

Language Summary  
Change Package # 3  
May 2009

Amends LD 353, Part S, Sec. S-2 replacement language as follows:

**PART S**

**Sec. S-2. 30-A MRSA § 5681, sub-§ 5-C** is enacted to read:

**5-C. Transfers to General Fund.** For the months beginning on or after July 1, 2009 through the month ending June 30, 2011, and before the distributions required by subsections 4-A and 4-B, \$19,037,492 in fiscal year 2009-10 and \$19,476,433 in fiscal year 2010-11 from the total transfers pursuant to subsection 5 must be transferred to General Fund undedicated revenue. The amounts transferred to General Fund undedicated revenue each fiscal year pursuant to this subsection must be deducted from the distributions required by subsections 4-A and 4-B as follows:

A. Ninety percent of the total transfers to the General Fund must be deducted from the distributions required by subsection 4-A at the close of the first 10 months of each fiscal year, allocated proportionately based on the budgeted monthly transfers to the Local Government Fund as determined at the beginning of the fiscal year; and

B. Ten percent of the total transfers to the General Fund undedicated revenue pursuant to this subsection must be deducted from the amounts to be distributed by subsection 4-B at the close of each fiscal year.

**SUMMARY**

This Amendment transfers fixed dollar amounts in fiscal year 2009-10 and 2010-11 to the General Fund from State-Municipal Revenue Sharing on a one-time basis. The transfers to General Fund undedicated revenue will be split between the Local Government Fund, Revenue Sharing I, and the Disproportionate Tax Burden Fund, Revenue Sharing II, with 90% reducing distributions under Revenue Sharing I and 10% reducing distributions under Revenue Sharing II. The deduction from the Revenue Sharing I will occur at the close of the first 10 months of each fiscal year allocated proportionately based on the budgeted monthly transfers to the Local Government Fund. The 10% Revenue Sharing II portion will be deducted at the close of each fiscal year.

**Amends Part Z section Z-5 in LD 353 as follows:**

**CURRENT**

**Sec. Z-5. Lapsed balances.** Notwithstanding any other provision of law, \$350,000 in fiscal year 2009-10 and \$350,000 in fiscal year 2010-11 of savings identified from the voluntary employee incentive programs in this Part lapse to the General Fund.

**PROPOSED**

**Sec. Z-5. Lapsed balances.** Notwithstanding any other provision of law, \$650,000 in fiscal year 2009-10 and \$650,000 in fiscal year 2010-11 of savings identified from the voluntary employee incentive programs in this Part lapses to the General Fund.

**SUMMARY**

Part Z section 5 is amended to increase by \$300,000 the amount of savings identified from the voluntary employee incentive programs in this Part that will lapse to the General Fund each fiscal year from \$350,000 to \$650,000.

Amends Part DD in LD 353 as follows:

**CURRENT**

**PART DD**

**Sec. DD-1. Transfer from unappropriated surplus at close of fiscal year 2009-10 to the Department of Health and Human Services, Medical Care - Payments to Providers program, General Fund.** Notwithstanding any other provision of law, at the close of fiscal year 2009-10, the State Controller shall transfer up to \$87,091,988 from the unappropriated surplus of the General Fund to the Department of Health and Human Services, Medical Care - Payments to Providers program, General Fund account after all required deductions of appropriations, budgeted financial commitments and adjustments considered necessary by the State Controller have been made and as the first priority after the transfers required pursuant to the Maine Revised Statutes, Title 5, sections 1507 and 1511 and before the transfer required pursuant to Title 5, section 1536.

**Sec. DD-2. Use of transfers.** Transfers made in accordance with section 1 of this Part must be expended for hospital settlements.

**Sec. DD-3. Transfer considered adjustment to appropriations.** Notwithstanding the Maine Revised Statutes, Title 5, section 1585 or any other provision of law, amounts transferred pursuant to this Part are considered adjustments to appropriations in fiscal year 2010-11 only. These funds may be allotted by financial order upon recommendation of the State Budget Officer and approval of the Governor.

**PROPOSED**

**PART DD**

**Sec. DD-1. Transfer from unappropriated surplus at close of fiscal year 2008-09 to the Department of Health and Human Services, Medical Care - Payments to Providers program, General Fund.** Notwithstanding any other provision of law, at the close of fiscal year 2008-09, the State Controller shall transfer up to \$15,000,000 from the unappropriated surplus of the General Fund to the Department of Health and Human Services, Medical Care - Payments to Providers program, General Fund account after all required deductions of appropriations, budgeted financial commitments and adjustments considered necessary by the State Controller have been made and as the first priority after the transfers required pursuant to the Maine Revised Statutes, Title 5, sections 1507 and 1511 and before the transfer required pursuant to Title 5, section 1536.

**Sec. DD-2. Transfer from unappropriated surplus at close of fiscal year 2009-10 to the Department of Health and Human Services, Medical Care – Payments to Providers program, General Fund.** Notwithstanding any other provision of law, at the close of fiscal year 2009-10 the State Controller shall transfer up to \$15,000,000 reduced by amounts transferred

pursuant to section 1 of this Part from the unappropriated surplus of the General Fund to the Department of Health and Human Services, Medical Care - Payments to Providers program, General Fund account after all required deductions of appropriations, budgeted financial commitments and adjustments considered necessary by the State Controller have been made and as the first priority after the transfers required pursuant to the Maine Revised Statutes, Title 5, sections 1507 and 1511 and before the transfer required pursuant to Title 5, section 1536.

**Sec. DD-3. Use of transfers.** Transfers made in accordance with section 1 and section 2 of this Part must be expended for hospital settlements.

**Sec. DD-4. Transfers considered adjustment to appropriations.** Notwithstanding the Maine Revised Statutes, Title 5, section 1585 or any other provision of law, amounts transferred pursuant to this Part are considered adjustments to appropriations in fiscal years 2009-10 and 2010-11. These funds may be allotted by financial order upon recommendation of the State Budget Officer and approval of the Governor.

### **SUMMARY**

This Part authorizes the transfer of up to \$15,000,000 from the unappropriated surplus of the General Fund to the Medical Care – Payments to Providers program, General Fund account to be used for hospital settlements. If the total amount authorized is not available for transfer at the end of fiscal year 2008-09 for use in fiscal year 2009-10, an additional amount may be transferred at the end of fiscal year 2009-10 to be used in fiscal year 2010-11 for the same purpose.

