

MAINE STATE LEGISLATURE

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108

L.D. 1824

DATE: 4-28-04

(Filing No. H-962)

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
121ST LEGISLATURE
SECOND SPECIAL SESSION

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824, Bill, "An Act To Provide Property Tax Relief to Maine Homeowners"

Amend the bill by striking out everything after the title and before the summary and inserting in its place the following:

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

PART A

Sec. A-1. 36 MRSA §6201, sub-§11-A, as amended by PL 1999, c. 401, Pt. R, §1 and affected by §2, is further amended to read:

11-A. Rent constituting property taxes accrued for nonelderly household. "Rent constituting property taxes accrued for nonelderly household" means 18% 20% of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and the claimant's household solely for the right of occupancy of their Maine homestead in the tax year and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this chapter by the claimant.

Sec. A-2. 36 MRSA §6203, as enacted by PL 1987, c. 516, §§3 and 6, is repealed.

Sec. A-3. 36 MRSA §§6203-A and 6203-B are enacted to read:

§6203-A. Payment of claim

1. Payment options. Claimants under this chapter may select any one of the following payment options for each claim.

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HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

2 A. The claimant may choose to have payment made directly to the claimant.

4 B. Beginning with claims filed in 2006, the claimant may choose to have the payment applied against the claimant's individual income tax for the income tax year in which the claim is payable.

6 C. The claimant may choose to have payment made directly to the municipality where the claimant's homestead is located.

8
10
12 2. Payment procedure. Upon approval of claims by the State Tax Assessor, the assessor shall prepare and certify a list of individuals entitled to a claim under this chapter who have chosen a payment option authorized under subsection 1, paragraph A or C, together with the respective amount attributable to each individual and indicating the payment option chosen by the claimant, and shall forward the list to the State Controller on or before September 30th, except that for calendar year 2004 the certification must be made on or before October 10th. The Treasurer of State, upon direction of the State Controller, shall pay and distribute the claims certified by the assessor to the appropriate payee on or before October 20th. A claim of less than \$10 may not be granted. Claims not certified by the assessor by September 30th may be certified as soon as practicable thereafter, but such claims need not be paid by the State Controller by October 20th.

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28 3. Review by State Tax Assessor; setoff required. The assessor shall review every application filed pursuant to this chapter and may reject a claim if the assessor determines that no claim is due. If the assessor determines that a claim has been incorrectly determined, the assessor shall adjust the claim. The assessor shall notify the claimant in writing of any rejection or adjustment and the reasons therefor. The rejection or adjustment is final unless appealed by the claimant pursuant to section 6229. The assessor shall set off against the claim payment any other tax liability owed by the claimant pursuant to this Title.

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40 4. Payments made in error. If the assessor determines that a claim has been incorrectly calculated or paid in error, the amount paid may be recovered by assessment pursuant to section 141, and the assessment bears interest from the date of payment of the claim, until refunded or paid, at the rate provided by section 186.

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46 §6203-B. Procedure for reimbursement

48
50 At least monthly on or before the last day of the month, the State Tax Assessor shall determine the benefit for each claimant

PL 018

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

2 under this chapter and certify the amount to the State Controller
3 to be transferred to the so-called circuit breaker reserve
4 established, maintained and administered by the State Controller
5 from the General Fund undedicated revenue within the individual
6 income tax category. At least monthly, payments of claims must be
7 made as provided in section 6203-A.

8 **Sec. A-4. 36 MRSA §6204**, as amended by PL 2001, c. 396. §42,
9 is further amended to read:

10 **§6204. Filing date**

11 A claim may not be paid unless the claim is filed with the
12 Bureau of Revenue Services on or after August 1st and on or
13 before the following December 31st. With regards to a year for
14 which relief is requested that begins after 2003, the period for
15 filing a claim with the Bureau of Revenue Services begins on
16 January 1st following the year for which relief is requested and
17 ends on the following June 30th.

