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An Act To Reduce Income Tax to 4.5% and Remove Low-income Families from Taxation

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

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

§ 1518-A. Tax Relief Fund for Maine Residents

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 this section and section 1536 and other resources made available to the fund.

2. Nonlapsing fund. Any unexpended balance in the ~~Tax Relief Fund for Maine Residents~~ may fund does not lapse but ~~must be~~ is carried forward to be used pursuant to subsection 1.

3. Transfer from revenue growth. Beginning with fiscal year 2010-11, at the close of each fiscal year, the State Controller shall transfer to the fund any revenue received by the State for the fiscal year being closed that exceeds the amount of revenue received by the State for the previous fiscal year, adjusted by the growth limitation factor calculated under section 1534, subsection 2.

4. Income tax reduction. Amounts contained in the fund must be used to reduce individuals' income taxes. The State Tax Assessor shall present legislation annually to reduce the income tax burden pursuant to this section. This legislation must use any amounts contained in the fund to:

- A. Reduce individual income tax rates until a top rate of 4.5% is reached; and
- B. Increase the income threshold below which heads of household and married couples filing jointly pay no state income tax to \$30,000.

SUMMARY

This bill requires the transfer to the Tax Relief Fund for Maine Residents, beginning in fiscal year 2010-11, of any growth in revenues over the previous fiscal year adjusted by the growth limitation factor. Money in the fund is to be used to reduce the overall individual income tax burden by reducing the tax rates until the top rate is reduced to 4.5% and increasing to \$30,000 the income threshold below which families will not pay income tax.