**Replaces the current Part GG in LD 353 with the following new language:**

**PART GG**

**Sec. GG-1. 5 MRSA §285, sub-§7, as amended by PL 2001, c. 439, Pt. XX, §5 and PL 2003, c. 20, Pt. OO, §2 and affected by §4, is further amended to read:**

**7. Payment by State.** Except as otherwise provided in this subsection, the State, through the commission, shall pay ~~100% of only~~ the employee's share of the individual premium for the standard plan identified and offered by the commission ~~and available to the employee as authorized by the commission, except for~~ as follows:

- A. Persons first employed prior to July 1, 2009.** If the annual salary of an employee first employed before July 1, 2009, the State shall pay 100% of the premium; if the employee's annual salary is \$50,000 or more and less than \$90,000, the State shall pay 95% of the premium; and if the employee's annual salary is \$90,000 or more, the State shall pay 90% of the premium. ~~For Legislators, for whom the State shall pay 50% of the health plan premium for dependent coverage. For any person appointed to a position after November 1, 1981 who is employed less than full time, the State shall pay a share of the employee's share reduced pro rata to reflect the reduced number of work hours. The State may not pay any portion of the health plan premium for a blind person eligible for the group health plan under subsection 1, paragraph H or for a licensed foster parent eligible for the group health plan under subsection 1, paragraph I.~~
- B. Persons first employed on or after July 1, 2009.** For persons first employed on or after July 1, 2009, the State shall pay 85% of the employee's share of the individual premium for the standard plan identified and offered by the commission and available to the employee as authorized by the commission, regardless of annual salary.
- C. Legislators.** For Legislators, the State shall pay 50% of the health plan premium for dependent coverage.
- D. Appointees.** For any person appointed to apposition after November 1, 1981, who is employed less than full time, the State shall pay a share of the employee's share reduced pro rata to reflect the reduced number of work hours.
- E. Blind persons.** The State may not pay any portion of the health plan premium for a blind person eligible for the group health plan under subsection 1, paragraph H or for a licensed foster parent eligible for the group health plan under subsection 1, paragraph I.

For persons who were first employed before July 1, 1991, the State shall pay 100% of only the retiree's share of the premiums for the standard plan identified and offered by the commission and available to the retiree, as authorized by the commission for persons who were previously eligible for this health plan pursuant to subsection 1, paragraph A and who have subsequently become eligible pursuant to subsection 1, paragraph G.

For persons who were first employed by the State after July 1, 1991, the State shall pay a pro rata share portion of only the retiree's share of the premiums for the standard plan identified and offered by the commission and available to the retiree, as authorized by the commission for persons who were previously eligible for this health plan pursuant to subsection 1, paragraph A and who have subsequently become eligible pursuant to subsection 1, paragraph G based on the total number of years of participation in the group health plan prior to retirement as follows:

Years of Participation	State Portion
10 or more years	100% group health plan premium
9 but less than 10 years	90% group health plan premium
8 but less than 9 years	80% group health plan premium
7 but less than 8 years	70% group health plan premium
6 but less than 7 years	60% group health plan premium
5 but less than 6 years	50% group health plan premium
Less than 5 years	No contribution

Pursuant to Title 20-A, section 12722, subsection 5, this subsection applies to participants in the defined contribution plan offered by the Maine Community College System Board of Trustees under Title 20-A, section 12722.

**Sec. GG-2. Calculation and transfer; General Fund; health insurance savings associated with current employees.** Notwithstanding any other provision of law, the State Budget Officer shall calculate the amount of savings in the Statewide Health Insurance account, Department of Administrative and Financial Services, in Part A that applies against each General Fund account for departments and agencies statewide from savings in health insurance in accordance with subsection 7(A) of section 1 of this Part. The State Budget Officer shall transfer the savings by financial order upon approval of the Governor. These transfers are considered adjustments to appropriations in fiscal years 2009-10 and 2010-11.

**Sec. GG-3. Calculation and transfer; General Fund; health insurance savings associated with newly hired employees.** Notwithstanding any other provision of law, the State Controller shall transfer \$235,085 at the close of fiscal year 2009-10 and \$708,419 at the close of fiscal year 2010-11 from the Accident, Sickness and Health Insurance Internal Service Fund in the Department of Administrative and Financial Services to General Fund unappropriated surplus. These transfers are to recognize savings associated with section 1 of this part.

## SUMMARY

This Part is amended to also require that new employees hired on or after July 1, 2009 contribute 15% towards the cost of the state's individual health insurance premium. It also recognizes a transfer of the savings for health insurance arising from the implementation of premium cost sharing from the Accident, Sickness and Health Insurance Internal Service Fund in the Department of Administrative and Financial Services to General Fund unappropriated surplus for the 2010-11 biennium.

**Adds the following new Part GGG to LD 353.**

## **PART GGG**

**Sec. GGG-1. Transfer; Maine Budget Stabilization Fund.** Notwithstanding any other provision of law, the State Controller shall transfer \$51,455,943 from the Maine Budget Stabilization Fund in the Department of Administrative and Financial Services to General Fund unappropriated surplus by the close of fiscal year 2008-09 and shall transfer \$24,000,000 by the close of fiscal year 2009-10 to offset a General Fund revenue shortfall.

## **SUMMARY**

This Part provides for the transfer of \$51,455,943 from the Maine Budget Stabilization Fund in the Department of Administrative and Financial Services to General Fund unappropriated surplus by the close of fiscal year 2008-09 and a transfer of \$24,000,000 by the close of fiscal year 2009-10 to offset a General Fund revenue shortfall. PL 2009, c. 1 authorized the transfer of \$45,000,000 from the Maine Budget Stabilization Fund to General Fund unappropriated surplus for fiscal year 2008-09.

**Adds the following new Part HHH to LD 353.**

**PART HHH**

**Sec. HHH-1. Transfer; Operating Capital.** Notwithstanding any other provision of law, the State Controller shall transfer \$40,615,146 from the Operating Capital Reserve in the General Fund, Department of Administrative and Financial Services to General Fund unappropriated surplus by the close of fiscal year 2008-09 to offset a General Fund revenue shortfall.

**SUMMARY**

This Part provides for the transfer of \$40,615,146 from the Operating Capital Reserve in the General Fund, Department of Administrative and Financial Services to General Fund unappropriated surplus by the close of fiscal year 2008-09 to offset a General Fund revenue shortfall.

**Adds the following new Part III to LD 353.**

### **PART III**

**Sec. III-1. 36 MRSA § 5124-A** is amended to read:

#### **§5124-A. Standard deduction; resident**

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, exclusive of the Code, Section 63(c)(1)(C) and Section 63(c)(1)(E), except that for tax years beginning after 2002, the Code, Section 63(c)(2) must be applied as if the basic standard deduction is \$5,000 in the case of a joint return and a surviving spouse and \$2,500 in the case of a married individual filing a separate return. Notwithstanding the previous sentence, the standard deduction of a resident individual for tax years beginning in 2009, 2010 and 2011 is equal to the standard deduction of a resident individual for tax years beginning in 2008 with respect to the filing status utilized by the individual for the tax year beginning in 2009, 2010 or 2011.

