

**3% SURTAX/INDIVIDUAL INCOME TAX
RATES/EDUCATION FUND**

November 2016 Estimate of 3 Percent Surtax Referendum Question

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--|----------------|----------------|-----------------|-----------------|-----------------|
| 3% Tax on Taxable Income > \$200,000 (CY) | \$ 148.7 | \$ 159.0 | \$ 169.4 | \$ 179.4 | \$ 192.3 |
| Fiscal Year Cash Flow to GF from Tax | \$ 44.6 | \$ 151.8 | \$ 162.1 | \$ 172.4 | \$ 183.3 |
| Transfer to Fund to Advance Public K-12 Education | \$ - | \$ 79.5 | \$ 164.2 | \$ 174.4 | \$ 185.9 |
| Net GF Impact (FY) | \$ 43.7 | \$ 70.8 | \$ (2.0) | \$ (1.9) | \$ (2.5) |
| Impact on LGF (FY) | \$ 0.8 | \$ 1.4 | \$ 0.1 | \$ (0.1) | \$ (0.1) |

Department of Administrative and Financial Services
Maine Revenue Services
Office of Tax Policy



127th MAINE LEGISLATURE

LD 1660

LR 2772(02)

An Act To Establish the Fund To Advance Public Kindergarten to Grade 12 Education

Fiscal Note for Bill as Engrossed with:
No Amendments
Committee: Not Referred

Fiscal Note

| | FY 2015-16 | FY 2016-17 | Projections FY 2017-18 | Projections FY 2018-19 |
|-----------------------------|------------|----------------|---------------------------|---------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | (\$43,800,000) | (\$70,900,000) | \$2,200,000 |
| Revenue | | | | |
| General Fund | \$0 | \$43,800,000 | \$150,400,000 | \$162,000,000 |
| Other Special Revenue Funds | \$0 | \$800,000 | \$1,400,000 | \$100,000 |
| Transfers | | | | |
| General Fund | \$0 | \$0 | (\$79,500,000) | (\$164,200,000) |
| Other Special Revenue Funds | \$0 | \$0 | \$79,500,000 | \$164,200,000 |

Fiscal Detail and Notes

This initiated bill imposes a 3% additional tax, referred to as a surcharge, on Maine taxable income in excess of \$200,000 for tax years beginning on or after January 1, 2017. The surcharge is in addition to whatever tax would be imposed on these incomes under current statute or future statute. Beginning January 1, 2018, 1/12th of that tax year's estimated collections from the 3% surcharge will be transferred monthly to the Fund to Advance Public Kindergarten to Grade 12 Education. Money in the fund will be used to supplement but not supplant General Fund appropriations for general purpose aid to local schools (GPA).

Since collections will begin in calendar 2017 for tax years that begin on or after January 1, 2017, but transfers to the fund do not start until January of 2018 for the tax year that begins on January 1, 2018, the fiscal note assumes that the revenue collected in fiscal year 2016-17 and for the first 6 months of fiscal year 2017-18 (July - December 2017) would be retained by the General Fund and would increase transfers to the Local Government Fund. While the intent of the initiative is to have all collections from the surcharge be credited to the new fund, subsequent implementing legislation may be required to further clarify this issue.

Maine Resident Income Tax, Including Certain Refundable Credits*, in 2017, Current Law and Current Law + Surtax