18 **Sec. A-5. 36 MRSA §6206, sub-§§1 and 2**, as enacted by PL 1987,
19 c. 516, §§3 and 6, are amended to read:

20 **1. Single-member elderly households.** For single-member
21 elderly households, the benefit shall--be is calculated as
22 follows:

23		
24	If household income equals	The benefit equals:
25		
26	\$0 to \$6,800 <u>\$11,000</u>	100% of the benefit base up to a maximum of \$400
27		
28	\$6,801 to \$7,000	75% of the benefit base up to a maximum of \$300
29	<u>\$11,001 to \$11,400</u>	
30		
31	\$7,001 to \$7,200	50% of the benefit base up to a maximum of \$200
32	<u>\$11,401 to \$11,800</u>	
33		
34	\$7,201 to \$7,400	25% of the benefit base up to a maximum of \$100
35	<u>\$11,801 to \$12,100</u>	

36 **2. Elderly households with 2 or more members.** For elderly
37 households with 2 or more members, the benefit shall--be is
38 calculated as follows:

39		
40	If household income equals	The benefit equals:
41		
42	\$0 to \$8,100 <u>\$13,100</u>	100% of the benefit base up

HOUSE AMENDMENT

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		to a maximum of \$400
	\$8,101 to \$8,500	75% of the benefit base up
	<u>\$13,101 to \$13,900</u>	to a maximum of \$300
	\$8,501 to \$8,800	50% of the benefit base up
	<u>\$13,901 to \$14,500</u>	to a maximum of \$200
	\$8,801 to \$9,200	25% of the benefit base up
	<u>\$14,501 to \$15,000</u>	to a maximum of \$100

Sec. A-6. 36 MRSA §6207, sub-§1, ¶A-1, as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of \$1,000 for claims filed in 2004 and \$1,500 for claims filed in subsequent years.

Sec. A-7. 36 MRSA §6207, sub-§2, as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is further amended to read:

2. Income eligibility. Single-member households with household incomes in excess of ~~\$25,700~~ \$60,000 and households with 2 or more members with a household income in excess of ~~\$40,000~~ \$80,000 are not eligible for a benefit.

Sec. A-8. 36 MRSA §6209, sub-§1, as amended by PL 1989, c. 508, §25, is further amended to read:

1. Household limitation adjustment. Beginning March 1, ~~1989~~ 2004, and annually thereafter, the State Tax Assessor shall determine the household income eligibility adjustment factor. That factor shall must be multiplied by the income limitations in section 6206, applicable for the year prior to that for which relief is requested. The result shall must be rounded to the nearest \$100 and shall apply ~~applies~~ to the year for which relief is requested corresponding to the year on which the annualized cost of living adjustments were based. Beginning March 1, ~~1991~~ 2004, the same procedure shall must be employed to adjust the income limitation in section 6207, subsection 2.

Sec. A-9. Application. Those sections of this Act that amend or enact the Maine Revised Statutes, Title 36, section 6203-A; section 6204; and section 6209, subsection 1 apply to applications filed on or after January 1, 2005, exclusive of applications filed on extension from the prior filing period.

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

Those sections of this Act that amend other provisions of the Maine Revised Statutes, Title 36, chapter 907 apply to applications filed on or after August 1, 2004.

Sec. A-10. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Bureau of Revenue Services

Initiative: Provides funding for the additional administrative costs associated with the changes in the Maine Residents Property Tax Program in this Part.

General Fund	2003-04	2004-05
Positions - Legislative Count	(0.000)	(1.000)
Personal Services	\$0	\$48,617
All Other	0	94,950
General Fund Total	\$0	\$143,567

PART B

Sec. B-1. 20-A MRS §15653, sub-§4, as amended by PL 2003, c. 20, Pt. C, §3, is further amended to read:

4. Statewide local share. For fiscal year ~~2003-04~~ 2004-05, the statewide local share amount of the operating costs allocation is based on the sum of the amounts determined by multiplying for each unit ~~6.74~~ 6.41 mills times the unit's property fiscal capacity. In subsequent years the mill rate is 7.57 mills, except that the Legislature shall determine if an increase is needed to achieve the targeted per pupil guarantee under this section.

Sec. B-2. Basic elementary and secondary per pupil operating rates. Notwithstanding any other provision of law, the basic elementary per pupil operating rate for fiscal year 2004-05 is \$5,508 and the basic secondary per pupil operating rate for fiscal year 2004-05 is \$6,124. The foundation per pupil operating rate for fiscal year 2004-05 is \$5,709.

Sec. B-3. Per pupil guarantee and statewide factor. Notwithstanding any other provision of law, the per pupil guarantee for fiscal year 2004-05 is \$5,013. The statewide factor for fiscal year 2004-05 is 0.61410.