**Sec. III-2. Application.** This [Part] applies to tax years beginning on or after January 1, 2009.

### **SUMMARY**

This Part suspends indexing of the individual income tax standard deduction amounts for tax years beginning in 2009, 2010 and 2011.

Adds the following new Part JJJ to LD 353.

**Part JJJ**

Sec. 1. 36 MRSA, chapter 914-B is enacted to read:

**CHAPTER 914-B**  
**2009 TAX RECEIVABLES REDUCTION INITIATIVE**

**§6590. 2009 Tax Receivables Reduction Initiative established.** There is established the 2009 Tax Receivables Reduction Initiative. This program is intended to encourage delinquent taxpayers to pay existing tax obligations. The goal of this initiative is to raise revenue during FY2010 and to reduce the increasing tax receivables.

**§6591. Administration.** The assessor shall administer the 2009 Tax Receivables Reduction Initiative. The initiative applies to tax liabilities that are assessed as of September 1, 2009. A taxpayer may participate in the tax initiative without regard to whether the amount due is subject to a pending administrative or judicial proceeding. Participation in the program is conditioned upon the taxpayer's agreement to forgo or withdraw a protest or an administrative or judicial proceeding with regard to liabilities paid under the tax initiative and not to claim a refund of money paid under the initiative. This initiative is available to a taxpayer if the taxpayer:

- 1. Application.** Properly completes and files a 2009 tax initiative application as described in section 6594 and as required by the assessor;
- 2. Tax, interest and penalty paid.** Pays all tax, interest and penalty as described in section 6594 by the end of the initiative period;
- 3. No criminal action pending.** Is not currently charged with, and has not been accepted by the Attorney General for criminal prosecution arising from a violation of the state tax law as provided in this Title or Title 17-A, or is not applying for relief on a debt that is the result of a criminal conviction; and
- 4. No collection by warrant or civil action.** Is not applying for relief with respect to a tax liability for which the State has secured a warrant or civil judgment in its favor in Superior Court.

**§6592. Undisclosed liabilities.** Nothing in this chapter may be construed to prohibit the assessor from instituting civil or criminal proceedings against any taxpayer with respect to any amount of tax that is not paid with the 2009 tax initiative application described in section 6594 or on any other return filed with the assessor.

**§6593. Initiative period.** The time period during which a 2009 tax initiative application described in section 6594 may be filed is September 1, 2009 to November 30, 2009.

**§6594. Initiative application.** The assessor shall prepare and make available the 2009 tax initiative application. The application and associated guidelines prepared by the assessor, which govern participation in the 2009 Tax Receivables Reduction Initiative, are exempt from the Maine Administrative Procedure Act. The application requires the approval of the assessor and must include the amount of tax, interest and penalty to be paid and the periods to which the liability applies. The assessor may deny any applications not consistent with the 2009 Tax Receivables Reduction Initiative. Participation in this initiative qualifies the taxpayer to a waiver by the assessor of 90% of the penalties otherwise due.

## SUMMARY

This [Part] establishes the 2009 Tax Receivable Reduction Initiative to run September 1, 2009 through November 30, 2009 to facilitate the collection of receivables during this time of economic hardship. The program provides for the waiver of 90% of the penalties if the tax and interest are paid during the initiative period.

**Adds the following new Part KKK to LD 353.**

## **PART KKK**

**Sec. KKK-1. Commission established.** The Commission to Recommend Streamlining of State Government Programs and Service Delivery, referred to in this section as "the commission," is established.

**1. Commission membership.** The commission consists of 10 members appointed as follows:

A. The Commissioner of Administrative and Financial Services or a designee;

B. The State Budget Officer;

C. The Director of the State Planning Office or a designee;

D. Two members of the Senate, appointed by the President of the Senate, one from the political party holding the majority of seats in the Senate and one from the political party holding the majority of the remainder of the seats in the Senate;

E. Two members of the House of Representatives, appointed by the Speaker of the House, one from the political party holding the majority of seats in the House and one from the political party holding the majority of the remainder of the seats in the House;

F. Three members of the public, one appointed by the Governor, one appointed by the President of the Senate and one appointed by the Speaker of the House. The public members shall be selected for their knowledge of and commitment to protecting and enhancing the State's business climate or building upon the State's economic assets.

**2. Appointments; chairs; meetings.** All appointments must be made no later than 30 days following the effective date of this Part. The Governor shall appoint a chair from among the membership of the commission, who shall call and convene the first meeting of the commission no later than 15 days after appointments of all members. The commission may hold a total of 6 meetings, one of which may be a public hearing.

**3. Duties.** The commission shall conduct its research and prepare recommendations on streamlining state government programs and service delivery by reviewing, at a minimum, the following:

A. Current organizational structures and alignment of functions to ensure streamlined and integrated administration and services;

B. Boards, commissions, councils, advisory councils and any other entities established by state law to determine the continuing need for their existence or current configuration as measured against their operating costs;

C. Provision of financial management and human resources services, benefits and related functions to recommend improvements in organizational efficiency and cost-effectiveness;

D. The past 2 decades of studies and proposals that evaluated or sought to alter programs and service delivery of the executive, judicial and legislative branches and of other entities established by state law to prioritize and improve government services.

**4. Staff assistance.** The Bureau of the Budget shall provide staffing assistance.

**5. Report.** No later than December 1, 2009, The commission shall identify ongoing General Fund savings of \$7,500,000 for Fiscal Year 2010 and an additional \$30,000,000 for Fiscal Year 2011 and submit a report that includes its findings and recommendations, including any proposed legislation, to the Joint Standing Committee on Appropriations and Financial Affairs. The commission is authorized to introduce legislation related to its report to the Second Regular Session of the 124th Legislature at the time of submission of its report.

## **SUMMARY**

This Part establishes the Commission to Recommend Streamlining of State Government Programs and Service Delivery.

**Adds the following new Part LLL to LD 353.**

### **PART LLL**

**Sec. LLL-1. Merit increases.** Notwithstanding the Maine Revised Statutes, Title 26, section 979-D and any other provision of law, any merit increase, regardless of funding source, scheduled to be awarded between July 1, 2009 and June 30, 2011 to any person employed by the departments and agencies within the Executive Branch, including the constitutional officers and the Department of Audit may not be awarded, authorized or implemented.

**Sec. LLL-2. Calculation and transfer.** Notwithstanding any other provision of law, the State Budget Officer shall calculate the amount of savings in Part A, section \_\_\_ that applies against each General Fund account for all departments and agencies from savings associated with postponing merit increases and shall transfer the amounts by financial order upon the approval of the Governor. These transfers are considered adjustments to appropriations in fiscal years 2009-10 and 2010-11.

