



# 127th MAINE LEGISLATURE

## SECOND REGULAR SESSION-2016

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Legislative Document

No. 1634

H.P. 1110

House of Representatives, March 3, 2016

### **An Act To Provide Tax Revenue To Offset Transfers to the Maine Clean Election Fund**

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Reported by six members in Report A from the Joint Standing Committee on Taxation pursuant to the Maine Revised Statutes, Title 36, section 199-E.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT  
Clerk

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

2 **Sec. 1. 36 MRSA §5200, sub-§5**, as enacted by PL 2005, c. 457, Pt. FFF, §1 and  
3 affected by §2, is repealed and the following enacted in its place:

4 **5. Net income.** For purposes of this section, "net income" means for any taxable  
5 year the total of the following as modified by section 5200-A:

6 A. The taxable income of the taxpayer for that taxable year under the laws of the  
7 United States; and

8 B. The taxable income or loss of any corporation that is a member of a unitary group  
9 and that is incorporated in any of the following jurisdictions: the Principality of  
10 Andorra, Anguilla, Antigua and Barbuda, Aruba, the Commonwealth of the  
11 Bahamas, the Kingdom of Bahrain, Barbados, Belize, Bermuda, the British Virgin  
12 Islands, the Cayman Islands, the Cook Islands, the Republic of Cyprus, the  
13 Commonwealth of Dominica, Gibraltar, Grenada, the Bailiwick of Guernsey, the Isle  
14 of Man, the Bailiwick of Jersey, the Republic of Liberia, the Principality of  
15 Liechtenstein, the Grand Duchy of Luxembourg, Malta, the Republic of the Marshall  
16 Islands, the Republic of Mauritius, the Principality of Monaco, Montserrat, the  
17 Republic of Nauru, the Caribbean Netherlands, Niue, the Independent State of  
18 Samoa, the Republic of San Marino, the Republic of Seychelles, the Federation of St.  
19 Christopher and Nevis, St. Lucia, St. Vincent and the Grenadines, the Turks and  
20 Cayos Islands, the United States Virgin Islands and the Republic of Vanuatu.

21 The State Tax Assessor shall review annually the list of jurisdictions in paragraph B and  
22 report to the joint standing committee of the Legislature having jurisdiction over taxation  
23 matters whether any jurisdictions should be added to or deleted from the list based on  
24 whether the jurisdiction taxes no or only nominal income, the jurisdiction lacks effective  
25 exchange of information with other taxing authorities, the jurisdiction lacks governmental  
26 transparency and the jurisdiction protects business with no substantial activity.

27 **Sec. 2. Rules.** The State Tax Assessor shall adopt rules to determine the income or  
28 loss for a corporation that is a member of a unitary group that is not otherwise required to  
29 file a consolidated federal return and to prevent double taxation or double deduction of  
30 any amount included in the computation of net income under the Maine Revised Statutes,  
31 Title 36, section 5200, subsection 5. Rules adopted pursuant to this section are major  
32 substantive rules as described in Title 5, chapter 375, subchapter 2-A.

33 **Sec. 3. Application.** This Act applies to tax years beginning on or after January 1,  
34 2016.

35 **Sec. 4. Appropriations and allocations.** The following appropriations and  
36 allocations are made.

37 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**  
38 **Revenue Services, Bureau of 0002**

39 Initiative: Provides funding for 2 Staff Attorney positions, one Tax Analyst position and  
40 computer programming costs.

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<b>GENERAL FUND</b>	<b>2015-16</b>	<b>2016-17</b>
POSITIONS - LEGISLATIVE COUNT	0.000	3.000
Personal Services	\$0	\$274,837
All Other	\$0	\$120,006
<b>GENERAL FUND TOTAL</b>	<b>\$0</b>	<b>\$394,843</b>

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### **SUMMARY**

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This bill is reported out by the Joint Standing Committee on Taxation pursuant to the Maine Revised Statutes, Title 36, section 199-E, as enacted by Initiated Bill 2015, chapter 1. This bill offsets the annual transfer of \$3,000,000 in General Fund revenue to the Maine Clean Election Fund by requiring corporations that file unitary income tax returns in Maine to include income from certain jurisdictions outside the United States in net income when apportioning income among tax jurisdictions. The State Tax Assessor is required to adopt major substantive rules to determine the income or loss attributable to such corporations and to prevent double taxation or double deduction of income. The State Tax Assessor is also required to submit an annual report to the joint standing committee of the Legislature having jurisdiction over taxation matters regarding whether jurisdictions should be added to or deleted from the list of tax havens based on specified criteria.

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### **FISCAL NOTE REQUIRED**

**(See attached)**



# 127th MAINE LEGISLATURE

LD 1634

LR 2656(01)

## An Act To Provide Tax Revenue To Offset Transfers to the Maine Clean Election Fund

Fiscal Note for Original Bill

Committee: Taxation

Fiscal Note Required: Yes

### Preliminary Fiscal Impact Statement

	FY 2015-16	FY 2016-17	Projections FY 2017-18	Projections FY 2018-19
<b>Net Cost (Savings)</b>				
General Fund	\$0	(\$4,603,157)	(\$4,941,820)	(\$5,178,163)
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$394,843	\$301,180	\$309,837
<b>Revenue</b>				
General Fund	\$0	\$4,998,000	\$5,243,000	\$5,488,000
Other Special Revenue Funds	\$0	\$102,000	\$107,000	\$112,000

#### Fiscal Detail and Notes

The bill requires corporations who file unitary income tax returns to include income from certain jurisdictions outside the United States in net income when apportioning income among tax jurisdictions. It would result in an increase in General Fund and Local Government Fund revenue of \$4,998,000 and \$102,000, respectively, in fiscal year 2016-17. The bill includes a General Fund appropriation to the Department of Administrative and Financial Services of \$394,843 in fiscal year 2016-17 for two Staff Attorney positions, one Tax Analyst position and computer programming charges.