Tax Year 2017

| (1) | (2) | (3) Current Law | | | (5) Surtax | | | (7) | (8) | (9) | (10) | (11) | (12) Families with an Income Tax Increase | | |
|-----------------------|--------------|-------------------------------|-------------------------|----------------------------------|-------------------------------|-------------------------|----------------------------------|---------|--------|--------|---------|---------|---|--------------------|--|
| | | Income Tax Liability (\$ MIL) | Percentage Distribution | Change in Tax Liability (\$ MIL) | Income Tax Liability (\$ MIL) | Percentage Distribution | Change in Tax Liability (\$ MIL) | | | | | | Percent Tax Change | Average Tax Change | Share of income tax increase (percent) |
| Expanded Income | Tax Families | | | | | | | | | | | | | | |
| -\$ Infinity <= | 19096 | 140,023 | -2.0% | -\$27.7 | -1.8% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 19096 <= | 26702 | 70,002 | -0.5% | -\$6.4 | -0.4% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 26702 <= | 35055 | 70,007 | 0.7% | \$10.3 | 0.7% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 35055 <= | 44808 | 70,010 | 1.9% | \$26.8 | 1.8% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 44808 <= | 56242 | 70,006 | 4.2% | \$58.6 | 3.9% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 56242 <= | 71033 | 70,008 | 6.3% | \$87.3 | 5.8% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 71033 <= | 93493 | 70,008 | 10.0% | \$137.6 | 9.1% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 93493 <= | 132956 | 70,008 | 17.4% | \$240.8 | 16.0% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 | | | |
| 132956 <= \$ Infinity | | 70,008 | 61.9% | \$855.3 | 65.0% | \$123.8 | 14.5% | \$1,769 | 100.0% | 16,082 | \$123.8 | \$7,700 | | | |
| Totals | | 700,079 | 100.0% | \$1,382.5 | 100.0% | \$123.8 | 9.0% | \$177 | 100.0% | 16,082 | \$123.8 | \$7,700 | | | |

Top Decile Decomposition: 90-95, 95-98, 98-99, and 99+.

| | | | | | | | | | | | | |
|-----------------------|--------|--------|-------|---------|-------|---------|-------|----------|-------|-------|---------|----------|
| 132956 <= | 180819 | 35,006 | 14.7% | \$202.9 | 13.5% | \$0.0 | 0.0% | \$0 | 0.0% | 0 | \$0.0 | \$0 |
| 180819 <= | 271992 | 21,001 | 15.1% | \$209.2 | 14.0% | \$1.7 | 0.8% | \$82 | 1.4% | 3,194 | \$1.7 | \$538 |
| 271992 <= | 382733 | 7,002 | 8.6% | \$118.4 | 8.8% | \$13.9 | 11.7% | \$1,983 | 11.2% | 6,128 | \$13.9 | \$2,266 |
| 382733 <= \$ Infinity | | 6,999 | 23.5% | \$324.7 | 28.7% | \$108.2 | 33.3% | \$15,464 | 87.4% | 6,759 | \$108.2 | \$16,012 |

* Includes the property and sales tax fairness credits and refundable child care credit.

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3% Surtax on Taxable Income Above \$200,000, Maine Residents

| Tax Year | Surtax (\$thousand) | | | | | | | | | | | | | | |
|----------|---------------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* | 2016* | 2017* | 2018* | 2019* |
| Total | \$ 73,105 | \$ 85,487 | \$ 102,832 | \$ 69,481 | \$ 55,433 | \$ 67,647 | \$ 68,888 | \$ 93,668 | \$ 82,414 | \$ 93,378 | \$ 107,726 | \$ 115,081 | \$ 124,640 | \$ 139,760 | \$ 151,158 |
| | | 16.94% | 20.29% | -32.43% | -20.22% | 22.04% | 1.83% | 35.97% | -12.02% | 13.30% | 15.37% | 6.83% | 8.31% | 12.13% | 8.16% |
| | | | | | | | | | | | | | | | |
| Total | 7,685 | 8,277 | 9,144 | 7,814 | 7,181 | 8,010 | 8,695 | 9,722 | 10,328 | 11,603 | 12,839 | 15,010 | 16,156 | 17,125 | 17,892 |
| | | 7.7% | 10.5% | -14.5% | -8.1% | 11.5% | 8.6% | 11.8% | 6.2% | 12.3% | 10.7% | 16.9% | 7.6% | 6.0% | 4.5% |

Returns with Surtax

* Signifies estimate based on March 1, 2016 Revenue Forecasting Committee Report

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