

OFFICE OF FISCAL AND PROGRAM REVIEW

Date: May 3, 2013
To: Members, Joint Standing Committee on Taxation
From: Elizabeth Cooper, Legislative Analyst

LD 1256, An Act To Establish Tax Fairness

Summary: This bill creates a new top income tax rate of 8.5% beginning in tax year 2014. The new rate is imposed on taxable income over \$100,000 for single individuals and married persons filing separately, on income over \$110,000 for taxpayers filing as heads of households and on income over \$120,000 for individuals filing married joint returns or surviving spouses.

Public Hearing:

Proponents

- The sponsor presented the bill and provided written testimony.
- There was substantial testimony in favor of LD 692, 834, 1113, 1124, and 1256. A copy of the sign-in sheet is attached to work session materials. (See additional materials below.)
- *Major points:* current structure is essentially a flat tax rate of 7.95%; bill provides a more equitable tax structure; not undue burden; could provide revenue to reinstate funds for school cuts and proposed cuts to Circuitbreaker.

Opposed

- Those testifying in opposition to the bill included a representative of the Maine State Chamber of Commerce. Written testimony was submitted by the Maine Chapter of the National Federation of Independent Business.
- *Major points:* negative impact on business, statistics and examples provided in NFIB written testimony.

NFNA

- Those testifying in “neither for nor against” the bill included a retired corporate tax director/CPA.

Technical Issues: The Committee should consider issues including the need to adjust the brackets for inflation as well as provide for on-going adjustments for inflation (36 MRSA §5403) and the bracket amounts - joint only \$20k more than single.

Additional Information: See work session packet with side-by-side, state comparison data and testimony sign-in sheet - www.maine.gov/legis/ofpr/taxation_committee/materials.
Public hearing testimony - www.mainelegislature.org/legis/bills/testimony.html.

Fiscal Information: The preliminary fiscal impact statement was not available at the time this analysis was finalized. The most current fiscal information on bills can be found online at: www.mainelegislature.org/LawMakerWeb/search.asp.