

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

Amend the bill by striking out all of sections 2 and 3 and inserting in their place the following:

Sec. 2. 36 MRSA §5218, as amended by PL 2005, c. 12, Pt. L, §§2 to 4, is further amended to read:

§ 5218. Income tax credit for child care expenses

1. Resident taxpayer. A resident individual is allowed a credit against the tax otherwise due under this Part in the amount of ~~25%~~100% of the federal tax credit allowable for child and dependent care expenses in the same tax year, ~~except that for tax years beginning in 2003 to 2006, the applicable percentage is 21.5% instead of 25%.~~

2. Nonresident taxpayer. A nonresident individual is allowed a credit against the tax otherwise due under this Part in the amount of ~~25%~~100% of the federal tax credit allowable for child and dependent care expenses 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, ~~except that for tax years beginning in 2003 to 2006, the applicable percentage is 21.5% instead of 25%.~~

2-A. 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 ~~25%, except that for tax years beginning in 2003 to 2006 the applicable percentage is 21.5% instead of 25%,~~100% of the federal tax credit allowable for child and dependent care expenses 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.

3. Quality child care services. The credit provided by subsections 1, 2 and 2-A doubles in amount if the child care expenses were incurred through the use of quality child care services as defined in section 5219-Q, subsection 1.

4. Refund. The credit allowed by this section may result in a refund of up to \$500. In the case of a nonresident individual, the refundable portion of the credit may not exceed \$500 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. In the case of an individual who files a return as a part-year resident in accordance with section 5224-A, the refundable portion of the credit may not exceed \$500 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.

Sec. 3. 36 MRSA §5219-Y is enacted to read:

§ 5219-Y. Child tax credit

1. Resident taxpayer. A resident individual is allowed a credit against the tax otherwise due under this Part in the amount of 100% of the federal child tax credit for each qualifying child under 17 years of age.

2. Nonresident taxpayer. A nonresident individual is allowed a credit against the tax otherwise due under this Part in the amount of 100% of the federal child tax credit for each qualifying child under 17 years of age 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 100% of the federal child tax credit for each qualifying child under 17 years of age 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.

Sec. 4. Application. That section of this Act that amends the Maine Revised Statutes, Title 36, section 5126 applies to tax years beginning on or after January 1, 2006. That section of this Act that amends Title 36, section 5218 and the section that enacts Title 36, section 5219-Y apply to tax years beginning on or after January 1, 2007.

Sec. 5. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Maine Revenue Services 0002

Initiative: Provides funds for the administrative costs associated with the changes in the child care credit, personal exemption and the child tax credit, including funds for one Tax Examiner position.

GENERAL FUND	2005-06	2006-07
POSITIONS - LEGISLATIVE COUNT	0.000	1.000
Personal Services	\$0	\$26,265
All Other	\$0	\$22,822
GENERAL FUND TOTAL	\$0	\$49,087

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SUMMARY

This amendment makes changes to resolve an issue of the constitutionality of the bill's proposed changes and adds an application section and an appropriations and allocations section to the bill.