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Legislative Document

No. 501

H.P. 364

House of Representatives, February 19, 2021

**An Act To Amend Maine's Corporate Income Tax by Increasing the
Top Rate from 8.93 Percent to 12.4 Percent**

Received by the Clerk of the House on February 17, 2021. Referred to the Committee on Taxation pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

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

ROBERT B. HUNT
Clerk

Presented by Representative BROOKS of Lewiston.
Cosponsored by Representatives: COLLINGS of Portland, CRAVEN of Lewiston,
GRAMLICH of Old Orchard Beach, TERRY of Gorham, Senator: CHIPMAN of Cumberland.

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

2 **Sec. 1. 36 MRSA §5200, sub-§1-A**, as enacted by PL 2017, c. 474, Pt. E, §2, is
3 amended to read:

4 **1-A. Imposition and rate of tax ~~beginning; tax years from 2018 to 2021~~.** For tax
5 years beginning on or after January 1, 2018 but not later than December 31, 2021, a tax is
6 imposed for each taxable year at the following rates on each taxable corporation and on
7 each group of corporations that derives income from a unitary business carried on by 2 or
8 more members of an affiliated group:

9	If the income is:	The tax is:
10	Not over \$350,000	3.5% of the income
11	\$350,000 but not over \$1,050,000	\$12,250 plus 7.93% of the excess over
12		\$350,000
13	\$1,050,000 but not over \$3,500,000	\$67,760 plus 8.33% of the excess over
14		\$1,050,000
15	\$3,500,000 or more	\$271,845 plus 8.93% of the excess
16		over \$3,500,000

17 In the case of an affiliated group of corporations engaged in a unitary business with activity
18 taxable only by Maine, the rates provided in this subsection are applied only to the first
19 \$3,500,000 of the Maine net income of the entire group and must be apportioned equally
20 among the taxable corporations unless those taxable corporations jointly elect a different
21 apportionment. The balance of the Maine net income of the entire group is taxed at 8.93%.

22 In the case of an affiliated group of corporations engaged in a unitary business with activity
23 taxable both within and without this State, the rates provided in this subsection are applied
24 only to the first \$3,500,000 of the net income of the entire group and must be apportioned
25 equally among the taxable corporations unless those taxable corporations jointly elect a
26 different apportionment. The balance of the net income of the entire group is taxed at
27 8.93%.

28 **Sec. 2. 36 MRSA §5200, sub-§1-B** is enacted to read:

29 **1-B. Imposition and rate of tax beginning 2022.** For tax years beginning on or after
30 January 1, 2022, a tax is imposed for each taxable year at the following rates on each taxable
31 corporation and on each group of corporations that derives income from a unitary business
32 carried on by 2 or more members of an affiliated group:

33	<u>If the income is:</u>	<u>The tax is:</u>
34	<u>Not over \$350,000</u>	<u>3.5% of the income</u>
35	<u>\$350,000 but not over \$1,050,000</u>	<u>\$12,250 plus 7.93% of the excess over</u>
36		<u>\$350,000</u>
37	<u>\$1,050,000 but not over \$3,500,000</u>	<u>\$67,760 plus 8.33% of the excess over</u>
38		<u>\$1,050,000</u>
39	<u>\$3,500,000 or more</u>	<u>\$271,845 plus 12.4% of the excess</u>
40		<u>over \$3,500,000</u>

41 In the case of an affiliated group of corporations engaged in a unitary business with activity
42 taxable only by Maine, the rates provided in this subsection are applied only to the first
43 \$3,500,000 of the Maine net income of the entire group and must be apportioned equally

1 among the taxable corporations unless those taxable corporations jointly elect a different
2 apportionment. The balance of the Maine net income of the entire group is taxed at 12.4%.
3 In the case of an affiliated group of corporations engaged in a unitary business with activity
4 taxable both within and without this State, the rates provided in this subsection are applied
5 only to the first \$3,500,000 of the net income of the entire group and must be apportioned
6 equally among the taxable corporations unless those taxable corporations jointly elect a
7 different apportionment. The balance of the net income of the entire group is taxed at
8 12.4%.

9 **SUMMARY**

10 This bill increases the income tax rate on corporations in the top income tax bracket
11 from 8.93% to 12.4% for tax years beginning on or after January 1, 2022.