### **SUMMARY**

This Part denies the awarding of merit increases to employees in the various departments and agencies within the Executive Branch during the 2010-11 biennium. It also requires the State Budget Officer calculate the amount of savings in Part A, that applies against each General Fund account for all departments and agencies from savings associated with postponing merit increases and shall transfer the amounts by financial order upon the approval of the Governor.

**Adds the following new Part MMM to LD 353.**

## **PART MMM**

**Sec. MMM-1. State Government closure.** Excepting only essential services as determined by the Commissioner of the Department of Administrative and Financial Services and, for the legislative and judicial branches, the chief administrative officers of those branches, who shall inform those commissioners, all state departments, agencies and offices must be closed one day of each month in fiscal years 2009-10 and 2010-11, commencing in July 2009. There shall be no more than one day of closure per month and no more than one day of closure falling within any single employee payroll cycle.

Any nonessential employee who is not required to work because those departments, agencies and offices are closed on those days must take the days off without pay. No employee leave with pay or unpaid leaves pursuant to the Voluntary Employee Incentive Program are allowed for those days designated as State government closure days.

**Sec. MMM-2.** Notwithstanding any other provision of law, the State Budget Officer shall calculate the amount of savings identified in the Statewide-Shut Down account within the Department of Administrative and Financial Services in Part A that applies against each General Fund account for all departments and agencies statewide and shall transfer the amounts by financial order upon the approval of the Governor. These transfers are considered adjustments to appropriations in fiscal years 2009-10 and 2010-11.

## **SUMMARY**

This Part authorizes the shutdown of state government for 12 days in each year of the 2010-11 biennium.

**Adds the following new Part NNN to LD 353.**

## **PART NNN**

### **Sec. NNN-1. Cap on transfers for the Dairy Stabilization Program and the Maine Milk Income loss contract in fiscal year 2008-09.**

Notwithstanding Title 7, section 3153-D, in fiscal year 2009, the administrator of the Maine Milk Pool may not certify any amount to be transferred from the General Fund for distributions under section 3153-B and 3153-C that would bring the total amount transferred in fiscal year 2008-09 above \$11,811,000.

Notwithstanding Title 7, sections 3153-B and 3153-C, in fiscal year 2009, the administrator of the Maine Milk Pool may not distribute payments for dairy stabilization support and payments under Maine's Milk Income Loss Contract that in the aggregate exceed \$11,811,000.

### **Sec. NNN-2. Cap on transfers for the Dairy Stabilization Program and the Maine Milk Income loss contract in fiscal years 2009-10 and 2010-11.**

Notwithstanding Title 7, section 3153-D, in fiscal years 2009-10 and 2010-11, the administrator of the Maine Milk Pool may not certify any amount to be transferred from the General Fund for distributions under section 3153-B and 3153-C that would bring the total amount transferred in fiscal years 2009-10 and 2010-11 above \$13,349,600.

Notwithstanding Title 7, sections 3153-B and 3153-C, in fiscal years 2009-10 and 2010-11, the administrator of the Maine Milk Pool may not distribute payments for dairy stabilization support and payments under Maine's Milk Income Loss Contract that in the aggregate exceed \$13,349,600.

## **SUMMARY**

This Part caps the amount transferred from the General Fund and distributed to support Maine milk producers at \$11,811,000 in fiscal year 2008-09 and at \$13,349,600 for the 2010-11 biennium.

**Adds the following new Part 000 to LD 353**

### **PART 000**

**Sec. 000-1. Carrying provision, Debt Service, Treasury Department.** Notwithstanding any other provision of law, the State Controller shall carry forward any unexpended debt service funds in the Treasury Department, Debt Service, General Fund account at the end of June 30, 2009 and June 30, 2010 to be used for its intended purpose by June 30, 2011. The unexpended fund balance that is expected to carry-forward at June 30, 2009 to fiscal year 2009-10 is \$6,393,322.

### **SUMMARY**

This Part authorizes the State Controller to carry forward any unexpended debt service funds in the Treasury Department Debt Service account at the end of fiscal years 2009 and 2010 for its intended use through June 30, 2011.

Adds the following new Part PPP to LD 353.

## **PART PPP**

**Sec. PPP-1. Transfer of funds; Federal Expenditures Fund ARRA; American Recovery and Reinvestment Act 2009.** Notwithstanding the Maine Revised Statutes, Title 5, section 1585 or any other provision of law, the State Budget Officer shall identify the amount of funds in the Statewide Administration - ARRA account to be transferred to departments and agencies. The State Budget Officer shall transfer the funds by financial order upon approval of the Governor. These transfers are considered adjustments to allocations or allotment of unencumbered balance forward in fiscal years 2008-09, 2009-10 and 2010-11.

## **SUMMARY**

This Part authorizes the transfer of amounts from the State Fiscal Stabilization Funds account to cover administrative expenses.

Adds the following new Part QQQ to LD 353.

## PART QQQ

**Sec. QQQ-1. 36 MRSA §5111, first ¶** is amended to read:

A tax is imposed for each taxable year beginning on or after January 1, ~~2000~~ 2008, on the Maine taxable income of every resident individual of this State. The amount of the tax is determined as provided in this section.

**Sec. QQQ-2. 36 MRSA §5111, sub-§ 1-B, first ¶** is amended to read:

**1-B. Single individuals and married persons filing separate returns; tax years beginning on or after January 1, 2002 but before January 1, 2008.** For tax years beginning on or after January 1, 2002 but before January 1, 2008, for single individuals and married persons filing separate returns:

**Sec. QQQ-3. 36 MRSA §5111, sub-§ 1-C** is enacted to read:

**1-C. Single individuals and married persons filing separate returns; tax years beginning on or after January 1, 2008.** For tax years beginning on or after January 1, 2008, for single individuals and married persons filing separate returns:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$4,850</u>	<u>2% of the Maine taxable income</u>
<u>At least \$4,850 but less than \$9,700</u>	<u>\$97 plus 4.5% of the excess over \$4,850</u>
<u>At least \$9,700 but less than \$19,450</u>	<u>\$315 plus 7% of the excess over \$9,700</u>
<u>\$19,450 or more</u>	<u>\$998 plus 8.5% of the excess over \$19,450</u>

**Sec. QQQ-4. 36 MRSA §5111, sub-§ 2-B, first ¶** is amended to read:

**2-B. Heads of households; tax years beginning on or after January 1, 2002 but before January 1, 2008.** For tax years beginning on or after January 1, 2002 but before January 1, 2008, for unmarried individuals or legally separated individuals who qualify as heads of households:

