

TAX REFORM 2009

A COMPARISON OF CURRENT LAW, LD 1088 AND LD 1495 (PUBLIC LAW 2009, c. 382)

JOINT STANDING COMMITTEE ON TAXATION

This summary compares the provisions of current law with the major tax reform bill of the First Regular Session of the 124th Legislature (LD 1088, An Act to Modernize the Tax Laws and Provide over \$75,000,000 to Residents of the State in Tax Relief sponsored by Rep. John Piotti) and Public Law 2009, chapter 382 which originated as LD 1495, An Act To Implement Tax Relief and Tax Reform (a Governor’s bill sponsored by Rep. Thomas Watson. LD 1495 represents the work of the Joint Standing Committee on Taxation on LD 1088 and changes recommended by the Governor). Revenue reprojections by the Revenue Forecasting Committee during the Spring of 2009 resulted in a reduction in tax savings to Maine residents of a little more than \$50,000,000.

INDIVIDUAL INCOME TAX:

A	B	C	D																																
Tax	Current law	LD 1088 (printed LD))	LD 1495 (PL 2009, c. 382)																																
1. Rates/brackets:	Four brackets (2009 tax year): <table border="0"> <tr> <td>Taxable income</td> <td>Rate</td> </tr> <tr> <td colspan="2"><u>Single filers:</u></td> </tr> <tr> <td>\$0 to \$5,050</td> <td>2%</td> </tr> <tr> <td>\$5,050 to \$10,050</td> <td>4.5%</td> </tr> <tr> <td>\$10,050 to \$20,150</td> <td>7%</td> </tr> <tr> <td>\$20,150 +</td> <td>8.5%</td> </tr> <tr> <td colspan="2"><u>MS and HH filers:</u></td> </tr> <tr> <td>\$0 to \$7,600</td> <td>2%</td> </tr> <tr> <td>\$7,600 to \$15,100</td> <td>4.5%</td> </tr> <tr> <td>\$15,100 to \$30,2500</td> <td>7%</td> </tr> <tr> <td>\$30.250 +</td> <td>8.5%</td> </tr> <tr> <td colspan="2"><u>Married joint:</u></td> </tr> <tr> <td>\$0 to \$10,150</td> <td>2%</td> </tr> <tr> <td>\$10,150 to \$20,150</td> <td>4.5%</td> </tr> <tr> <td>\$20,150 to \$40,350</td> <td>7%</td> </tr> <tr> <td>\$40,350 +</td> <td>8.5%</td> </tr> </table>	Taxable income	Rate	<u>Single filers:</u>		\$0 to \$5,050	2%	\$5,050 to \$10,050	4.5%	\$10,050 to \$20,150	7%	\$20,150 +	8.5%	<u>MS and HH filers:</u>		\$0 to \$7,600	2%	\$7,600 to \$15,100	4.5%	\$15,100 to \$30,2500	7%	\$30.250 +	8.5%	<u>Married joint:</u>		\$0 to \$10,150	2%	\$10,150 to \$20,150	4.5%	\$20,150 to \$40,350	7%	\$40,350 +	8.5%	<u>Flat rate:</u> For tax years beginning on or after 1/1/10 6.5% of taxable income	<u>Flat rate:</u> For tax years beginning on or after 1/1/10 6.5% of taxable income <u>Surcharge:</u> 0.35% of taxable income over \$250,000
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2. Personal exemption	\$2,850	Replaced by household credit	Replaced by household credit																																
3. Standard deduction	2009 amounts: Single \$5,700 Married separate \$4,7500 Head household \$8,350 Married joint \$9500	Replaced by household credit	Replaced by household credit																																

