



# 125th MAINE LEGISLATURE

LD 849

LR 149(28)

## An Act To Provide Tax Relief for Maine's Citizens by Reducing Income Taxes

### Fiscal Note for Bill as Engrossed with:

C "C" (S-427)

S "C" (S-443) to C "C" (S-427)

S "F" (S-596) to C "C" (S-427)

Committee: Taxation

---

---

## Fiscal Note

Potential future biennium revenue decrease - General Fund

### Fiscal Detail and Notes

The bill requires that 40% of any General Fund revenue exceeding the General Fund appropriation limitation as well as a portion of any unappropriated surplus of the General Fund, also known as the Cascade, must be transferred at the close of each fiscal year to the Tax Relief Fund for Maine Residents. This transfer takes place only if the State Controller has certified that an amount has been appropriated that is sufficient to fund benefits under the Circuitbreaker Program. By November 1, 2014 and annually thereafter, the State Tax Assessor shall calculate the amount by which income tax bracket rates may be reduced during the subsequent tax year using the amount available from the fund. Bracket rate reductions must be a minimum of 0.2 percentage points in the first year and a minimum of 0.1 percentage points in subsequent years. No bracket rate reductions will be made in any year in which funds are not sufficient to pay for the minimum rate reduction in that year. When funds are sufficient to pay for the rate reduction, the reduction must first be applied to each bracket equally until the lower bracket rate equals 4%. Future reductions will apply to reduce the higher bracket rates until there is a single bracket with a rate of 4%.

Under current forecasts, no transfers to the Fund are expected through FY 2014-15. Should these forecasts not be realized, it is possible that the changes made by this legislation may reduce revenues in future years. Any changes to the bracket rates are self-funding in the short term but not in the long term, since the new bracket rates would reduce revenue in future fiscal years without a corresponding offset. As a result, the existence of an unappropriated surplus could trigger bracket rate reductions and reduce General Fund revenue in all future fiscal years. The precise extent of the effects on future revenues is not determinable at this time.