**Sec. QQQ-5. 36 MRSA §5111, sub-§ 2-C** is enacted to read:

**2-C. Heads of households; tax years beginning on or after January 1, 2008.** For tax years beginning on or after January 1, 2008, for unmarried individuals or legally separated individuals who qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$7,300</u>	<u>2% of the Maine taxable income</u>
<u>At least \$7,300 but less than \$14,550</u>	<u>\$146 plus 4.5% of the excess over \$7,300</u>
<u>At least \$14,550 but less than \$29,200</u>	<u>\$472 plus 7% of the excess over \$14,550</u>
<u>\$29,200 or more</u>	<u>\$1,498 plus 8.5% of the excess over \$29,200</u>

Sec. QQQ-6. 36 MRSA §5111, sub-§ 3-B, first ¶ is amended to read:

**3-B. Individuals filing married joint return or surviving spouses; tax years beginning on or after January 1, 2002 but before January 1, 2008.** For tax years beginning on or after January 1, 2002 but before January 1, 2008, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

Sec. QQQ-7. 36 MRSA §5111, sub-§ 3-C is enacted to read:

**3-C. Individuals filing married joint return or surviving spouses; tax years beginning on or after January 1, 2008.** For tax years beginning on or after January 1, 2008, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$9,750</u>	<u>2% of the Maine taxable income</u>
<u>At least \$9,750 but less than \$19,450</u>	<u>\$195 plus 4.5% of the excess over \$9,750</u>
<u>At least \$19,450 but less than \$38,900</u>	<u>\$632 plus 7% of the excess over \$19,450</u>
<u>\$38,900 or more</u>	<u>\$1,994 plus 8.5% of the excess over \$38,900</u>

Sec. QQQ-8. 36 MRSA §5402, sub-§ 1-B is amended to read:

**1-B. Cost-of-living adjustment.** The "cost-of-living adjustment" for any calendar year is the Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Consumer Price Index for the 12-month period ending June 30, ~~2004~~ 2010.

Sec. QQQ-9. 36 MRSA §5403 is amended to read:

**§ 5403. Annual adjustments for inflation**

Beginning in ~~2002~~ 2011, and each subsequent calendar year thereafter, on or about September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for taxable years

beginning in the succeeding calendar year by the dollar amounts of the tax rate tables specified in section 5111, subsections ~~1-B~~ 1-C, ~~2-B~~ 2-C and ~~3-B~~ 3-C. If the dollar amounts of each rate bracket, adjusted by application of the cost-of-living adjustment, are not multiples of \$50, any increase must be rounded to the next lowest multiple of \$50. If the cost-of-living adjustment for any taxable year is 1.000 or less, no adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate tables. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.

**Sec. QQQ-10. Retroactivity.** This Act is effective retroactively to July 1, 2008.

### **SUMMARY**

This Part suspends indexing of the individual income tax rate brackets for tax years beginning in 2009, 2010 and 2011.

**Adds the following new Part RRR to LD 353.**

## **PART RRR**

**Sec. RRR-1.** 36 MRSA, § 6207, sub-§ 2-A as enacted by PL 2007, c. 700, Pt. A, §2 is amended to read:

**2-A. Income eligibility.** For application periods beginning August 1, 2009 and August 1, 2010, a single-member household with a household income in excess of \$45,750 and a household with 2 or more members with a household income in excess of \$61,000 are not eligible for a benefit. For application periods beginning on or after August 1, 2011, a single-member household with a household income in excess of \$60,000 and a household with 2 or more members with a household income in excess of \$80,000 are not eligible for a benefit.

**Sec. RRR-2.** 36 MRSA, § 6209, sub-§ 4 is amended to read:

**4. Income eligibility adjustment.** Beginning March 1, ~~2009~~ 2011, the State Tax Assessor shall annually multiply the household income eligibility adjustment factor by the maximum income eligibility amounts specified in section 6207, subsection ~~2 2-A~~, and subsequent to 2011 as previously adjusted. The result must be rounded to the nearest \$50 and applies to the application period beginning ~~the next~~ August 1<sup>st</sup> of the calendar year subsequent to that during which the adjustment under this subsection is made.

**Sec. RRR-3. Application.** That Section of this Part that amends the Maine Revised Statutes, Title 36, section 6207, subsection 2-A is effective July 1, 2009.

## **SUMMARY**

This Part reduces the maximum nonelderly household income limitations under the Maine Residents Property Tax and Rent Refund “Circuit Breaker” Program to \$45,750 for single-member households and \$61,000 for multi-member households for application periods beginning August 1, 2009 and August 1, 2010.

Adds the following new Part SSS to LD 353.

## PART SSS

**Sec. SSS-1. 36 MRSA § 683, sub-§ 1** is amended to read:

**1. Exemption amount.** Except for assessments for special benefits, the just value of \$13,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation, except that for property tax years beginning April 1, 2009 and April 1, 2010, the amount exempt from taxation is \$11,700. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed \$13,000, except that for property tax years beginning April 1, 2009 and April 1, 2010, the exemption may not exceed \$11,700, of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

**Sec. SSS-2. Retroactivity.** That section of this Part that amends the Maine Revised Statutes, Title 36, § 683, sub-§ 1 is effective retroactively to April 1, 2009.

## SUMMARY

This Part reduces the Maine Resident Homestead Property Tax Exemption by 10% for tax years beginning April 1, 2009 and April 1, 2010.

**Adds the following new part TTT to LD 353.**

**PART TTT**

**Sec. TTT-1. 36 MRSA § 5122, sub-§ 1, ¶ BB** is enacted to read:

BB. For any taxable year beginning in 2009, 2010 and 2011, an amount equal to the absolute value of any net operating loss carry forward claimed for purposes of the federal income tax.

**Sec. TTT-2. 36 MRSA § 5122, sub-§ 2, ¶ H,** is amended to read:

H. For each taxable year subsequent to the year of the loss, an amount equal to the absolute value of the net operating loss arising from tax years beginning on or after January 1, 1989, but before January 1, 1993, for which federal adjusted gross income was increased in accordance with subsection 1, paragraph H, and the absolute value of the amount of any net operating loss arising from tax years beginning on or after January 1, 2002, for which federal adjusted gross income was increased in accordance with subsection 1, paragraph H and that pursuant to the Code, Section 172 was carried back for federal income tax purposes, less the absolute value of loss used in the taxable year of loss to offset any addition modification required by subsection 1, but only to the extent that:

- (1) Maine taxable income is not reduced below zero;
- (2) The taxable year is within the allowable federal period for carry-over; ~~and~~
- (3) The amount has not been previously used as a modification pursuant to this subsection; and
- (4) The modification under this paragraph is not claimed for any tax year beginning in 2009, 2010 and 2011;

**Sec. TTT-3. 36 MRSA § 5122, sub-§ 2, ¶ P,** is amended to read:

P. An amount equal to the absolute value of any net operating loss arising in a tax year beginning or ending in 2001 for which federal adjusted gross income was increased in accordance with subsection 1, paragraph M and that, pursuant to Section 102 of the federal Job Creation and Worker Assistance Act of 2002, Public Law 107-147, was carried back more than 2 years to the taxable year for federal income tax purposes, but only to the extent that:

