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Date: (Filing No. H-)

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
126TH LEGISLATURE
FIRST REGULAR SESSION

HOUSE AMENDMENT “ ” to COMMITTEE AMENDMENT “A” to H.P. 1079, L.D. 1509, Bill, “An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2014 and June 30, 2015”

Amend the amendment in Part L by inserting before section 1 the following:

Sec. L-1. 36 MRSA §200, sub-§1, ¶A, as enacted by PL 1997, c. 744, §1, is amended to read:

A. Part 1 of the report must describe the overall incidence of all state, local and county taxes. The report must present information on the distribution of the tax burden:

- (1) For the overall income distribution, using a measure of system-wide incidence that appropriately measures equality and inequality;
- (2) By income classes, including, at a minimum, deciles of the income distribution; ~~and~~
- (3) By other appropriate taxpayer characteristics; ~~and~~
- (4) The report must include a calculation of the average effective tax rate on state and local taxes paid by the top 1% of tax families and the bottom 99% of tax families. For purposes of this paragraph, "average effective tax rate on state and local taxes paid" and "tax families" have the same meaning as section 5111-C, subsection 1.

Sec. L-2. 36 MRSA §5111-C is enacted to read:

§5111-C. Tax equalization assessment

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

A. "Average effective tax rate on state and local taxes paid" means a fraction, based on statewide tax family data for the taxable year, the numerator of which is the sum

1 of income tax liability, property taxes accrued on a homestead and sales taxes paid
2 and the denominator of which is expanded income for the taxable year.

3 B. "Expanded income" means total income required to be reported on federal Form
4 1040 for the taxable year, plus tax exempt interest earned during the taxable year and,
5 to the extent included in the calculation of federal total income, the absolute value of
6 the amount of trade or business loss, net operating loss, capital loss, farm loss or
7 partnership or S corporation loss.

8 C. "Homestead" means any residential property, including cooperative property, in
9 this State assessed as real property owned by a tax family or held in a revocable
10 living trust for a tax family and occupied as a permanent residence or owned by a
11 cooperative housing corporation and occupied as a permanent residence by a tax
12 family that is a qualifying shareholder. "Homestead" does not include any real
13 property used solely for commercial purposes.

14 D. "Income tax liability" means the total amount of tax that a tax family estimates
15 will be due for a taxable year under this Part, exclusive of a withholder's liability for
16 taxes withheld, less any allowable credits for that taxable year. "Income tax liability"
17 does not include the assessment under subsection 2.

18 E. "Individual effective tax rate on state and local taxes paid" means a fraction, the
19 numerator of which is the sum, for the tax year, of a tax family's income tax paid to
20 other jurisdictions, income tax liability, property taxes accrued on a tax family's
21 homestead and sales taxes paid and the denominator of which is the tax family's
22 expanded income for the tax.

23 F. "Permanent residence" means that place where a tax family has a true, fixed and
24 permanent home and principal establishment to which a tax family, whenever absent,
25 has the intention of returning. A tax family may have only one permanent residence
26 at a time and, once a permanent residence is established, that residence is presumed
27 to continue until circumstances indicate otherwise.

28 G. "Sales taxes paid" means state sales and use tax reported as an itemized deduction
29 for federal income tax purposes or, if not included as an itemized deduction, the
30 amount as calculated by the federal optional state sales tax tables.

31 H. "Tax equalization assessment" is an amount, which may not be less than zero,
32 equal to the difference in the average effective tax rate on state and local taxes paid
33 and a tax family's individual effective tax rate on state and local taxes paid multiplied
34 by a tax family's expanded income.

35 I. "Tax family" or "tax families" means a grouping of individuals based on tax filing
36 status.

37 **2. Assessment.** For tax years beginning on or after January 1, 2013, in addition to
38 all other taxes contained in this Part, a tax family must pay a tax equalization assessment
39 if, for the tax year, a tax family has the following:

40 A. An individual effective tax rate on state and local taxes paid that is less than the
41 average effective tax rate on state and local taxes paid by the bottom 99% of tax
42 families as calculated in section 200, subsection 1, paragraph A; and

1 B. An expanded income of \$250,000 or more for a tax family filing as a single
2 individual or a married person filing a separate return, \$325,000 or more for a tax
3 family filing as an unmarried individual or legally separated individual who qualifies
4 as a head of household or \$400,000 or more for a tax family filing as an individual
5 filing a married joint return or a surviving spouse permitted to file a joint return.

6 3. Revenue. Beginning in 2015, by January 15th annually, the assessor shall
7 determine the revenue generated by the assessment imposed pursuant to subsection 2 and
8 the cost of the credit allowed pursuant to section 5219-II for the tax year before the
9 immediately prior tax year. The difference between the revenue and the cost must be
10 transferred to the Maine Budget Stabilization Fund established in Title 5, section 1532.'

11 Amend the amendment in Part L in §5219-II by striking out all of subsection 2 (page
12 579, lines 4 to 17 in amendment) and inserting the following:

13 2. Credit. A resident individual with Maine adjusted gross income up to \$40,000 is
14 allowed a credit against the taxes paid under this Part during the tax year in an amount
15 equal to the amount by which the benefit base exceeds 8% of the resident individual's
16 Maine adjusted gross income as defined under section 5102, subsection 1-C, paragraph
17 A, but the credit may not exceed \$500 for a resident individual under 70 years of age and
18 \$600 for a resident individual 70 years of age and older. The credit may not be less than
19 \$10.'

20 Amend the amendment by relettering or renumbering any nonconsecutive Part letter
21 or section number to read consecutively.

22 **SUMMARY**

23 This amendment, for tax years beginning on or after January 1, 2013, requires
24 payment of a tax equalization assessment if a resident taxpayer has an expanded income
25 of at least \$250,000 for single filers, \$325,000 for head of household filers or \$400,000
26 for joint filers and an effective tax rate that is less than the average effective tax rate on
27 state and local taxes paid by the bottom 99% of income earners. It increases the property
28 tax fairness credit proposed in Committee Amendment "A" to a maximum of \$500 for
29 resident individuals under 70 years of age and \$600 for resident individuals 70 years of
30 age and older. Any excess revenue generated by the tax equalization assessment must go
31 to the Maine Budget Stabilization Fund.

32 **SPONSORED BY:** _____

33 **(Representative STUCKEY)**

34 **TOWN: Portland**