

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

An Act To Provide Tax Relief to Working Families

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

Sec. 1. 36 MRSA §5126, first ¶, as amended by PL 2001, c. 583, §16, is further amended to read:

For income tax years beginning on or after January 1, 1998 but before January 1, 1999, a resident individual is allowed \$2,400 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2000 but before January 1, 2007, a resident individual is allowed \$2,850 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2007, a resident individual is allowed \$3,200 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return.

Sec. 2. 36 MRSA §5218, as amended by PL 2005, c. 519, Pt. DD, §§1 to 3, 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, 2004 and 2005, 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, 2004 and 2005, 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, 2004 and 2005 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-BB is enacted to read:

§ 5219-BB. 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.

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 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 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, 2007. That section of this Act that amends Title 36, section 5218 and that section that enacts Title 36, section 5219-BB apply to tax years beginning on or after January 1, 2008.

SUMMARY

This bill is a recommendation of the Study Commission Regarding Liveable Wages established in Resolve 2005, chapter 128. The bill amends Maine's tax laws to achieve conformity with federal tax laws regarding the child care credit, personal exemption and child tax credit.