- (1) Maine taxable income is not reduced below zero;
- (2) The taxable year is either within 2 years prior to the year in which the loss arose or within the allowable federal period for carry-over of net operating losses; ~~and~~
- (3) The amount has not been previously used as a modification pursuant to this subsection; and

(4) The modification under this paragraph is not claimed for any tax year beginning in 2009, 2010 and 2011;

**Sec. TTT-4. 36 MRSA § 5122, sub-§ 2, ¶ V,** is amended to read:

V. The taxpayer's pro rata share of an amount that was previously added back to federal taxable income pursuant to section 5200-A, subsection 1, paragraph H by an S corporation of which the taxpayer is a shareholder and by which, absent the S corporation election, the corporation could have reduced its federal taxable income for the taxable year pursuant to section 5200-A, subsection 2, paragraph H, except that the modification under this paragraph may not be claimed for any tax year beginning in 2009, 2010 and 2011;

**Sec. TTT-5. 36 MRSA § 5200-A, sub-§ 1, ¶ V** is enacted to read:

V. For any taxable year beginning in 2009, 2010 and 2011, an amount equal to the absolute value of any net operating loss carry forward claimed for purposes of the federal income tax.

**Sec. TTT-6. 36 MRSA § 5200-A, sub-§ 2, ¶ H,** is amended to read:

H. For each taxable year subsequent to the year of the loss, an amount equal to the absolute value of the net operating loss arising from tax years beginning on or after January 1, 1989 but before January 1, 1993 and the absolute value of the amount of any net operating loss arising from tax years beginning on or after January 1, 2002, for which federal adjusted gross income was increased under subsection 1, paragraph H and that, pursuant to the Code, Section 172, was carried back for federal income tax purposes, less the absolute value of loss used in the taxable year of loss to offset any addition modification required by subsection 1, but only to the extent that:

- (1) Maine taxable income is not reduced below zero;
- (2) The taxable year is within the allowable federal period for carry-over;
- (3) The amount has not been previously used as a modification pursuant to this subsection;  
~~and~~
- (4) For taxable years beginning in 2008, the amount does not exceed \$100,000. In the case of an affiliated group of corporations engaged in a unitary business, the \$100,000 threshold applies with respect to the entire affiliated group of corporations.; and

(5) The modification under this paragraph is not claimed for any tax year beginning in 2009, 2010 and 2011;

**Sec. TTT-7. 36 MRSA § 5200-A, sub-§ 2, ¶ L,** is amended to read:

L. An amount equal to the absolute value of any net operating loss arising from a tax year beginning or ending in 2001 for which federal taxable income was increased under subsection 1, paragraph M and that, pursuant to Section 102 of the federal Job Creation and Worker Assistance Act of 2002, Public Law 107-147, was carried back more than 2 years to the taxable year for federal income tax purposes, but only to the extent that:

- (1) Maine taxable income is not reduced below zero;
- (2) The taxable year is either within 2 years prior to the year in which the loss arose or within the allowable federal period for carry-over of net operating losses;
- (3) The amount has not been previously used as a modification pursuant to this subsection; and
- (4) For taxable years beginning in 2008, the amount does not exceed \$100,000. In the case of an affiliated group of corporations engaged in a unitary business, the \$100,000 threshold applies with respect to the entire affiliated group of corporations; and
- (5) The modification under this paragraph is not claimed for any tax year beginning in 2009, 2010 and 2011;

### **SUMMARY**

This Part eliminates all federal net operating loss carry forwards and also eliminates the recapture of previously denied federal net operating loss carry backs. The change applies to tax years beginning in 2009, 2010 and 2011.

**Adds the following new Part UUU**

**PART UUU**

**Sec. UUU-1. 9-B MRSA §161, subsection 2H** is amended to read:

H. The examination of the financial records authorized by Title 36, section 112 ~~or~~ section 176-A, subsection 4 or section 176-B;

**Sec. UUU-2. 9-B MRSA § 162 sub-§ 6** is enacted to read:

**6. Disclosure in response to a request by the Bureau of Revenue Services.** The financial records are disclosed in response to a request for information by the Bureau of Revenue Services for purposes related to establishing, modifying or enforcing tax debts.

**Sec. UUU-3. 9-B MRSA §163** is amended to read:

1. Service. A financial institution authorized to do business in this State or credit union authorized to do business in this State shall disclose financial records under section 162 pursuant to a subpoena, summons, warrant or court order that on its face appears to have been issued upon lawful authority only if the subpoena, summons, warrant or court order is served upon the customer prior to disclosure by the financial institution or credit union. The agency or person requesting the disclosure of financial records shall certify in writing to the financial institution or credit union the fact that the subpoena, summons, warrant or court order has been served upon the customer. The court for good cause shown may delay or dispense with service of the subpoena, summons, warrant or court order upon the customer. The court shall delay or dispense with service of the subpoena, summons, warrant or court order upon the customer upon notice by the Attorney General, the Attorney General's designee or the District Attorney that service upon the customer would not be in the public interest. A subpoena, summons or warrant issued in connection with a criminal proceeding or state or federal grand jury proceeding, a request for information by the Department of Health and Human Services for purposes related to establishing, modifying or enforcing a child support order, a request for information by the Bureau of Revenue Services for purposes related to establishing, modifying or enforcing tax liabilities or a trustee process lawfully issued need not be served upon the customer.

**Sec. UUU-4. 9-B MRSA §164, subsection 3** is amended to read:

3. Immunity. A financial institution authorized to do business in the State or its affiliate or a credit union authorized to do business in the State or its affiliate that in good faith discloses financial records to the Department of Health and Human Services pursuant to section 162, subsection 5 or the Bureau of Revenue Services pursuant to section 162, subsection 6 is immune from civil or criminal liability that might otherwise arise from the disclosure. In a proceeding regarding immunity from liability, there is a rebuttable presumption of good faith.

**Sec. UUU-5. 36 MRS §113, subsection 5** is enacted to read:

**5. Financial Institution Data Match System Costs:** The State Tax Assessor may subtract from revenues received, fees authorized under section 176-B for payment to financial institutions for the actual costs incurred in matching taxpayer information against account records, the cost of holding financial institutions harmless for good faith actions under section 176-B and for costs related to the implementation and operation of the financial institution data match program provided in section 176-B.

**Sec. UUU-6. 36 MRS § 176-B** is enacted to read:

**§ 176-B. Access to financial records of individuals who owe Maine taxes**

**1. Definitions.** For the purposes of this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Customer" means any person who has an account including deposits, loans, mortgage, credit card accounts with any financial institution and for which the financial institution thereby is obligated to maintain records.