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4. Itemized deductions	1. Federal itemized deductions	Replaced by household credit	Replaced by household credit and credit for certain charitable contributions																				
State additions and subtractions from federal adjusted gross income	2. Separate Maine exemptions and deductions <ul style="list-style-type: none"> • Interest and dividends of US etc that are exempt under federal law • Work opportunity credit or empowerment zone credit related to employee wages • Social security and RR retirement benefits • MSRS “pick-up” benefits previously taxed • State income taxes included in FAGI • Certain LTC insur premiums • Certain net operating loss income • Contribs to capital construction fund for fishing vessels • Distribs from Maine college savings account • Certain pass through income • Certain LTC insur premiums • Up to \$6,000 pension income • interest and dividends of Maine and subdivisions included in FAGI • Holocaust survivors’ settlement payments • Certain net operating loss income • Certain depreciation previously not conformed to • Certain LTC insur premiums • Part of gain from sale of certain sustainably managed timberlands sold after 2015 • Certain flowthrough income otherwise taxed • Certain contributions to Sec 529 college savings plans • Certain flowthrough income otherwise taxed • Certain gains and income attributable to certain MSHA multifamily affordable housing • Certain flowthrough income otherwise taxed 	Retained	Retained																				
5. Household credit (Option 1)		Credit base: <table style="margin-left: 40px; border: none;"> <tr> <td></td> <td style="text-align: center;">FY10-FY12</td> <td style="text-align: center;">FY13 +</td> </tr> <tr> <td>Single</td> <td style="text-align: center;">\$800</td> <td style="text-align: center;">\$825</td> </tr> <tr> <td>Married joint</td> <td style="text-align: center;">\$1,600</td> <td style="text-align: center;">\$1,650</td> </tr> <tr> <td>Head of HH</td> <td style="text-align: center;">\$1,200</td> <td style="text-align: center;">\$1,250</td> </tr> </table>		FY10-FY12	FY13 +	Single	\$800	\$825	Married joint	\$1,600	\$1,650	Head of HH	\$1,200	\$1,250	Credit base: <table style="margin-left: 40px; border: none;"> <tr> <td></td> <td style="text-align: center;">FY10 forward</td> </tr> <tr> <td>Single</td> <td style="text-align: center;">\$700</td> </tr> <tr> <td>Married joint</td> <td style="text-align: center;">\$1,050</td> </tr> <tr> <td>Head of HH</td> <td style="text-align: center;">\$1,200</td> </tr> </table>		FY10 forward	Single	\$700	Married joint	\$1,050	Head of HH	\$1,200
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		Additional credit per federal exemption: FY10-FY11 FY12 + \$150 \$155	Additional credit per federal exemption: FY10-forward \$250
		Phaseout of credit: \$1.50 for every \$100 income over FY10 FY11 FY12 FY13 + Single \$46,950 \$47,900 \$48,950 \$50,020 MJ \$93,000 \$95,800 \$97,900 \$100,000 HoH \$70,400 \$71,850 \$73,425 \$75,300	Phaseout of credit: \$1.50 for every \$100 income over FY10 forward Single \$27,500 MJ \$55,000 HoH \$41,250
		Refundability: Up to FY10-FY11 FY12+ \$75 \$80	Refundability: Up to FY10 forward MJ \$70 All others \$50
		Indexing: Credit amounts and phaseout thresholds subject to indexing.	Indexing: Credit amounts and phaseout thresholds subject to indexing beginning in 2014
6. Household credit (Option 2)		1. 8% of adjusted federal itemized deductions; plus \$150 additional for each federal exemption Up to maximum TY 10-TY11 TY12 TY13 + Single \$1,100 \$1,125 \$1,175 Married joint \$2,200 \$2,250 \$2,350 Head of household \$1,650 \$1,675 \$1,750	1. 5.5% of adjusted federal itemized deductions; plus Single \$400 Married joint \$800 HoH \$600 plus \$250 additional for each federal exemption Up to maximum Single \$1,150 Married joint \$2,300 HoH \$1,750
		Phase out, refundability, indexing and adjustment same as for option 1.	Phase out, refundability, indexing and adjustment same as for option 1.
7. Alternative minimum tax	Affects taxpayers in income range \$150,000 to \$500,000	Repealed for individuals	Repealed for individuals

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8. Earned Income tax credit	5% of federal EITC Not refundable	No change	Refundable up to \$150 for married joint filers and \$125 for all others reduced by household credit
9. Elderly credit	Increased standard deduction allowed for elderly		\$60 for each taxpayer 65 years of age or older; \$120 if both spouses are 65 or older <u>Phaseout:</u> Reduced \$2 for every \$100 over Single \$32,000 Married joint \$52,000 HoH \$48,000 Married separate \$26,000
10. Credit for charitable contributions			5% of amount of federal contributions exceeding \$250,000

