

Date: (Filing No. S-)

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STATE OF MAINE
SENATE
125TH LEGISLATURE
FIRST REGULAR SESSION

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

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

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

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 section 1518-B 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 individual income tax bracket threshold amounts under Title 36, section 5111, subsections 1-C, 1-D, 2-C, 2-D, 3-C and 3-D until the bracket thresholds are 20% higher than those in effect for tax years beginning in 2011.

B. As the 2nd priority, after the increase in bracket thresholds required under paragraph A has been achieved, amounts in the fund must be used to reduce the highest individual income tax rate until it reaches 4.5%.

The changes described in paragraphs A and B must be implemented pursuant to subsection 1-A.

Sec. 2. 5 MRSA §1518-A, sub-§1-A is enacted to read:

1-A. Implementation. By July 1, 2013 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 new individual income tax bracket thresholds under subsection 1, paragraph A by proportional increases in each bracket until the thresholds are 20% higher than the bracket thresholds in effect for tax years beginning on or after January 1, 2011.

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1 B. After bracket thresholds have reached the amounts required under subsection 1,
2 paragraph A, by November 1st annually, the State Tax Assessor shall calculate the
3 amount by which the income tax rates under Title 36, section 5111, subsections 1-C,
4 1-D, 2-C, 2-D, 3-C and 3-D may be reduced. Bracket rate reductions must be a
5 minimum of 0.2 percentage points in the first year in which reductions are made and
6 a minimum of 0.1 percentage points in subsequent years. If sufficient funds are not
7 available to pay for the minimum reduction, a rate reduction may not be made until
8 the amount in the fund is sufficient to pay for the reduction. When the amount is
9 sufficient to pay for the reduction, the reduction must first be applied equally to each
10 bracket for all categories under Title 36, section 5111, subsections 1-C, 1-D, 2-C,
11 2-D, 3-C and 3-D until one of the brackets reaches 4.5%, at which time the funds in
12 subsequent years must be applied to the remaining bracket until there is a single
13 bracket with a rate of 4.5%.

14 C. The State Tax Assessor shall provide public notice of new bracket thresholds and
15 rates calculated under this subsection by November 15th annually.

16 D. New bracket thresholds and rates take effect beginning with tax years that begin
17 on or after January 1st of the calendar year following the determinations made under
18 this subsection.

19 E. Beginning in 2013 and each subsequent calendar year thereafter, on or about
20 September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment
21 required under Title 36, section 5403 for taxable years beginning in the succeeding
22 calendar year by the dollar amounts of the tax rate as adjusted by this subsection. If
23 the dollar amounts of each rate bracket, adjusted by application of the cost-of-living
24 adjustment, are not multiples of \$50, any increase must be rounded to the next lowest
25 multiple of \$50. If the cost-of-living adjustment for any taxable year would be less
26 than the cost-of-living adjustment for the preceding calendar year, the cost-of-living
27 adjustment is the same as for the preceding calendar year.

28 **Sec. 3. 5 MRSA §1518-A, sub-§3** is enacted to read:

29 **3. Tax reduction from General Fund revenue growth.** Beginning with fiscal year
30 2011-12 and before any other transfers from the General Fund, the State Controller shall
31 transfer at the close of each fiscal year to the Tax Relief Fund for Maine Residents 40%
32 of the amount by which General Fund revenue for the fiscal year being closed exceeds
33 the General Fund appropriation limitation calculated for that year under section 1534.

34 **Sec. 4. 5 MRSA §1536, sub-§1**, as amended by PL 2005, c. 519, Pt. VV, §4, is
35 further amended to read:

36 **1. Third priority reserve.** The State Controller shall, as the 3rd priority after the
37 transfers to the State Contingent Account pursuant to section 1507 and the transfers to the
38 Loan Insurance Reserve pursuant to section 1511 at the close of each fiscal year, ~~transfer~~
39 ~~from the unappropriated surplus of the General Fund an amount equal to the amount~~
40 ~~available from the unappropriated surplus~~ and after all required deductions of
41 appropriations, budgeted financial commitments and adjustments considered necessary
42 by the State Controller have been made, transfer 40% of the amount available in the
43 unappropriated surplus of the General Fund an amount equal to the amount available

