 resulting from new tax expenditures, including an increase in the pension deduction under
35 the income tax laws to \$14,000, and from expanding the earned income credit. Any
36 remaining funds must be used to increase the state share of general purpose aid for public
37 education for kindergarten to grade 12 until the state share reaches 55%.

38 **SPONSORED BY:** _____

39 **(Representative BERRY)**

40 **TOWN: Bowdoinham**

HOUSE AMENDMENT “ ” to COMMITTEE AMENDMENT “A” to S.P. 600, L.D. 1746

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HOUSE AMENDMENT