

MAINE REVENUE SERVICES

SUMMARY OF MAJOR TAX PROVISIONS IN THE BIENNIAL BUDGET

\$203 MILLION IN TAX CUTS - FY12/FY13

Individual Income Tax Changes:

Beginning in 2013, reduces the top individual income tax rate from 8.5% to 7.95%.

For tax years beginning on or after January 1, 2012:

1. Conforms the Maine standard deduction amounts to the federal amounts. The 2012 federal and Maine standard deduction amounts for individuals filing married joint are projected to be \$15,000. Under existing law, the 2012 Maine standard deduction amount for married joint is projected to be \$9,800. The standard deduction amounts for single and head of household filers already conform to the federal amounts.

- 134,515 families will benefit from the increase in the standard deduction for married joint filers, and the average tax decrease will be \$129.

2. Conforms the Maine personal exemption amount to the federal amount. The federal personal exemption amount for 2012 is projected to be \$3,750. The Maine personal exemption amount has been \$2,850 since 2000).

- 425,599 families will benefit from the increase in the personal exemption, and the average tax decrease is \$132.

3. Eliminates the Maine alternative minimum tax on individuals, the lump-sum retirement plan distribution tax and the early distribution from retirement plan tax. 16,133 families benefit from the elimination of these tax additions, including the AMT, and the average tax decrease is \$366.

- In 2013, approximately 439,200 families have a tax decrease from the combination of conforming to the federal personal exemption, lowering the top tax rate to 7.95%, and the elimination of tax additions, and the average tax decrease is \$288.

Bonus depreciation and section 179 expense. Conforms Maine law with federal increased first-year bonus depreciation and Internal Revenue Code section 179 expense thresholds. Accordingly, beginning in 2011, Maine will conform to the federal 100% and 50% bonus depreciation provisions (depending on whether the property is placed in service in 2011 or 2012) and the increased § 179 expense deduction amount (up to \$500,000 for qualifying property placed in service in 2011 and up to \$125,000 for qualifying property placed in service in 2012). Under current law, Maine does not allow bonus depreciation deductions (only regular depreciation deductions) and allows § 179 expense deductions up to \$25,000.

- Approximately 14,000 individuals and 3,000 corporations claim a bonus depreciation/§ 179 addition modification in an average year.

Estate tax exclusion. Raises the Maine estate tax exclusion amount from \$1 million to \$2 million, beginning with estates of decedents dying on or after January 1, 2013. The federal estate exclusion amount is \$5 million. Decedents with total assets valued at less than the exclusion amount are not subject to the Maine estate tax.

- 400 estates of future decedents will not have a Maine estate tax liability beginning in calendar year 2013. Approximately 150 – 175 estates will be taxable under the Maine estate tax.