

OFFICE OF FISCAL AND PROGRAM REVIEW

Work Session Date: March 1, 2013

To: Members, Joint Standing Committee on Taxation

From: Elizabeth Cooper, Legislative Analyst

LD 234, An Act To Provide Tax Treatment Consistency for Limited Liability Companies and S Corporations

Summary: This bill allows a member of a pass-through entity, such as a limited liability company or S corporation, to receive an income tax credit against taxes imposed on that member's distributive share or pro rata share of the pass-through entity's income, and ensures that the amount used to calculate the income tax credit for certain members of pass-through entities cannot also be used as a deduction from income. This bill applies to tax years beginning on or after January 1, 2014.

Public Hearing:

Proponents

- The sponsor presented the bill.
- Ann Goggin, a business owner, testified in support of the bill and provided a table with state comparisons. Maine Society of Certified Public Accountants provided written testimony.
- *Major points:* the credit will address an inequity caused by differences in Maine and New Hampshire law; NH taxes pass-through entities and Maine taxes the individual.

Opposed - None

NFNA - None

Similar bills:

123rd Legislature – LD 2049

Fiscal Information: The preliminary fiscal impact statement was not available at the time this analysis was finalized. However, previous legislation had a fiscal note with combined general fund and other special revenue fund reductions of approximately \$2,100,000 each and administrative costs of approximately \$25,000 related to the income modification.