

## CHAPTER 841

### INFLATION ADJUSTMENTS

#### §5401. Findings and purpose

Inflation erodes the value of personal exemptions and deductions in the Maine individual income tax structure and distorts fiscal equity among taxpayers. Inflation-induced increases in individual income tax revenues result in annual collections that exceed the amounts anticipated by legislative actions establishing rates, exemptions, deductions and other features of the Maine individual income tax. Furthermore, the income tax laws of this State, in combination with economic inflation, have caused inequitable treatment of the taxpayers because the application of inflexible, statutorily prescribed rates of tax, standard deduction and personal exemption to increasing personal incomes has resulted in increasing the taxpayer's tax liability while the taxpayers purchasing power has remained the same or, in some instances has decreased. It is the purpose of this Act to correct this situation by requiring that certain components of the individual income tax structure be adjusted in order to compensate for the impact of inflation. [IB 1981, c. 2, §4 (NEW).]

#### SECTION HISTORY

IB 1981, c. 2, §4 (NEW).

#### §5402. Definitions

As used in this chapter, unless the context indicates otherwise, the following terms have the following meanings. [PL 1987, c. 430, §1 (AMD).]

**1. Chained Consumer Price Index.** "Chained Consumer Price Index" means the average over a 12-month period of the most recently published Chained Consumer Price Index, not seasonally adjusted, published monthly by the Bureau of Labor Statistics, United States Department of Labor designated as the "Chained Consumer Price Index for All Urban Consumers-United States City Average" as of the date the assessor determines the cost-of-living adjustment pursuant to section 5403. [PL 2015, c. 390, §10 (AMD).]

##### 1-A. Base year index.

[PL 1989, c. 495, §5 (RP).]

**1-B. Cost-of-living adjustment.** The "cost-of-living adjustment" for any calendar year is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2014. [PL 2013, c. 368, Pt. Q, §10 (AMD).]

##### 2. Percentage adjustment factor.

[PL 1999, c. 731, Pt. T, §9 (RP); PL 1999, c. 731, Pt. T, §11 (AFF).]

##### 3. Inflation factor.

[PL 1999, c. 731, Pt. T, §9 (RP); PL 1999, c. 731, Pt. T, §11 (AFF).]

#### SECTION HISTORY

IB 1981, c. 2, §4 (NEW). PL 1983, c. 3, §5 (AMD). PL 1987, c. 430, §1 (AMD). PL 1987, c. 819, §13 (AMD). PL 1989, c. 495, §§5,6 (AMD). PL 1999, c. 731, §§8,9 (AMD). PL 1999, c. 731, §T11 (AFF). PL 2011, c. 380, Pt. N, §17 (AMD). PL 2011, c. 380, Pt. N, §§19, 20 (AFF). PL 2013, c. 368, Pt. Q, §§9, 10 (AMD). PL 2015, c. 390, §10 (AMD).

#### §5403. Annual adjustments for inflation

On or about September 15th of each year as specified in this section, the assessor shall multiply the cost-of-living adjustment for taxable years beginning in the succeeding calendar year by the following: [PL 2017, c. 474, Pt. B, §19 (AMD).]

**1. Individual income tax rate tables.** For the tax rate tables in section 5111:

A. Beginning in 2016 and each year thereafter, by the lowest dollar amounts of the tax rate tables specified in section 5111, subsections 1-F, 2-F and 3-F, except that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2015; and [PL 2015, c. 267, Pt. DD, §33 (NEW).]

B. Beginning in 2017 and each year thereafter, by the highest taxable income dollar amount of each tax rate table, except that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2016; [PL 2015, c. 267, Pt. DD, §33 (NEW).]

[PL 2015, c. 267, Pt. DD, §33 (NEW).]

**2. Standard deductions.** In 2025 and each year thereafter, by the dollar amount contained in section 5124-C, subsection 1-B, paragraph A, subparagraph (1), except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; [PL 2023, c. 412, Pt. ZZZ, §7 (RPR).]

**3. Itemized deductions.** By the dollar amount of the itemized deduction limitation amount in section 5125, subsection 4; [PL 2015, c. 267, Pt. DD, §33 (NEW).]

**4. Individual income tax standard deduction and itemized deduction phase-out.** Beginning in 2018 and each year thereafter, by the dollar amount contained in the numerator of the fraction specified in section 5124-C, subsection 2, paragraphs A, B and C and section 5125, subsection 7, paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; [PL 2017, c. 474, Pt. B, §21 (AMD).]

