OFFICE OF FISCAL AND PROGRAM REVIEW

Date: May 20, 2013

To: Members, Joint Standing Committee on Taxation

From: Elizabeth Cooper, Legislative Analyst

Re: Final Amendment Review – LD 1256

An amendment and fiscal note for LD1256 is attached for your review.

LD 1256, An Act To Establish Tax Fairness
- The Committee voted OTPA\ONTP on May 13, 2013.
- This amendment, which is the majority report, changes the threshold amounts for the top income tax rate of 8.5%, adjusts the brackets for inflation and provides for the on-going inflation adjustment.
- The fiscal note is attached.

Please let me know if you have any questions or concerns.

126th MAINE LEGISLATURE

LD 1256   LR 1943(02)

An Act To Establish Tax Fairness

Fiscal Note for Bill as Amended by Committee Amendment " "
Committee: Taxation
Fiscal Note Required: Yes

Fiscal Note

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	($9,671,000)	($25,476,720)	($27,579,070)	($28,675,750)
Revenue				
General Fund	$9,671,000	$25,476,720	$27,579,070	$28,675,750
Other Special Revenue Funds	$509,000	$1,340,880	$1,451,530	$1,509,250

Fiscal Detail and Notes

Imposing a new top tax rate of 8.5% on taxable income over $100,000 for single individuals and married persons filing separately, on taxable income over $150,000 for taxpayers filing as heads of household and on taxable income over $200,000 for individuals filing married joint returns or surviving spouses will increase General Fund revenue by $9,671,000 in FY 2013-14 and by $25,476,720 in FY 2014-15. Municipal Revenue Sharing will increase by $509,000 in FY 2013-14 and by $1,340,880 in FY 2014-15.

1   L.D. 1256

2 Date: (Filing No. H-   )

3 **TAXATION**

4 Reproduced and distributed under the direction of the Clerk of the House.

5 **STATE OF MAINE**

6 **HOUSE OF REPRESENTATIVES**

7 **126TH LEGISLATURE**

8 **FIRST REGULAR SESSION**

9 COMMITTEE AMENDMENT "   " to H.P. 890, L.D. 1256, Bill, "An Act To
10 Establish Tax Fairness"

11 Amend the bill in section 2 by striking out all of subsection 1-D (page 1, lines 12 to
12 20 in L.D.) and inserting the following:

13 **'1-D. Single individuals and married persons filing separate returns; tax years**
14 **beginning 2014.** For tax years beginning on or after January 1, 2014, for single
15 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
At least $20,900 but less than $100,000	$1,021 plus 7.95% of the excess over $20,900
$100,000 or more	$7,309 plus 8.5% of the excess over $100,000

23 Amend the bill in section 4 by striking out all of subsection 2-D (page 1, lines 31 to
24 33 and page 2, lines 1 to 6 in L.D.) and inserting the following:

25 **'2-D. Heads of households; tax years beginning 2014.** For tax years beginning on
26 or after January 1, 2014, for unmarried individuals or legally separated individuals who
27 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
At least $31,350 but less than $150,000	$1,528 plus 7.95% of the excess over $31,350
$150,000 or more	$10,961 plus 8.5% of the excess over $150,000

35 Amend the bill in section 6 by striking out all of subsection 3-D (page 2, lines 18 to
36 26 in L.D.) and inserting the following:

COMMITTEE AMENDMENT

'3-D. Individuals filing married joint return or surviving spouses; tax years beginning 2014. For tax years beginning on or after January 1, 2014, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine Taxable income is:	The tax is:
At least $10,450 but less than $41,850	6.5% of the excess over $10,450
At least $41,850 but less than $200,000	$2,041 plus 7.95% of the excess over $41,850
$200,000 or more	$14,614 plus 8.5% of the excess over $200,000

Amend the bill by adding after section 6 the following:

'**Sec. 7. 36 MRSA §5402, sub-§1-B,** as amended by PL 2011, c. 380, Pt. N, §17 and affected by §§19 and 20, is further amended to read:

1-B. Cost-of-living adjustment. The "cost-of-living adjustment" for any calendar year is the Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Consumer Price Index for the 12-month period ending June 30, ~~2010~~ 2013.

Sec. 8. 36 MRSA §5403, as amended by PL 2011, c. 380, Pt. N, §18 and affected by §19, is further amended to read:

§5403. Annual adjustments for inflation

Beginning in ~~2002~~ 2014, and each subsequent calendar year thereafter, on or about September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for taxable years beginning in the succeeding calendar year by the dollar amounts of the tax rate tables specified in section 5111, subsections ~~1-B, 1-C, 2-B, 2-C, 3-B~~ 1-D, 2-D and ~~3-C~~ 3-D. If the dollar amounts of each rate bracket, adjusted by application of the cost-of-living adjustment, are not multiples of $50, any increase must be rounded to the next lowest multiple of $50. If the cost-of-living adjustment for any taxable year would be less than the cost-of-living adjustment for the preceding calendar year, the cost-of-living adjustment is the same as for the preceding calendar year. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.'

SUMMARY

This amendment retains the new top income tax rate of 8.5% established by the bill but changes the income threshold to $150,000 for taxpayers filing as heads of households and to $200,000 for individuals filing married joint returns or surviving spouses and adjusts the income thresholds and tax rates for the lower 2 tax brackets. It adjusts the taxable income brackets for inflation and provides for ongoing annual adjustments for inflation.

FISCAL NOTE REQUIRED

(See attached)

COMMITTEE AMENDMENT