B. "Financial institution" means a trust company, savings bank, industrial bank, commercial bank, savings and loan association or credit union organized under the laws of this State or otherwise authorized to do business in this State.

C. "Match" means an automated comparison by name and social security number or federal employer identification number of a list of taxpayers provided to a financial institution by the Bureau and a list of customers of any financial institution.

**2. Computer match.** Upon written request from the state tax assessor to a financial institution in this State with the technological capacity to perform a match, the financial institution shall perform a match using the list of taxpayer social security numbers or federal employer identification numbers provided by the Bureau. The Bureau is responsible for making its computer data compatible with the data of the financial institution with which a match is sought. The Bureau's data, at a minimum, must include the name and social security number or federal employer identification number of, and when known the amount of taxes owed by, each taxpayer. The Bureau may not request a financial institution to perform a match under this section more often than once every calendar quarter.

**3. Compilation of match list.** After completing a match requested by the Bureau under subsection 2, a financial institution shall compile for the Bureau a list of those customers whose social security numbers or federal employer identification numbers match the list of social security numbers or federal employer identification numbers of taxpayers provided by the Bureau. The list must contain the following information, if available to the financial institution through its matching procedure, for each account identified:

A. The taxpayer's name;

B. The taxpayer's social security number or federal employer identification number;

C. The financial institution account number; and

D. The account type, account balance and any known encumbrances.

**4. Notice to department.** A financial institution that has compiled a match list under subsection 3 shall send the list to the Bureau at the address designated by the Bureau.

**5. Notice to customer.** The financial institution may not provide notice in any form to a customer contained in a match list submitted to the department under subsection 4. Notwithstanding any other law to the contrary, failure to provide notice to a customer does not constitute a violation of the financial institution's duty of good faith to its customers.

**6. Reasonable fee.** To cover the costs of carrying out the requirements of this section, a financial institution may assess a reasonable fee to the Bureau not to exceed the actual costs incurred by the financial institution.

**7. Confidentiality.** The list of taxpayers, with their social security numbers or federal employer identification numbers and the amount of the tax debt provided by the Bureau to a financial institution is confidential. The information may be used only for the purpose of carrying out the requirements of this section. Any person who willfully violates this subsection section shall be guilty of a Class E crime.

**8. Immunity from liability; hold harmless.** A financial institution is immune from any liability for its good faith actions to comply with this section. The Bureau shall defend and hold harmless, including compensation for attorney's fees, a financial institution that acts in good faith to carry out the requirements of this section.

**Sec . UUU-7.** The following appropriations and allocations are made to carry out the purposes of this Part.

\*\* LGF: 5.1% of net revenue.

## SUMMARY

This Part requires financial institutions to disclose, upon request from the State Tax Assessor, automated search account information to Maine Revenue Services for the purpose of establishing, modifying and enforcing tax debts.

**Adds the following new Part VVV to LD 353.**

**PART VVV**

**Sec. VVV-1. 36 MRSA §111, sub-§1-A** is amended to read:

**1-A. Code.** "Code" means the United States Internal Revenue Code of 1986 and amendments to that Code as of ~~February 13, 2008~~ February 17, 2009.

**Sec. VVV-2. 36 MRSA § 5122, sub-§ 1, ¶ Z**, as enacted by PL 2007, c. 539, Pt. CCC, § 4, is amended to read:

Z. For income tax years beginning on or after January 1, 2008, the amount of any qualified state and local tax benefit and any qualified payment excluded from gross income pursuant to the Code, Section 139(b); ~~and~~

**Sec. VVV-3. 36 MRSA § 5122, sub-1, ¶ AA** is amended to read:

AA. For taxable years beginning on or after January 1, 2008 ~~but prior to January 1, 2010~~, an amount equal to the net increase in depreciation attributable to the ~~50% bonus~~ depreciation deduction claimed by the taxpayer pursuant to ~~Section 103 of the Economic Stimulus Act of 2008, Public Law 110-185~~ with respect to property placed in service during the taxable year under Section 168(k) of the Code arising from amendments to the Code applicable to taxable years beginning on or after January 1, 2008;

**Sec. VVV-4. 36 MRSA § 5122, sub-§ 1, ¶ BB** is enacted to read:

BB. The amount of unemployment compensation received to the extent excluded from federal gross income in accordance with the Code, Section 85(c); and

**Sec. VVV-5. 36 MRSA § 5122, sub-§ 1, ¶ CC** is enacted to read:

CC. For tax years beginning on or after January 1, 2009, but before January 1, 2011, an amount equal to the gross income during the taxable year from the discharge of indebtedness deferred under section 108(i) of the Code.

**Sec. VVV-6. 36 MRSA § 5122, sub-§ 2, ¶ AA** is amended to read:

AA. For taxable years beginning on or after January 1, 2009, an amount equal to the net decrease in the depreciation deductions allowable under sections 167 and 168 of the Code that would have been applicable to that property had the ~~50% bonus~~ depreciation deduction under ~~Section 103 of the Economic Stimulus Act of 2008, Public Law 110-185~~ section 168(k) of the Code not been claimed with respect to such property placed in service on or after January 1, 2008 for which an addition was required under subsection 1, paragraph AA in a prior year.

Upon the taxable disposition of property to which this paragraph applies, the amount of any gain or loss includable in federal adjusted gross income must be adjusted for Maine income tax purposes by an amount equal to the difference between the addition modification for such property under subsection 1, paragraph AA and the subtraction modifications allowed pursuant to this paragraph.

The total amount of subtraction claimed for property under this paragraph for all tax years may not exceed the addition modification under subsection 1, paragraph AA for the same property; and

**Sec. VVV-7. 36 MRSA § 5122, sub-§ 2, ¶ CC** is enacted to read:

CC. An amount equal to the gross income from the discharge of indebtedness previously deferred under section 108(i) of the Code and included in federal adjusted gross income. The total subtraction for all years under this paragraph may not exceed the amount of the addition modification under § 5122(1)(CC) for the same indebtedness.

**Sec. VVV8. 36 MRSA §5124-A, first ¶**, as amended by PL 2005, c. 12, Pt. P, §5, is further amended to read:

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, exclusive of the Code, Section 63(c)(1)(C) and Section 63(c)(1)(E), except that for tax years beginning after 2002, the Code, Section 63(c)(2) must be applied as if the basic standard deduction is \$5,000 in the case of a joint return and a surviving spouse and \$2,500 in the case of a married individual filing a separate return.