1 from the unappropriated surplus to the Tax Relief Fund for Maine Residents established
2 in section 1518-A and 60% as follows:

- 3 A. Thirty-five percent to the stabilization fund;
- 4 B. Twenty percent to the Retirement Allowance Fund established in section 17251;
- 5 C. Twenty percent to the Reserve for General Fund Operating Capital;
- 6 D. Fifteen percent to the Retiree Health Insurance Internal Service Fund established
- 7 in section 1519 to be used solely for the purpose of amortizing the unfunded actuarial
- 8 liability associated with future health benefits; and
- 9 E. Ten percent to the Capital Construction and Improvements Reserve Fund
- 10 established in section 1516-A.

11 **Sec. 5. 36 MRSA §5111, sub-§1-B**, as enacted by PL 1999, c. 731, Pt. T, §3, is
12 amended to read:

13 **1-B. Single individuals and married persons filing separate returns; tax years**
14 **beginning 2002 to 2011.** For tax years beginning ~~on or after January 1, in~~ 2002 to tax
15 years beginning in 2011, for single individuals and married persons filing separate
16 returns:

17 If Maine Taxable income is:	The tax is:
18 Less than \$4,200	2% of the Maine taxable income
19 At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
20 At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
21 \$16,700 or more	\$856 plus 8.5% of the excess over \$16,700

22 **Sec. 6. 36 MRSA §5111, sub-§§1-C and 1-D** are enacted to read:

23 **1-C. Single individuals and married persons filing separate returns; tax year**
24 **2012.** For the tax year beginning on or after January 1, 2012 and ending prior to January
25 1, 2013, for single individuals and married persons filing separate returns:

26 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
27 <u>At least \$5,000 but less than \$19,950</u>	<u>6.5% of the excess over \$5,000</u>
28 <u>\$19,950 or more</u>	<u>\$972 plus 8.5% of the excess over \$19,950</u>

29 **1-D. Single individuals and married persons filing separate returns; tax years**
30 **beginning 2013.** For tax years beginning on or after January 1, 2013, for single
31 individuals and married persons filing separate returns:

32 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
33 <u>At least \$5,000 but less than \$19,950</u>	<u>6.5% of the excess over \$5,000</u>
34 <u>\$19,950 or more</u>	<u>\$972 plus 7.95% of the excess over</u>
35	<u>\$19,950</u>

36 **Sec. 7. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c. 731, Pt. T, §5, is
37 amended to read:

1 **2-B. Heads of households; tax years beginning 2002 to 2011.** For tax years
2 beginning ~~on or after January 1, in 2002~~ to tax years beginning in 2011, for unmarried
3 individuals or legally separated individuals who qualify as heads of households:

If Maine Taxable income is:	The tax is:
4 Less than \$6,300	2% of the Maine taxable income
5 At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
6 At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
7 \$25,050 or more	\$1,284 plus 8.5% of the excess over
8	9 \$25,050

10 **Sec. 8. 36 MRSA §5111, sub-§§2-C and 2-D** are enacted to read:

11 **2-C. Heads of households; tax year 2012.** For the tax year beginning on or after
12 January 1, 2012 and ending prior to January 1, 2013, for unmarried individuals or legally
13 separated individuals who qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
14 <u>At least \$7,500 but less than \$29,900</u>	<u>6.5% of the excess over \$7,500</u>
15 <u>\$29,900 or more</u>	<u>\$1,456 plus 8.5% of the excess over</u>
16	17 <u>\$29,900</u>

18 **2-D. Heads of households; tax years beginning 2013.** For tax years beginning on
19 or after January 1, 2013, for unmarried individuals or legally separated individuals who
20 qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
21 <u>At least \$7,500 but less than \$29,900</u>	<u>6.5% of the excess over \$7,500</u>
22 <u>\$29,900 or more</u>	<u>\$1,456 plus 7.95% of the excess over</u>
23	24 <u>\$29,900</u>

25 **Sec. 9. 36 MRSA §5111, sub-§3-B**, as enacted by PL 1999, c. 731, Pt. T, §7, is
26 amended to read:

27 **3-B. Individuals filing married joint return or surviving spouses; tax years**
28 **beginning 2002 to 2011.** For tax years beginning ~~on or after January 1, in 2002~~ to tax
29 years beginning in 2011, for individuals filing married joint returns or surviving spouses
30 permitted to file a joint return:

If Maine Taxable income is:	The tax is:
31 Less than \$8,400	2% of the Maine taxable income
32 At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
33 At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
34 \$33,400 or more	\$1,711 plus 8.5% of the excess over
35	36 \$33,400

37 **Sec. 10. 36 MRSA §5111, sub-§§3-C and 3-D** are enacted to read:

38 **3-C. Individuals filing married joint return or surviving spouses; tax year 2012.**
39 For the tax year beginning on or after January 1, 2012 and ending prior to January 1,

1 2013, for individuals filing married joint returns or surviving spouses permitted to file a
2 joint return:

3	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
4	<u>At least \$10,000 but less than \$39,900</u>	<u>6.5% of the excess over \$10,000</u>
5	<u>\$39,900 or more</u>	<u>\$1,944 plus 8.5% of the excess over</u>
6		<u>\$39,900</u>

7 **3-D. Individuals filing married joint return or surviving spouses; tax years**
8 **beginning 2013.** For tax years beginning on or after January 1, 2013, for individuals
9 filing married joint returns or surviving spouses permitted to file a joint return:

10	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
11	<u>At least \$10,000 but less than \$39,900</u>	<u>6.5% of the excess over \$10,000</u>
12	<u>\$39,900 or more</u>	<u>\$1,944 plus 7.95% of the excess over</u>
13		<u>\$39,900</u>

14 **Sec. 11. 36 MRSA §5402, sub-§1-B,** as enacted by PL 1999, c. 731, Pt. T, §8
15 and affected by §11, is amended to read:

16 **1-B. Cost-of-living adjustment.** The "cost-of-living adjustment" for any calendar
17 year is the Consumer Price Index for the 12-month period ending June 30th of the
18 preceding calendar year divided by the Consumer Price Index for the 12-month period
19 ending June 30, ~~2004~~ 2010.

20 **Sec. 12. 36 MRSA §5403,** as amended by PL 2009, c. 213, Pt. WWW, §1 and
21 affected by §2, is further amended to read:

22 **§5403. Annual adjustments for inflation**

23 Beginning in ~~2002~~ 2011, and each subsequent calendar year thereafter, on or about
24 September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for
25 taxable years beginning in the succeeding calendar year by the dollar amounts of the tax
26 rate tables specified in section 5111, subsections ~~1-B 1-C, 1-D, 2-B 2-C, 2-D, and 3-B~~
27 3-C and 3-D. If the dollar amounts of each rate bracket, adjusted by application of the
28 cost-of-living adjustment, are not multiples of \$50, any increase must be rounded to the
29 next lowest multiple of \$50. If the cost-of-living adjustment for any taxable year would
30 be less than the cost-of-living adjustment for the preceding calendar year, the cost-of-
31 living adjustment is the same as for the preceding calendar year. The assessor shall
32 incorporate such changes into the income tax forms, instructions and withholding tables
33 for the taxable year.

34 ~~Beginning in 2009 and each subsequent calendar year thereafter, the assessor shall~~
35 ~~reduce the cost of living adjustment by an amount that increases estimated noncorporate~~
36 ~~income tax revenue by \$10,500,000 for that calendar year using as a benchmark the most~~
37 ~~recent revenue projections of the Revenue Forecasting Committee established in Title 5,~~
38 ~~section 1710 E.'~~

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SUMMARY

This amendment replaces the bill and establishes individual income tax rates at 0%, 6.5% and 8.5% for tax years beginning on or after January 1, 2012. It reduces the highest income tax rate of 8.5% to 7.95% for tax years beginning on or after January 1, 2013. The amendment requires that revenue that exceeds the General Fund appropriation limitation and unappropriated surplus of the General Fund be used to gradually increase by 20% the income tax bracket thresholds at which higher income tax rates apply and to reduce the highest income tax rates to 4.5% over time to eventually establish one income tax rate.

FISCAL NOTE REQUIRED

(See attached)