

Maine Resident Income Tax in 2014, Current Law and Conformity with Internal Revenue Code Through January 2013 + Itemized Deduction Cap

(1)	(2)	(3)	(4)	Tax year 2014 revenues										(14)	(15)	(16)			
				Current Law			Conformity + Itemized Deduction Cap			Families with an income tax cut							Families with an income tax increase		
				Individual Tax	Individual Tax	Change in Tax	Percent	Average	Share of income	Change in Tax	Average	Change in Tax	Average						
Tax Liability	Liability	Liability	Tax	Tax	tax reduction	Liability	Liability	Tax	Tax	Liability	Liability	Tax	Liability	Liability	Tax				
Expanded income	Families	(\$ MIL)	Distribution	(\$ MIL)	Distribution	(\$ MIL)	Change	Change	(percent)	Number of families	(\$ MIL)	Decrease	Number of families	(\$ MIL)	Increase				
-\$ Infinity <= 17697	138,210	\$0.3	0.0%	\$0.2	0.0%	\$0.0	-1.4%	\$0	0.2%	94	\$0.0	-\$38	0	\$0.0	\$0				
17697 <= 24713	69,107	\$6.4	0.5%	\$6.3	0.5%	\$0.0	-0.6%	-\$1	2.2%	811	\$0.0	-\$48	1	\$0.0	\$956				
24713 <= 32564	69,105	\$18.2	1.4%	\$18.1	1.4%	-\$0.2	-0.8%	-\$2	8.9%	2,652	-\$0.2	-\$58	2	\$0.0	\$132				
32564 <= 40944	69,103	\$34.7	2.7%	\$34.1	2.6%	-\$0.5	-1.6%	-\$8	31.7%	6,146	-\$0.5	-\$88	7	\$0.0	\$173				
40944 <= 51872	69,105	\$57.0	4.4%	\$55.5	4.3%	-\$1.6	-2.7%	-\$23	91.4%	15,625	-\$1.6	-\$102	107	\$0.0	\$195				
51872 <= 65990	69,107	\$83.5	6.4%	\$80.5	6.2%	-\$3.0	-3.6%	-\$44	175.8%	26,123	-\$3.2	-\$122	417	\$0.2	\$407				
65990 <= 85271	69,103	\$129.7	9.9%	\$124.6	9.6%	-\$5.1	-3.9%	-\$73	295.6%	39,791	-\$5.6	-\$141	931	\$0.5	\$575				
85271 <= 119020	69,104	\$229.7	17.6%	\$224.7	17.2%	-\$5.0	-2.2%	-\$72	290.2%	43,635	-\$6.7	-\$153	2,128	\$1.7	\$799				
119020 <= \$ Infinity	69,104	\$746.7	57.2%	\$760.3	58.3%	\$13.6	1.8%	\$197	-796.1%	40,257	-\$6.4	-\$160	8,684	\$20.1	\$2,312				
Totals	691,047	\$1,306.1	100.0%	\$1,304.4	100.0%	-\$1.7	-0.1%	-\$2	100.0%	175,135	-\$24.2	-\$138	12,278	\$22.5	\$1,833				
Top Decile Decomposition: 90-95, 95-99, and 99+ :																			
119020 <= 157633	34,552	\$188.7	14.5%	\$188.1	14.4%	-\$0.7	-0.4%	-\$20	39.9%	19,801	-\$2.9	-\$148	2,182	\$2.2	\$1,029				
157633 <= 324369	27,642	\$268.7	20.6%	\$272.7	20.9%	\$4.1	1.5%	\$147	-237.3%	15,961	-\$2.1	-\$134	4,484	\$6.2	\$1,382				
324369 <= \$ Infinity	6,910	\$289.3	22.1%	\$299.5	23.0%	\$10.2	3.5%	\$1,483	-598.7%	4,495	-\$1.4	-\$308	2,017	\$11.6	\$5,766				

Conformity with Internal Revenue Code Through January 2013. The itemized deduction cap is \$27,500 in 2013 and indexed for inflation in future years.

