

LD 1496

REVISED VERSION -- AS OF MAY 30, 2013

Fiscal Objective: If the Appropriations Committee agrees on a balanced budget that deals with everything in the Governor's budget proposal *except* the suspension of revenue sharing, and the elimination of the homestead exemption and circuit breaker programs, then this comprehensive tax reform package can be inserted as a *budget neutral add-on* that relieves property taxes rather than increases them.

Property Tax Reforms

- FY2014 – Restore “status quo” from FY2013
 - \$10,000 homestead exemption
 - 3.5% revenue sharing; divided 80-20 between rev I and rev II
 - Property tax fairness credit replaces circuit breaker
 - Integrated into 2013 income tax filing
- FY2015 – Implementation of resident-targeted reform
 - \$50,000 homestead exemption
 - 1.5% revenue sharing using new rev II formula

Income/Estate Tax Reform

- Phased-in income tax rate reductions
 - 4.95% in tax year 2014
 - 4.5% in tax year 2015
 - 4% in tax year 2016
- Full implementation of sales tax fairness credits in 2014
 - Refundable up to \$400 single, \$800 couple plus \$100 per dependent or 65+
 - Increased full credit amount incorporated into income tax formula
 - Transitional sales tax fairness credit available with 2013 tax return
- Most deductions and many credits eliminated
- Repeal of estate tax in 2015.

Sales/Excise Tax Reforms

- October 1, 2013
 - All rate increases as originally drafted
 - Sales tax base expansions to well-defined categories
 - Amusement, entertainment and recreation services
 - Limited installation, repair and maintenance services
 - Personal care services
 - Groceries, electricity, cable, water
 - Personal property services
 - Leasing provisions
 - Expanded prepared foods definition

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HOW DOES THE REVISED PLAN RELATE TO THE GOVERNOR'S BUDGET PROPOSAL?

	Relative to "Current Law"			Relative to Governor's Budget Proposal				
	FY14	FY15	FY16	FY14	FY15	FY16	FY17	
PART A - Income Tax Reform	(\$306,107,650)	(\$510,208,330)	(\$618,222,445)	(\$690,634,720)	(\$307,931,650)	(\$516,676,330)	(\$628,380,165)	(\$702,758,834)
PART B - Sales Tax Reform	\$307,186,042	\$556,413,740	\$572,617,775	\$596,046,867	\$299,692,292	\$552,988,990	\$569,090,282	\$592,413,550
PART C - Estate Tax Repeal	\$0	\$0	(\$25,276,343)	(\$29,088,207)	\$0	\$0	(\$25,276,343)	(\$29,088,207)
PART D - Homestead Exemption	\$0	\$72,859,875	\$100,491,125	\$102,318,544	\$0	\$81,999,875	\$112,678,125	\$114,505,544
PART E - Circuit Breaker Program	\$56,696,000	\$59,510,000	\$60,163,000	\$63,308,000	\$21,877,242	\$20,885,375	\$21,101,258	\$22,286,020
PART F - Revenue Sharing	\$37,748,302	\$92,208,496	\$110,529,882	\$108,527,636	(\$98,083,180)	(\$49,277,803)	\$110,529,882	\$108,527,636
PART G - Real Estate Transfer Tax	\$16,850,400	\$35,385,840	\$37,155,132	\$39,012,889	\$16,850,400	\$35,385,840	\$37,155,132	\$39,012,889
PART H - Tobacco Taxes	\$46,907,950	\$69,399,100	\$70,043,800	\$70,690,400	\$46,907,950	\$69,399,100	\$70,043,800	\$70,690,400
PART I - Beer and Wine Taxes	\$6,894,824	\$11,955,500	\$12,022,900	\$12,091,400	\$6,894,824	\$11,955,500	\$12,022,900	\$12,091,400
PART J - Vendor Collection Fee	(\$3,039,750)	(\$4,137,000)	(\$4,137,000)	(\$4,137,000)	(\$3,039,750)	(\$4,137,000)	(\$4,137,000)	(\$4,137,000)
PART K - Government Efficiency Fund	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
TOTAL General Fund Revenues	\$158,136,118	\$310,527,346	\$214,896,701	\$165,817,264	(\$16,831,872)	\$120,523,672	\$162,149,746	\$109,037,853
TOTAL General Fund Appropriations	\$1,000,000	\$73,859,875	\$101,491,125	\$103,318,544	\$1,000,000	\$82,999,875	\$113,678,125	\$115,505,544
NET General Fund Impact	\$157,136,118	\$236,667,471	\$113,405,576	\$62,498,720	(\$17,831,872)	\$37,523,797	\$48,471,621	(\$6,467,691)
NET Impact (Biennium)	\$393,803,588	\$236,667,471	\$175,904,297	\$62,498,720	\$19,691,924	\$37,523,797	\$42,003,931	\$6,467,691

Maine Revenue Services writes fiscal notes "relative to current law." In the case of LD1496, they are assuming that we have already fully funded revenue sharing (at \$136 million in FY2014), and that we have already fully funded the current homestead exemption and circuit breaker programs. None of these items are in the Governor's budget proposal. For example, when LD1496 proposes to restore \$98 million in revenue sharing for FY2014, MRS treats that as a \$38 million REDUCTION in revenue sharing. But relative to the Governor's budget, it is a \$98 million INCREASE in revenue sharing. The fiscal goal of LD1496 is to be neutral relative to the Governor's budget proposal.

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Income Tax Simulations – May 30 Revision

BY HOW MUCH ARE INCOME TAXES REDUCED?

Assumes taxpayer currently itemizes deductions at 15% of income (or standard deduction if larger)

Income	Single			Couple			Family		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
\$0	\$400	\$400	\$400	\$800	\$800	\$800	\$1,000	\$1,000	\$1,000
\$10,000	\$400	\$400	\$400	\$800	\$800	\$800	\$1,000	\$1,000	\$1,000
\$20,000	\$222	\$269	\$312	\$800	\$800	\$800	\$1,000	\$1,000	\$1,000
\$30,000	\$227	\$298	\$362	\$569	\$640	\$704	\$1,000	\$1,000	\$1,000
\$40,000	\$364	\$459	\$544	\$574	\$668	\$754	\$817	\$876	\$914
\$50,000	\$403	\$521	\$628	\$579	\$697	\$804	\$760	\$833	\$880
\$60,000	\$434	\$575	\$704	\$587	\$728	\$857	\$702	\$790	\$847
\$80,000	\$495	\$855	\$1,255	\$740	\$928	\$1,100	\$620	\$737	\$813
\$100,000	\$857	\$1,307	\$1,807	\$801	\$1,037	\$1,251	\$556	\$703	\$798
\$120,000	\$1,218	\$1,758	\$2,358	\$863	\$1,146	\$1,403	\$493	\$668	\$783
\$140,000	\$1,580	\$2,210	\$2,910	\$924	\$1,254	\$1,954	\$429	\$634	\$1,334
\$180,000	\$2,303	\$3,113	\$4,013	\$1,347	\$2,157	\$3,057	\$727	\$1,537	\$2,437