SALES TAX/SERVICE PROVIDER TAX

A	B	C	D
Tax	Current law	LD 1088	LD 1495 (PL 2009, c. 382)
1. Rates			
	General rate 5%	No change	No change
	Meals and lodging 7%	8.5% Campgrounds remain at 7%	8.5% Trailer camps (including campgrounds) remain at 7%
	Short-term auto rental 10%	15%	12.5%
2. Expansion of sales tax to certain services		Expand sales tax to: 1. Amusement, entertainment and recreation services 2. Installation, repair and maintenance services 3. Personal property services 4. Transportation and courier services Includes candy in prepared food tax rate	Expand sales tax to: 1. Amusement, entertainment and recreation services 2. Installation, repair and maintenance services 3. Personal property services 4. Transportation and courier services Includes candy in prepared food tax rate
		Amusement, entertainment and recreation services. "Amusement, entertainment and recreation services" means the following services, except those services provided by a governmental entity or an incorporated nonprofit organization: admission to entertainment venues and performances, including theaters, movies, lectures, concerts, amusement parks, water parks, fairgrounds except for licensed agricultural fairs, race tracks, carnivals, circuses, sports activities, stadiums, amphitheaters, museums, planetariums, animal parks, petting zoos, aquariums, historical sites and convention centers; fees charged for participation in or entry to golf courses, miniature golf courses, bowling alleys, swimming pools, skating rinks, ski lifts, billiard parlors, gymnasiums, go-cart courses, tennis and racquetball courts and paintball;	A. "Amusement, entertainment and recreation services" means the following: (1) Admission fees to entertainment venues and performances, including theaters, movies, lectures, concerts, festivals, amusement parks, water parks, fairgrounds, except for licensed agricultural fairs, race tracks, carnivals, circuses, sports activities, stadiums, amphitheaters, museums, planetariums, animal parks, petting zoos, aquariums, historical sites and convention centers; (2) Fees charged for participation in or entry to miniature golf courses, billiard parlors, go-cart courses and paintball; (3) Admission fees charged for exhibition shows such as auto, boat, camping, home, garden, animal and antique shows;

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Tax	Current law	LD 1088	LD 1495 (PL 2009, c. 382)
		<p>admission fees charged for exhibition shows such as auto, boat, camping, home, garden, animal and antique shows;</p> <p>scenic and sightseeing excursions including aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and wagon rides; whitewater rafting and guided recreation, but excluding guided recreation services on federally navigable waters;</p> <p>entertainment services such as those provided by bands, orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and ventriloquists; and proceeds from arcade games.</p>	<p>(4) Fees charged for scenic and sight-seeing excursions including aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and wagon rides, whitewater rafting and guided recreation, but excluding scenic and sight-seeing excursions on federally navigable waters; and</p> <p>(5) Entertainment services such as those provided by bands, orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and ventriloquists.</p> <p>B. "Amusement, entertainment and recreation services" does not include:</p> <p>(1) Fees charged for admission to a licensed agricultural fair or charges for participation in any events or activities occurring at the fair organized by a school or incorporated nonprofit organization if all the proceeds from the event or activity are used for the charitable purposes of the school or organization;</p> <p>(2) Fees charged by health clubs and fitness centers;</p> <p>(3) Fees charged for lessons or training in dance, music, theater, arts and gymnastics, martial arts and other athletic pursuits; or</p> <p>(4) Fees charged for admission to:</p> <p>(a) Museums and aquariums operated by a governmental entity or incorporated, nonprofit organization;</p> <p>(b) Concerts, dance productions, theatrical productions, sports activities or similar events or activities organized and performed by a school or incorporated, nonprofit organization,</p>

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			<p>if all proceeds of the event or activity are used for the charitable purposes of that school or organization; or</p> <p>(c) Festivals and special events organized by governmental entities, schools or incorporated, nonprofit organizations if all the proceeds of the festival or special event are directed to support a charitable purpose.</p>
		<p>4-A. Installation, repair or maintenance services. "Installation, repair or maintenance services" means all services involved in the installation, repair or maintenance of jewelry, cameras, guns, musical instruments, electronic and mechanical equipment, lawn and garden equipment, computer hardware and office equipment, vehicles and appliances; service and maintenance contracts; tailoring, clothing and shoe repair; and furniture repair and restoration. "Installation, repair or maintenance services" does not include services performed on tangible personal property used or held for use at or located at a manufacturing facility or fabrication facility, other than tangible personal property used in administrative support operations, or services performed on aircraft including refurbishing of aircraft.</p>	<p>4-A. Installation, repair or maintenance services. "Installation, repair or maintenance services" is defined pursuant to this subsection.</p> <p>A. "Installation, repair or maintenance services" means:</p> <p>(1) All services involved in the installation, repair or maintenance of jewelry, cameras, guns, musical instruments, electronic and mechanical equipment, lawn and garden equipment, computer hardware and office equipment, vehicles and appliances;</p> <p>(2) Service and maintenance contracts with regard to personal property identified in subparagraph (1);</p> <p>(3) Tailoring and clothing and shoe repair; and</p> <p>(4) Furniture repair and restoration.</p> <p>B. "Installation, repair or maintenance services" does not include:</p> <p>(1) Services performed on tangible personal property used or held for use at or located at a manufacturing facility or fabrication facility, other than tangible personal property used in administrative support operations; or</p> <p>(2) Services involved in the installation, repair or maintenance of computer software, special mobile equipment, aircraft, watercraft or a</p>

