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TAXATION

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**STATE OF MAINE
SENATE
129TH LEGISLATURE
FIRST REGULAR SESSION**

COMMITTEE AMENDMENT “ ” to S.P. 31, L.D. 104, Bill, “An Act To Expand the Earned Income Tax Credit in Maine”

Amend the bill by striking out the title and substituting the following:

'An Act To Replace the Earned Income Tax Credit with the Maine Work Credit'

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 26 MRSA §42-C is enacted to read:

§42-C. Notification regarding certain income tax credit eligibility

1. Bureau to provide poster or notice. The bureau shall produce and furnish to employers posters or notices in printed form that state that an employee may be eligible for the federal earned income tax credit under the Internal Revenue Code of 1986 and the Maine work credit under Title 36, section 5219-TT and that the employee may apply for the tax credits on the employee's income tax returns.

2. Employer to post notice. An employer shall post and keep posted in a place accessible to the employer's employees a copy of the printed poster or notice furnished by the bureau. An employer who violates this section is subject to the same penalties set forth in section 42-B, subsection 3.

Sec. 2. 36 MRSA §5219-S, sub-§5 is enacted to read:

5. Application. This section applies to tax years beginning before January 1, 2020.

Sec. 3. 36 MRSA §5219-TT is enacted to read:

§5219-TT. Maine work credit

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Eligible caregiver" means a resident individual who claims as a dependent:

- 1 (1) A qualifying child who is less than 6 years of age; or
2 (2) A relative who is at least 70 years of age or who is permanently and totally
3 disabled as defined in the Code, Section 22(e)(3) and who is claimed as a
4 dependent on an eligible individual's tax return.

5 B. "Eligible individual" means:

- 6 (1) An individual who is eligible for a federal earned income credit; or
7 (2) An individual who is at least 18 years of age and less than 25 years of age
8 who does not have a qualifying child.

9 C. "School" means an institution that has a regular teaching staff, courses of study
10 and a regular student body and that:

- 11 (1) Provides regular full-time education for children from kindergarten to grade
12 12;
13 (2) Is a college or university;
14 (3) Provides technical, trade or mechanical instruction; or
15 (4) Provides any program of instruction leading to an industry-recognized
16 credential or certificate of value.

17 D. "Student" means an individual who, during some part of each of any 5 calendar
18 months during the tax year:

- 19 (1) Attends a school as a full-time student; or
20 (2) Participates full-time in a training course offered by a school or a state,
21 county or municipal government.

22 A student attends or participates full-time if the student is enrolled for the number of
23 hours or courses the school considers to be full-time attendance. Attendance or
24 participation includes work in the public or private sector as part of a school's regular
25 course of classroom and practical training.

26 **2. Credit for resident individuals.** For tax years beginning on or after January 1,
27 2020, a resident individual is allowed a credit against the tax otherwise due under this
28 Part calculated in the same manner as the federal earned income credit under the Code,
29 Section 32 with the exceptions to the federal earned income credit specified in
30 subsections 5 to 9. An eligible individual described in subsection 1, paragraph B,
31 subparagraph (2) is eligible for a credit calculated in the same manner as for an individual
32 who is 25 years of age or older.

33 **3. Credit for nonresident individuals.** For tax years beginning on or after January
34 1, 2020, a nonresident individual is allowed a credit against the tax otherwise due under
35 this Part calculated in the same manner as the credit for resident individuals under
36 subsection 2 and multiplied by the ratio of the individual's Maine adjusted gross income,
37 as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal
38 adjusted gross income as modified by section 5122.

1 **4. Credit for part-year resident individuals.** For tax years beginning on or after
2 January 1, 2020, an individual who files a return as a part-year resident in accordance
3 with section 5224-A is allowed a credit against the tax otherwise due under this Part
4 calculated in the same manner as the credit for resident individuals under subsection 2
5 and multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross
6 income as defined in section 5102, subsection 1-C, paragraph A for that portion of the
7 taxable year during which the individual was a resident plus the individual's Maine
8 adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that
9 portion of the taxable year during which the individual was a nonresident and the
10 denominator of which is the individual's entire federal adjusted gross income as modified
11 by section 5122.