**Sec. VVV-9. 36 MRSA § 5200-A, sub-§ 1, ¶ T** is amended to read:

T. For taxable years beginning on or after January 1, 2008 but prior to January 1, 2010, an amount equal to the net increase in depreciation attributable to the 50% bonus depreciation deduction claimed by the taxpayer pursuant to Section 103 of the Economic Stimulus Act of 2008, Public Law 110-185 with respect to property placed in service during the taxable year under Section 168(k) of the Code arising from amendments to the Code applicable to taxable years beginning on or after January 1, 2008; and

**Sec. VVV-10. 36 MRSA § 5200-A, sub-§ 1, ¶ U** is amended to read:

U. For tax years beginning in 2008, 10% of the absolute value in excess of \$100,000 of any net operating loss that, pursuant to the Code, Section 172, is being carried over for federal income tax purposes to the taxable year by the taxpayer; and

**Sec. VVV-11. 36 MRSA § 5200-A, sub-§ 1, ¶ V** is enacted to read:

V. For tax years beginning on or after January 1, 2009, but before January 1, 2011, an amount equal to the gross income during the taxable year from the discharge of indebtedness deferred under section 108(i) of the Code.

**Sec. VVV-12. 36 MRSA § 5200-A, sub-§ 2, ¶ R** is amended to read:

R. For taxable years beginning on or after January 1, 2009, an amount equal to the net decrease in the depreciation deductions allowable under sections 167 and 168 of the Code that would have been applicable to that property had the ~~50% bonus~~ depreciation deduction under ~~Section 103 of the Economic Stimulus Act of 2008, Public Law 110-185~~ section 168(k) of the Code not been claimed with respect to such property placed in service on or after January 1, 2008 for which an addition was required under subsection 1, paragraph T in a prior year.

Upon the taxable disposition of property to which this paragraph applies, the amount of any gain or loss includable in federal adjusted gross income must be adjusted for Maine income tax purposes by an amount equal to the difference between the addition modification for such property under subsection 1, paragraph T and the subtraction modifications allowed pursuant to this paragraph.

The total amount of subtraction claimed for property under this paragraph for all tax years may not exceed the addition modification under subsection 1, paragraph T for the same property; ~~and~~

**Sec. VVV-13. 36 MRSA § 5200-A, sub-§ 2, ¶ S** is amended to read:

S. An amount equal to the value of any prior year addition modification under subsection 1, paragraph U, but only to the extent that:

- (1) Maine taxable income is not reduced below zero;
- (2) The taxable year is within the allowable federal period for carryover of the net operating loss plus one year; and
- (3) The amount has not been previously used as a modification pursuant to this subsection; and

**Sec. VVV-14. 36 MRSA § 5200-A, sub-§ 2, ¶ T** is enacted to read:

T. An amount equal to the gross income from discharge of indebtedness previously deferred under section 108(i) of the Code and included in federal taxable income. The total subtraction for all years under this paragraph may not exceed the amount of the addition modification under § 5200-A(1)(V) for the same indebtedness.

**Sec. VVV- 15. 36 MRSA § 5219-S** is amended to read:

**1. Resident taxpayer.** A resident individual is allowed a credit against the tax otherwise due under this Part in the amount of 5% of the federal earned income credit for the same taxable year, except that for tax years beginning in 2009 and 2010, the applicable percentage is 4% instead of 5%.

**2. Nonresident taxpayer.** A nonresident individual is allowed a credit against the tax otherwise due under this Part in the amount of 5% of the federal earned income credit for the same taxable

year, except that for tax years beginning in 2009 and 2010, the applicable percentage is 4% instead of 5%, multiplied by the ratio of the individual's Maine adjusted gross income, as defined in section 5102, subsection 1-C, paragraph B, to the individual's entire federal adjusted gross income, as modified by section 5122.

**3. Part-year resident taxpayer.** An individual who files a return as a part-year resident in accordance with section 5224-A is allowed a credit against the tax otherwise due under this Part in the amount of 5% of the federal earned income credit for the same taxable year, except that for tax years beginning in 2009 and 2010, the applicable percentage is 4% instead of 5%, multiplied by a ratio, the numerator of which is the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph A for that portion of the taxable year during which the individual was a resident plus the individual's Maine adjusted gross income as defined in section 5102, subsection 1-C, paragraph B for that portion of the taxable year during which the individual was a nonresident and the denominator of which is the individual's entire federal adjusted gross income, as modified by section 5122.

**4. Limitation.** The credit allowed by this section may not reduce the Maine income tax to less than zero.

**Sec. VVV-16. Application.** That section of this Act that amends the Maine Revised Statutes, Title 36 § 111, sub-§ 1-A applies to tax years beginning on or after January 1, 2008 and to any prior years as specifically provided by the United States Internal Revenue Code. Those sections of this Act that amend the Maine Revised Statutes, Title 36 § 5122, sub-1, ¶ AA; Title 36 § 5124-A, first ¶; and Title 36 § 5200-A, sub-§ 1, ¶ T apply to tax years beginning on or after January 1, 2008. Those sections of this Act that amend the Maine Revised Statutes, Title 36 § 5122, sub-§ 2, ¶ AA and Title 36 § 5200-A, sub-§ 2, ¶ R apply to tax years beginning on or after January 1, 2009. Those sections of this Act that enact the Maine Revised Statutes, Title 36 § 5122, sub-§ 1, ¶ BB; Title 36 § 5122, sub-§ 2, ¶ CC; and Title 36 § 5200-A, sub-§ 2, ¶ T apply to tax years beginning on or after January 1, 2009.

## SUMMARY

This Part does the following:

It updates references to the United States Internal Revenue Code contained in the Maine Revised Statutes, Title 36 to the United States Internal Revenue Code as amended through February 17, 2009, for tax years beginning on or after January 1, 2008 and for any prior years as specifically provided by the United States Internal Revenue Code. The bill primarily affects Maine's income tax and estate tax laws.

It extends nonconformity with federal bonus depreciation provisions applicable to property placed in service after 2008, including the bonus depreciation provisions recently enacted in the federal American Recovery and Reinvestment Act of 2009.

It decouples from the deferral of recognition of income from discharge of certain business indebtedness as enacted by the federal American Recovery and Reinvestment Act of 2009.

It decouples the Maine individual income tax standard deduction amounts from the federal additional standard deduction amounts for real estate property taxes paid on personal residences and state sales and excise taxes paid on the purchase of certain motor vehicles. The additional federal standard deduction amount for real estate property taxes generally applies to tax years beginning in 2008 and 2009. The additional federal standard deduction amount for state sales and excise taxes generally applies to tax years beginning in 2009.

It requires that unemployment compensation benefits excluded from federal gross income must be added back to Maine taxable income on the Maine individual income tax return. For tax years beginning in 2009, an individual may exclude from federal gross income up to \$2,400 of unemployment compensation benefits received.

It reduces the Maine earned income tax credit from 5% to 4% of the federal earned income tax credit in order to mitigate the impact on state revenues the recent increase in the federal earned income tax credit. The federal EITC increase applies to tax years beginning in 2009 and 2010.