

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Lower Maine Income Tax Rates

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §5111, first ¶, as amended by PL 1999, c. 731, Pt. T, §1, is further amended to read:

A tax is imposed for each taxable year beginning on or after January 1, 2000, on the Maine taxable income of every resident individual of this State. The amount of the tax is determined as provided in this section, except that the rates provided in this section for tax years beginning on or after January 1, 2008 must be adjusted as provided by section 5111-C.

Sec. 2. 36 MRSA §5111, sub-§1-B, as enacted by PL 1999, c. 731, Pt. T, §3, is amended to read:

1-B. Single individuals and married persons filing separate returns; tax years beginning 2002 but before 2007. For tax years beginning on or after January 1, 2002 but before January 1, 2007, for single individuals and married persons filing separate returns:

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

Sec. 3. 36 MRSA §5111, sub-§1-C is enacted to read:

1-C. Single individuals and married persons filing separate returns; tax years beginning 2007. For tax years beginning on or after January 1, 2007, for single individuals and married persons filing separate returns:

If Maine Taxable income is:	The tax is:
<u>Less than \$4,750</u>	<u>2% of the Maine taxable income</u>
<u>At least \$4,750 but less than \$9,450</u>	<u>\$95 plus 4.5% of the excess over \$4,750</u>
<u>At least \$9,450 but less than \$18,950</u>	<u>\$307 plus 6.5% of the excess over \$9,450</u>
<u>\$18,950 or more</u>	<u>\$924 plus 8% of the excess over \$18,950</u>

Sec. 4. 36 MRSA §5111, sub-§2-B, as enacted by PL 1999, c. 731, Pt. T, §5, is amended to read:

2-B. Heads of households; tax years beginning 2002 but before 2007. For tax years beginning on or after January 1, 2002 but before January 1, 2007, for unmarried individuals or legally separated individuals who qualify as heads of households:

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

Sec. 5. 36 MRSA §5111, sub-§2-C is enacted to read:

2-C. Heads of households; tax years beginning 2007. For tax years beginning on or after January 1, 2007, for unmarried individuals or legally separated individuals who qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$7,150</u>	<u>2% of the Maine taxable income</u>
<u>At least \$7,150 but less than \$14,200</u>	<u>\$143 plus 4.5% of the excess over \$7,150</u>
<u>At least \$14,200 but less than \$28,450</u>	<u>\$460 plus 6.5% of the excess over \$14,200</u>
<u>\$28,450 or more</u>	<u>\$1,387 plus 8% of the excess over \$28,450</u>

Sec. 6. 36 MRSA §5111, sub-§3-B, as enacted by PL 1999, c. 731, Pt. T, §7, is amended to read:

3-B. Individuals filing married joint return or surviving spouses; tax years beginning 2002 but before 2007. For tax years beginning on or after January 1, 2002 but before January 1, 2007, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

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

Sec. 7. 36 MRSA §5111, sub-§3-C is enacted to read:

3-C. Individuals filing married joint return or surviving spouses; tax years beginning 2007. For tax years beginning on or after January 1, 2007, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine Taxable income is:	The tax is:
<u>Less than \$9,500</u>	<u>2% of the Maine taxable income</u>
<u>At least \$9,500 but less than \$18,950</u>	<u>\$190 plus 4.5% of the excess over \$9,500</u>
<u>At least \$18,950 but less than \$37,950</u>	<u>\$615 plus 6.5% of the excess over \$18,950</u>
<u>\$37,950 or more</u>	<u>\$1,850 plus 8% of the excess over \$37,950</u>

Sec. 8. 36 MRSA §5111-C is enacted to read:

§ 5111-C. Reductions in individual income tax rates

1. Highest rates reduced. For tax years beginning on or after January 1, 2008, the 8% tax rate on the top tax brackets contained in section 5111, subsections 1-C, 2-C and 3-C must be adjusted as follows.

- A. For each tax year beginning in 2008 to 2010, the tax rate that was applicable in the immediately preceding tax year must be reduced by 1% until that rate equals 5%.
- B. For each tax year beginning in 2011 or after, the tax rate is 5%.

2. Second-highest rates reduced. For tax years beginning on or after January 1, 2008, the 6.5% tax rate on the second-highest tax brackets contained in section 5111, subsections 1-C, 2-C and 3-C must be adjusted as follows.

- A. For each tax year beginning in 2008 to 2010, the tax rate that was applicable in the immediately preceding tax year must be reduced by 0.5% until that rate equals 5%.
- B. For each tax year beginning in 2011 or after, the tax rate is 5%.

3. Forms, instructions and tables. The State Tax Assessor shall incorporate the changes arising from this section into the forms, instructions, rate schedules and withholding tables for the appropriate tax years.

Sec. 9. 36 MRSA §5403, as repealed and replaced by PL 1999, c. 731, Pt. T, §10 and affected by §11, is amended to read:

§ 5403. Annual adjustments for inflation

Beginning in ~~2002~~2008, 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, 2-B and 3-B~~1-C, 2-C and 3-C. 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 is 1.000 or less, no adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate tables. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.

Sec. 10. Application. This Act applies to tax years beginning on or after January 1, 2007.

SUMMARY

This bill decreases the top 2 income tax rates over a 4-year period, beginning with tax year 2007. The initial decrease is from 8.5% and 7% to 8% and 6.5%, respectively, and then a further 1% and 0.5% decrease in each rate, respectively, for the 2008, 2009 and 2010 tax years until both rates are 5%.