**5. Sales tax fairness credit.** For the sales tax fairness credit:

A. Beginning in 2018 and each year thereafter, by the base credit amounts in section 5213-A, subsection 1, paragraph A-1, including the additional amounts in subparagraph (2), divisions (a) and (b), except that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017. If the base credit amount, adjusted by application of the cost-of-living adjustment, is not a multiple of \$5, any increase must be rounded to the next lowest multiple of \$5; and [PL 2017, c. 474, Pt. B, §22 (AMD).]

B. [PL 2017, c. 474, Pt. B, §22 (RP).]

C. Beginning in 2016 and each year thereafter, by the dollar amount of the income threshold set forth in section 5213-A, subsection 4, except that for the purposes of this paragraph, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained

Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2015; [PL 2017, c. 474, Pt. B, §22 (AMD).]  
[PL 2017, c. 474, Pt. B, §22 (AMD).]

**6. Property tax fairness credit.** For the property tax fairness credit:

A. Beginning in 2018 and each year thereafter, by the benefit base amounts in section 5219-KK, subsection 1, paragraph A-1, subparagraphs (1) to (3), except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; and [PL 2023, c. 412, Pt. S, §5 (NEW).]

B. Beginning in 2024 and each year thereafter, by the benefit base amount in section 5219-KK, subsection 1, paragraph A-1, subparagraph (4), except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2023; [PL 2023, c. 412, Pt. S, §5 (NEW).]  
[PL 2023, c. 412, Pt. S, §5 (RPR).]

**7. Personal exemptions.** Beginning in 2018 and each year thereafter, by the dollar amounts contained in section 5126-A, subsection 1, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; [PL 2023, c. 412, Pt. ZZZ, §8 (AMD).]

**8. Personal exemption phase-out.** Beginning in 2018 and each year thereafter, by the dollar amount of the applicable amounts specified in section 5126-A, subsection 2, paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; and [PL 2023, c. 412, Pt. ZZZ, §9 (AMD).]

**9. Dependent exemption tax credit amount.** Beginning in 2024 and each year thereafter, by the dollar amount of the dependent exemption tax credit under section 5219-SS, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2023. If the credit amount, adjusted by application of the cost-of-living adjustment, is not a multiple of \$5, any increase must be rounded to the next lowest multiple of \$5. [PL 2023, c. 412, Pt. ZZZ, §10 (NEW).]

Except for subsection 5, paragraph A and subsection 9, if the dollar amount of each item, adjusted by the application of the cost-of-living adjustment, is not a multiple of \$50, any increase must be rounded to the next lowest multiple of \$50. [PL 2023, c. 412, Pt. ZZZ, §11 (AMD).]

If the cost-of-living adjustment for any taxable year would be less than the cost-of-living adjustment for the preceding calendar year, the cost-of-living adjustment is the same as for the preceding calendar year. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year. [PL 2015, c. 267, Pt. DD, §33 (NEW).]

**SECTION HISTORY**

IB 1981, c. 2, §4 (NEW). PL 1983, c. 3, §6 (AMD). PL 1987, c. 430, §2 (AMD). PL 1987, c. 819, §14 (RPR). PL 1989, c. 495, §7 (AMD). PL 1991, c. 528, §CCC (AMD). PL 1991, c. 528, §RRR (AFF). PL 1991, c. 591, §CCC (AMD). PL 1999, c. 731, §T10 (RPR). PL 1999, c. 731, §T11 (AFF). PL 2009, c. 213, Pt. WWW, §1 (AMD). PL 2009, c. 213, Pt. WWW, §2 (AFF). PL 2011, c. 380, Pt. N, §18 (AMD). PL 2011, c. 380, Pt. N, §19 (AFF). PL 2013, c. 368, Pt. Q, §11 (AMD). PL 2013, c. 368, Pt. Q, §12 (AFF). PL 2013, c. 368, Pt. TT, §19 (AMD). PL 2013, c. 551, §4 (RPR). PL 2015, c. 267, Pt. DD, §33 (RPR). PL 2017, c. 170, Pt. D, §10 (AMD). PL 2017, c. 474, Pt. B, §§19-25 (AMD). PL 2019, c. 379, Pt. C, §5 (AMD). PL 2023, c. 412, Pt. S, §5 (AMD). PL 2023, c. 412, Pt. ZZZ, §§7-11 (AMD).

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