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An Act Regarding the Taxation of Income Derived from Out-of-state Trusts

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §5214-B is enacted to read:

§ 5214-B. Credit for income tax imposed on trust in other taxing jurisdiction

A resident individual who is a beneficiary of the distribution of trust income that is included in adjusted gross income for the taxable year and for which the trust was not entitled to a Maine credit under section 5165 on the income distribution is allowed a credit as provided in section 5217-A, except that in computing the credit the income tax imposed is the income tax imposed on the trust relative to the distribution allowable for this credit and the Maine adjusted gross income derived from sources in that taxing jurisdiction is the amount of the individual's Maine adjusted gross income attributable to the trust distribution upon which this credit is being allowed.

Sec. 2. Retroactivity. Notwithstanding the Maine Revised Statutes, Title 36, section 144 and section 5278, subsection 1, this Act applies retroactively to tax years beginning on or after January 1, 2002, except that this Act is not intended to affect any settlement or agreement reached prior to July 1, 2007 regarding the payment of taxes imposed pursuant to Title 36, Part 8 on the distribution of trust income taxed in a jurisdiction other than Maine.

SUMMARY

This bill enacts a credit similar to that provided under the Maine Revised Statutes, Title 36, section 5217-A for income tax paid to another taxing jurisdiction for trust beneficiaries. The bill limits the credit to trust income distributed to a beneficiary when the trust was not entitled to an equivalent credit on the income distributed. The bill provides for a retroactive application to tax years beginning on or after January 1, 2002, but does not affect any agreement or settlement that has been reached prior to July 1, 2007 regarding payment of Maine taxes imposed on the distribution of income to a trust that was taxed in another jurisdiction.