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An Act To Create a Tax Break for Families That Make Less Than \$25,000 Annually

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

Sec. 1. 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 2002 to 2006. 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. 2. 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:
Less than \$10,800	2% of the Maine taxable income
At least \$10,800 but less than \$15,500	\$204 plus 4.5% of the excess over \$10,800
At least \$15,500 but less than \$25,000	\$443 plus 7% of the excess over \$15,500
\$25,000 or more	\$1,108 plus 8.5% of the excess over \$25,000

Sec. 3. 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 2002 to 2006. 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. 4. 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:

If Maine Taxable income is:	The tax is:
Less than \$13,200	2% of the Maine taxable income
At least \$13,200 but less than \$20,250	\$264 plus 4.5% of the excess over \$13,200
At least \$20,250 but less than \$34,500	\$581 plus 7% of the excess over \$20,250
\$34,500 or more	\$1,579 plus 8.5% of the excess over \$34,500

Sec. 5. 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 2002 to 2006. 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 \$33,400

Sec. 6. 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:
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<u>Less than \$15,500</u>	<u>2% of the Maine taxable income</u>
<u>At least \$15,500 but less than \$25,000</u>	<u>\$310 plus 4.5% of the excess over \$15,500</u>
<u>At least \$25,000 but less than \$44,000</u>	<u>\$738 plus 7% of the excess over \$25,000</u>
<u>\$44,000 or more</u>	<u>\$2,068 plus 8.5% of the excess over \$44,000</u>

Sec. 7. 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. 8. Application. This Act applies to tax years beginning on or after January 1, 2007.

SUMMARY

This bill increases the income tax rate schedule bracket amounts, beginning with tax year 2007, by \$6,050. The effect of this bill is to increase the amount of taxable income that is taxed at rates below the top rate of 8.5%.