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			truck or truck tractor registered in the name of a business as a commercial motor vehicle under Title 29-A, section 504.
		<p>8-C. Personal property services. "Personal property services" means the following services related to personal property: dry cleaning; laundry and diaper services not including self-service laundry services; embroidery and monogramming; car washing; pressure cleaning and washing; pet services such as exercising, sitting, training, grooming and boarding for nonmedical purposes; picture framing; domestic services, including house cleaning and furniture and rug cleaning; interior decoration; meal preparation; butchering; art restoration; warehousing and storage, including rental of storage units and warehouse space, but not including warehousing and storage services provided to a business; moving services; vehicle towing; and boat mooring. "Personal property services" does not include fabrication services; installation, repair or maintenance services; services performed on tangible personal property used or held for use at or located at a manufacturing facility or fabrication facility, other than tangible personal property used in administrative support functions; or services performed on aircraft including refurbishing of aircraft.</p>	<p>8-C. Personal property services. "Personal property services" means the following services related to personal property: dry cleaning; laundry and diaper services not including self-service laundry services; embroidery and monogramming; car washing; pressure cleaning and washing; pet services such as exercising, sitting, training, grooming and boarding for nonmedical purposes; picture framing; domestic services, including house cleaning and furniture and rug cleaning; interior decoration; meal preparation; butchering; art restoration; warehousing and storage, including rental of storage units and warehouse space, but not including warehousing and storage services provided to a business; moving services; vehicle towing; and boat mooring. "Personal property services" does not include fabrication services; installation, repair or maintenance services; services performed on tangible personal property used or held for use at or located at a manufacturing facility or fabrication facility, other than tangible personal property used in administrative support operations; or services performed on aircraft including refurbishing of aircraft.</p>
		<p>20-B. Transportation and courier services. "Transportation and courier services" means in-state transportation of persons or property by taxicab or limousine and courier services.</p>	<p>20-B. Transportation and courier services. "Transportation and courier services" means in-state transportation of persons or property by limousine and courier services. For the purposes of this Part, "limousine service" means livery service hired for a specific event.</p>

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3. Leases	Property intended to be leased is generally subject to income tax when purchased by the lessor Lease stream to lessee is generally not subject to sales tax.	Shifts sales tax incidence to the lease stream.	Shifts incidence to the lease stream with some exceptions
4. Sales tax Exemptions			<ol style="list-style-type: none"> 1. Adds sales tax exemption for meals served in retirement facilities not required to be licensed. 2. Adds sales tax exemption for sales of taxable services where seller has no more than \$5,000 taxable sales during the most recent calendar year. 3. Adds sales tax exemption for taxable services with respect to personal property when property is delivered to this state for the service and delivered outside after the services are performed
5. Committee review			<p>MRS meets with TAX Committee during interim while preparing bulletins, guidelines and other information for taxpayers.</p> <p>Major substantive rules must be presented to Second Regular Session.</p> <p>MRS provides monthly progress reports to TAX Committee through April 2010.</p>

CIRCUITBREAKER PROGRAM

A	B	C	D
Tax	Current law	LD 1088	LD 1495 (PL 2009, c. 382)
Circuitbreaker		No changes	
1. Income definition			Simplifies calculation by eliminating some miscellaneous categories of income
2. Procedure	Separate application		Application included with income tax form
	Filing period: 8/1 to 5/30		Filing period: Shifted to 1/1 to 11/15 by 2011
	MRS calculates benefits		MRS creates tables to simplify determination of benefit

OTHER TAX CHANGES

A	B	C	D
Tax	Current law	LD 1088	LD 1495 (PL 2009, c. 382)
1. Real Estate Transfer Tax	\$4.40 per \$1,000 of value Split equally between the buyer and seller	Additional tax of \$5.60 per \$1,000 of value of a residence exceeding \$500,000, split equally between the buyer and the seller, to be distributed to the General Fund.	No change from current law
2. Airport transportation fee			Imposes fee of \$1 per passenger for a conveyance originating or terminating at a commercial airport.
3. Service provider tax	5% on specified service Includes instate telecommunications services	Adds interstate and international telecommunications for nonbusinesses	Adds interstate and international telecommunications for nonbusinesses

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