12 **5. Earned income amount.** For the purposes of calculating a credit under this
13 section, the maximum earned income amount described in the Code, Section 32(b)(2)(A)
14 is:

15 A. For an eligible individual with one qualifying child, \$5,185;

16 B. For an eligible individual with 2 or more qualifying children, \$7,285; and

17 C. For an eligible individual with no qualifying children, \$3,460.

18 **6. Phase-out amount.** For the purposes of calculating a credit under this section, the
19 phase-out amount described in the Code, Section 32(b)(2)(A) is:

20 A. For an eligible individual with one or more qualifying children, \$19,030; and

21 B. For an eligible individual with no qualifying children, \$8,560.

22 **7. Credit percentage.** For the purposes of calculating a credit under this section, the
23 credit percentage described in the Code, Section 32(b)(1) is:

24 A. For an eligible individual with one qualifying child, 15.64%;

25 B. For an eligible individual with 2 qualifying children, 18.4%;

26 C. For an eligible individual with 3 or more qualifying children, 20.7%; and

27 D. For an eligible individual with no qualifying children, 10.71%.

28 **8. Phase-out percentage.** For the purposes of calculating a credit under this section,
29 the phase-out percentage described in the Code, Section 32(b)(1) is:

30 A. For an eligible individual with one qualifying child, 2.254%;

31 B. For an eligible individual with 2 qualifying children, 3.727%;

32 C. For an eligible individual with 3 or more qualifying children, 4.192%; and

33 D. For an eligible individual with no qualifying children, 1.966%.

34 **9. Students and eligible caregivers.** For a student or an eligible caregiver with
35 qualifying income that is less than the applicable earned income amount under subsection
36 5, the minimum credit under this section is 50% of the earned income amount under
37 subsection 5 multiplied by the applicable credit percentage under subsection 7.

38 **10. Refundability.** The credit allowed under subsections 2 and 4 is refundable.

1 **Sec. 4. 36 MRSA §5403, sub-§§7 and 8**, as enacted by PL 2017, c. 474, Pt. B,
2 §24, are amended to read:

3 **7. Personal exemptions.** Beginning in 2018 and each year thereafter, by the dollar
4 amounts contained in section 5126-A, subsection 1, except that for the purposes of this
5 subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment"
6 is the Chained Consumer Price Index for the 12-month period ending June 30th of the
7 preceding calendar year divided by the Chained Consumer Price Index for the 12-month
8 period ending June 30, 2017; ~~and~~

9 **8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by
10 the dollar amount of the applicable amounts specified in section 5126-A, subsection 2,
11 paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding
12 section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer
13 Price Index for the 12-month period ending June 30th of the preceding calendar year
14 divided by the Chained Consumer Price Index for the 12-month period ending June 30,
15 2017; ~~and~~

16 **Sec. 5. 36 MRSA §5403, sub-§9** is enacted to read:

17 **9. Maine work credit.** Beginning in 2021 and each year thereafter, by the dollar
18 amounts of the earned income amount and the phase-out amount specified for the Maine
19 work credit in section 5219-TT, subsections 5 and 6 except that for the purposes of this
20 subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment"
21 is the Chained Consumer Price Index for the 12-month period ending June 30th of the
22 preceding calendar year divided by the Chained Consumer Price Index for the 12-month
23 period ending June 30, 2019.

24 **Sec. 6. Appropriations and allocations.** The following appropriations and
25 allocations are made.

26 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
27 **Revenue Services, Bureau of 0002**

28 Initiative: Provides funding for one Senior Tax Examiner position, 2 Tax Examiner II
29 positions, 2 Tax Examiner positions and related computer programming and All Other to
30 review and process filings for the newly created Maine work income tax credit.

31 GENERAL FUND	2019-20	2020-21
32 POSITIONS - LEGISLATIVE COUNT	0.000	5.000
33 Personal Services	\$0	\$331,155
34 All Other	\$0	\$249,960
35		
36 GENERAL FUND TOTAL	\$0	\$581,115
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38 Amend the bill by relettering or renumbering any nonconsecutive Part letter or
39 section number to read consecutively.

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SUMMARY

This amendment, which is the majority report, replaces the provisions of the bill amending the earned income tax credit with the Maine work credit. The Maine work credit is similar to the federal earned income tax credit but uses different factors for calculating the credit that are intended to produce a state credit for individuals with qualifying children that is approximately 23% of the federal credit and for individuals with no qualifying children that is approximately 70% of the federal credit. The bill also provides eligibility for individuals who are at least 18 years of age but less than 25 years of age who have no qualifying children and creates a minimum credit for students and eligible caregivers.

The amendment also adds an appropriations and allocations section.

FISCAL NOTE REQUIRED

(See attached)