An Act to Improve Economic Security for Maine Children by Establishing the Maine Dependent Tax Credit

Reference to the Committee on Taxation suggested and ordered printed.

Presented by Representative TERRY of Gorham.
Cosponsored by Senator DAUGHTRY of Cumberland and Representatives: CLOUTIER of Lewiston, COLLINGS of Portland, GATTINE of Westbrook, GRAHAM of North Yarmouth, GRAMLICH of Old Orchard Beach, MILLIKEN of Blue Hill.
Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §199-B, sub-§1, ¶E, as amended by PL 2017, c. 211, Pt. E, §4, is further amended to read:
   E. Any recommendation regarding the amendment, repeal or replacement of the tax expenditure; and

Sec. 2. 36 MRSA §199-B, sub-§1, ¶F, as enacted by PL 2017, c. 211, Pt. E, §4, is amended to read:
   F. The total amount of reimbursement paid to each person claiming a reimbursement for taxes paid on certain business property under chapter 915; and

Sec. 3. 36 MRSA §199-B, sub-§1, ¶G is enacted to read:
   G. In addition to the other requirements of this subsection, for purposes of the Maine dependent tax credit under section 5219-TT:
      (1) The number of taxpayers claiming the credit;
      (2) The geographic distribution of taxpayers claiming the credit, grouped by county;
      (3) The income levels of the taxpayers under subparagraph (1), grouped in increments of $10,000;
      (4) The number of dependents under 18 years of age and dependents 18 years of age or older claimed, quantified separately; and
      (5) The average amount of the credit claimed per dependent and per taxpayer, each grouped by the income levels specified in subparagraph (3).

Sec. 4. 36 MRSA §5219-SS, sub-§5 is enacted to read:
   §5219-SS. Maine dependent tax credit
   5. Termination of credit. The credit allowed by this section is not available for tax years beginning on or after January 1, 2023.

Sec. 5. 36 MRSA §5219-TT is enacted to read:

§5219-TT. Maine dependent tax credit

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.
   A. "Base credit" means the amount of the tax credit a taxpayer is allowed for each dependent. For tax years beginning in 2023, the base credit is $350. For tax years beginning after 2023, the base credit is indexed for inflation annually pursuant to section 5403, subsection 9.
   B. "Dependent" means an individual:
      (1) For whom the taxpayer has provided more than 50% of the individual's financial support during the tax year; and
      (2) Who was born during the tax year or has lived with the taxpayer for more than half of the tax year for which the credit is claimed.
2. **Resident taxpayer.** For tax years beginning on or after January 1, 2023, a resident individual is allowed a credit against the tax otherwise due under this Part equal to the base credit for each dependent of the taxpayer.

3. **Nonresident taxpayer.** For tax years beginning on or after January 1, 2023, a nonresident individual is allowed a credit against the tax otherwise due under this Part equal to the base credit for each dependent of the taxpayer, 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.

4. **Part-year resident taxpayer.** For tax years beginning on or after January 1, 2023, 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 equal to the base credit for each dependent of the taxpayer, multiplied by a fraction, 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 tax 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.

5. **Refundability and phase-out.** The credit allowed by this section is fully refundable, except that the amount of the credit allowed by this section must be reduced, but not below zero, by $7.50 for each $1,000 or fraction thereof by which the taxpayer's Maine adjusted gross income exceeds $400,000 in the case of a joint return and $200,000 in any other case.

6. **Credit not income for purposes of state or municipal benefits.** Notwithstanding any provision of law to the contrary, a credit received pursuant to this section may not be counted as income, an asset or a resource for purposes of any state or municipal benefits or assistance program.

7. **Application for Maine dependent tax credit.** The State Tax Assessor shall include on the form for the sales tax fairness credit under section 5213-A or the property tax fairness credit under section 5219-II the ability of a taxpayer to claim the Maine dependent tax credit under this section or shall provide a simplified form that allows a taxpayer to apply for the tax credit under this section.

The assessor shall work with the Commissioner of Health and Human Services to make the application for the Maine dependent tax credit available through the Department of Health and Human Services' publicly accessible state benefits web portal for food supplement, health care, cash assistance or child care benefits.

Sec. 6. 36 MRSA §5403, sub-§7, as enacted by PL 2017, c. 474, Pt. B, §24, is amended to read:

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; and

Sec. 7. 36 MRSA §5403, sub-§8, as enacted by PL 2017, c. 474, Pt. B, §24, is amended to read:

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

Sec. 8. 36 MRSA §5403, sub-§9 is enacted to read:

9. **Maine dependent tax credit.** Beginning in 2024 and each year thereafter, by the dollar amount of the base credit as specified in section 5219-TT, subsection 1, paragraph A, 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.

**SUMMARY**

This bill enacts a new Maine dependent income tax credit to replace the existing dependent exemption tax credit beginning in 2023. The dependent tax credit is available for a dependent who has resided with the taxpayer claiming the credit for at least 6 months of the tax year and for whom the taxpayer has provided more than 50% of that dependent's financial support during the tax year. The tax credit is fully refundable and may not be counted as income, an asset or a resource for purposes of state or municipal benefits. The tax credit for 2023 is $350 for each dependent but is annually indexed for inflation.

The bill requires the State Tax Assessor to make the application for the child tax credit available as part of the sales tax fairness credit or property tax fairness credit application or through another simplified application. The assessor is required to work with the Commissioner of Health and Human Services to make the application for the credit available from the Department of Health and Human Services' state benefits web portal, My Maine Connection.

Finally, the bill requires the assessor to include as part of the assessor's tax expenditures report to the joint standing committee of the Legislature having jurisdiction over taxation matters specific information about the tax credit, including the number of taxpayers claiming the credit and the number of children and dependents claimed in order to obtain the tax credit.