Department of Administrative and Financial Services
 Maine Revenue Services
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Total Revenue Reduction for Conforming to Various Provisions of the American Taxpayer Relief Act /1

<u>Fiscal year</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
(1) Married Joint Standard Deduction /2	\$ -	\$ (7,932,000)	\$(20,066,000)	\$(20,440,000)	\$(20,686,800)
(2) PEP and PEASE Delayed Phaseout /3	\$ -	\$ (4,642,000)	\$ (3,606,000)	\$ (3,654,000)	\$ (3,860,000)
(3) Dependent Care Credit Expansion /4	\$ -	\$ (930,800)	\$ (702,576)	\$ (716,628)	\$ (730,960)
(4) EITC Expansion /5	\$ -	\$ (327,400)	\$ (232,848)	\$ (237,505)	\$ (242,255)
(5) Teacher Expense Deduction /6	\$ -	\$ (362,000)	\$ -	\$ -	\$ -
(6) Student Loan Interest Deduction Expansion /7	\$ -	\$ (3,194,000)	\$ (2,474,241)	\$ (2,591,167)	\$ (2,642,990)
(7) Tuition Expense Deduction /8	\$ -	\$ (1,120,000)	\$ -	\$ -	\$ -
<u>(8) Interaction Effect /9</u>	<u>\$ -</u>	<u>\$ 227,000</u>	<u>\$ 450,865</u>	<u>\$ 273,299</u>	<u>\$ 209,995</u>
Total, including interaction effect	\$ -	\$(18,281,200)	\$(26,630,800)	\$(27,366,000)	\$(27,953,010)
Cap State Itemized Deductions @ \$27,500	\$ -	\$ 37,240,400	\$ 27,810,600	\$ 29,308,000	\$ 30,912,378
Net Impact on Revenues	\$ -	\$ 18,959,200	\$ 1,179,800	\$ 1,942,000	\$ 2,959,368
Depreciation Related Provisions					
Bonus Depreciation - Capital Investment Credit @ 9% /10	\$ -	\$(10,418,000)	\$ (5,417,000)	\$ 188,000	\$ 1,199,000
<u>Section 179 /11</u>	<u>\$ -</u>	<u>\$ (6,810,000)</u>	<u>\$ 1,685,189</u>	<u>\$ 1,375,283</u>	<u>\$ 900,000</u>
Total Depreciation Related Provisions	\$ -	\$(17,228,000)	\$ (3,731,811)	\$ 1,563,283	\$ 2,099,000
Total Revenue Impact of ATRA with Offset	\$ -	\$ 1,731,200	\$ (2,552,011)	\$ 3,505,283	\$ 5,058,368

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1/ Assumes that all the tax year 2013 reduction occurs in FY 2014 and a 40/60 split for future tax years.

2/ Marriage penalty relief to make standard deduction for joint filers double that for single filers. Delays conformity to standard deduction for joint filers until tax year 2014.

3/ Increases the starting point of the phase-out of personal exemptions (PEP) and itemized deductions (PEASE).

4/ Increases the credit rate, eligible expenses and point of phase-out.

5/ Increases the point of phase-out and extends length of phase-out. Also increases benefit for large families.

6/ Extends the \$250 per person teacher expense deduction for tax years 2012 and 2013.

7/ Allows taxpayer to deduction interest beyond 60 months and increases phase-out range.

8/ Extends deduction for qualified tuition and expenses for one year. Maine has not conformed to this deduction in the past.

9/ This shows the impact of the interaction of the various changes on taxpayer liability.

10/ Extends 50% bonus depreciation for the 2013 tax year. Estimates assumes continuation of the Maine Capital Investment Credit for one year @ 9%.

11/ Extends Sec. 179 expensing amounts and threshold limits for tax years 2012 and 2013.