2 **Sec. B-4. Foundation allocation.** Notwithstanding any other
3 provision of law, the foundation allocation of state and local
4 funds for fiscal year 2004-05 for the purposes listed in this
5 section is as follows:

	2004-05
	TOTAL
6	
8 Operating	
10 Per pupil guarantee pursuant to the	
11 Maine Revised Statutes, Title 20-A,	
12 section 15653, subsection 1	\$1,055,307,634
14 Program Costs	
16 Early Childhood	1,367,317
18 Special Education (Local)	195,504,985
20 Special Education (Tuition and Board)	19,395,944
22 Vocational Education	34,423,516
24 Transportation Operating	76,147,845
26 Bus Purchases (including lease-purchases)	10,000,000
28 Program Cost Total	336,839,607
30 Less percentage reduction pursuant	
31 to the Maine Revised Statutes,	
32 Title 20-A, section 15603, subsection	
33 26-A, paragraph F	(7,141,000)
34 Adjusted Program Cost Total	329,698,607
36 Foundation Total - Combined Adjusted Operating	
37 and Program Cost	\$1,385,006,241

40 **Sec. B-5. Foundation subsidy indexes.** Notwithstanding any other
41 provision of law, this section establishes mill rates pursuant to
42 the Maine Revised Statutes, Title 20-A, chapter 606 as follows:
43 operating cost millage, 8.71 mills; program millage limit, 1.36
44 mills.

46 **Sec. B-6. Foundation reduction percentages.** Notwithstanding any
47 other provision of law, this section establishes reduction
48 percentages as follows: program cost reduction percentage, 2.12%;
transportation operating reduction percentage, 2.12%.

HOUSE AMENDMENT

Page

2 **Sec. B-7. Foundation appropriation.** Notwithstanding any other
3 provision of law, the foundation appropriation provided for
4 general purpose aid for local schools for the fiscal year
5 beginning July 1, 2004 and ending June 30, 2005 is calculated as
6 follows:

	2004-05 TOTAL	2004-05 STATE
8		
10	Foundation Total - Combined Adjusted	
11	Operating and Program Cost	
12	\$1,385,006,241	\$658,581,719
13		
14	Minimum State Subsidy	2,276,772
15		
16	ADJUSTED FOUNDATION ALLOCATION TOTAL	\$1,387,283,013
17		\$660,858,491

18 **Sec. B-8. Debt service allocation.** Notwithstanding any other
19 provision of law, the debt service allocation of state and local
20 funds for fiscal year 2004-05 for the purposes listed in this
21 section is as follows:

	2004-05 TOTAL
22	
23	
24	Debt Service Costs
25	
26	Principal and interest
27	\$73,787,290
28	
29	Approved leases and lease-purchases of space
30	6,178,767
31	
32	Insured value factor
33	3,055,623
34	Debt Service Cost Total
35	83,021,680
36	
37	Less percentage reduction of insured
38	value factor pursuant to the Maine
39	Revised Statutes, Title 20-A, section
40	15603, subsection 26-A, paragraph F
41	(64,779)
42	Adjusted Debt Service Cost Total
43	\$82,956,901

44 **Sec. B-9. Debt service subsidy indexes.** Notwithstanding any
45 other provision of law, this section establishes mill rates
46 pursuant to the Maine Revised Statutes, Title 20-A, chapter 606
47 as follows: operating cost millage, 8.71 mills; debt service
48 millage limit, 0.38 mills.

49 **Sec. B-10. Debt service reduction percentages.** Notwithstanding
50 any other provision of law, this section

HOUSE AMENDMENT

R of S

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

2 establishes reduction percentages as follows: insured value factor reduction percentage, 2.12%.

4 **Sec. B-11. Debt service appropriation.** Notwithstanding any other provision of law, the debt service appropriation provided for general purpose aid for local schools for the fiscal year beginning July 1, 2004 and ending June 30, 2005 is calculated as follows:

	2004-05 TOTAL	2004-05 STATE
ADJUSTED DEBT SERVICE ALLOCATION TOTAL	\$82,956,901	\$59,216,433
	2004-05 TOTAL	2004-05 STATE
COMBINED ADJUSTED FOUNDATION AND ADJUSTED DEBT SERVICE ALLOCATIONS TOTAL	\$1,470,239,914	\$720,074,924

22 **Sec. B-12. Adjustments and miscellaneous costs allocation.** Notwithstanding any other provision of law, the adjustments and miscellaneous costs allocation of state funds for fiscal year 2004-05 for the purposes listed in this section is as follows:

	2004-05 TOTAL
Adjustments and Miscellaneous Costs	
Cost of geographic isolation adjustments	\$489,904
Cost of quality incentive adjustments	0
Audit adjustments	0
Cost of reimbursement for private school Services	203,031
Special education tuition and board for state wards and other pupils placed directly by the State	11,231,613
State agency clients	25,839,830
English as a second language	2,129,818
Out-of-district placements	2,981,064
Long-term drug treatment centers	166,392

HOUSE AMENDMENT

R.O.S.

