

OFFICE OF FISCAL AND PROGRAM REVIEW

Date: February 14, 2013

To: Members, Joint Standing Committee on Taxation

From: Elizabeth Cooper, Legislative Analyst

LD 65, An Act To Reduce the Income Tax on Capital Gains

Summary: Currently under state law, long-term capital gains are taxed as regular income. This bill taxes income derived from the sale of assets held for more than one year at 3%.

Background:

Public Hearing:

Proponents

- The sponsor presented the bill, written testimony and supporting documentation.
- *Major points:* a reduced capital gains tax rate will often spur growth in the economy, increase revenue and increase investment; Maine has the 8th highest combined tax rate on capital gains; 45% of Maine filers reporting net capital gains had a federal adjusted gross income of \$50,000; a lower state rate for individual will help offset the federal capital gains rate increase. (Please see information attached to sponsor's testimony for more information.)

Opposed - none

NFNA - none

Technical Issues: As written, this bill applies to corporations and financial institutions as well as individual taxpayers. It does not address losses or apportionment for non-resident filers. Should the Committee choose to move forward with the bill, members may want to discuss technical issues with Maine Revenue Services that may need to be addressed in an amendment to the bill.

Fiscal Information: The preliminary fiscal impact statement was not available at the time this analysis was completed.