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

2	Maine Education Policy Research Institute	150,000
4	Essential Programs and Services Contract	75,000
6	Carpenter bus loan	550,000
8	Regionalization/consolidation/efficiency assistance	125,000
10	Learning results accountability	250,000
12	Learning results implementation and assessment	1,112,000
14	Total Adjustments	<u>\$45,303,652</u>

16 **Sec. B-13. Adjustments and miscellaneous costs appropriation.**
 18 Notwithstanding any other provision of law, the adjustments and
 20 miscellaneous costs appropriation provided for general purpose
 22 aid for local schools for the fiscal year beginning July 1, 2004
 and ending June 30, 2005 is calculated as follows:

	2004-05 TOTAL	2004-05 STATE
24 ADJUSTMENTS AND MISCELLANEOUS COSTS		
26 TOTAL	\$45,303,652	\$45,303,652
28 FOUNDATION, DEBT SERVICE AND		
30 ADJUSTMENTS AND MISCELLANEOUS COSTS		
TOTAL	\$1,515,543,566	\$765,378,576

32 **Sec. B-14. Limit of State's obligation.** If the State's continued
 34 obligation for any individual program contained in sections 4, 7,
 8, 11, 12 and 13 of this Part exceeds the level of funding
 36 provided for that program, any unexpended balances occurring in
 other programs may be applied to avoid proration of payments for
 38 any individual program. Any unexpended balances from sections 4,
 7, 8, 11, 12 and 13 of this Part may not lapse but must be
 carried forward for the same purposes.

40 **Sec. B-15. Authorization of payments.** Sections 1 to 14 of this
 42 Part may not be construed to require the State to provide
 payments that exceed the appropriation of funds for general
 44 purpose aid for local schools for the fiscal year beginning July
 1, 2004 and ending June 30, 2005.

46 **Sec. B-16. Component funding.** In accordance with the Maine
 48 Revised Statutes, Title 20-A, section 15607, subsection 3,

HOUSE AMENDMENT

2018

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

2 component funding within general purpose aid for local schools
for the fiscal year 2004-05 is as follows:

4		2004-05
6	Foundation (including Minimum State Subsidy)	\$660,858,491
8	Debt Service	59,216,433
	Adjustments	45,303,652
10	TOTAL	\$765,378,576

12 **Sec. B-17. General purpose aid for local schools; fiscal year 2003-04**
13 **balances.** Notwithstanding any other provision of law, the total
14 amount of funds available in the General Purpose Aid for Local
15 Schools program in this Part to be distributed to school
16 administrative units in fiscal year 2004-05 includes \$5,050,000
in funds carried forward from fiscal year 2003-04.

18 **Sec. B-18. Appropriations and allocations.** The following
19 appropriations and allocations are made.

22 **EDUCATION, DEPARTMENT OF**

24 **General Purpose Aid for Local Schools 0308**

26 Initiative: Provides additional funds for the General Purpose
27 Aid for Local Schools program.

28	General Fund	2003-04	2004-05
30	All Other	\$0	\$25,000,000

32 **PART C**

34 **Sec. C-1. 36 MRSA §4365**, as amended by PL 2001, c. 439, Pt.
35 SSSS, §1, and affected by §4, is further amended to read:

38 **§4365. Rate of tax**

40 A tax is imposed on all cigarettes imported into this State
41 or held in this State by any person for sale at the rate of 47 75
42 mills for each cigarette. Payment of the tax is evidenced by the
43 affixing of stamps to the packages containing the cigarettes. If
44 an individual purchases in any one month unstamped packages
45 containing cigarettes in a quantity greater than 2 cartons from a
46 person other than a licensed distributor or dealer, the tax may
47 be assessed directly against the purchaser by the State Tax
48 Assessor within 3 years from the date of the purchase.

50 **Sec. C-2. 36 MRSA §4365-F** is enacted to read:

§4365-F. Application of cigarette tax rate increase effective August 1, 2004

The following provisions apply to cigarettes held for resale on August 1, 2004.

1. Stamped rate. Cigarettes stamped at the rate of 50 mills per cigarette and held for resale after July 31, 2004 are subject to tax at the rate of 75 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 75 mills per cigarette and the tax rate of 50 mills per cigarette in effect before August 1, 2004. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of August 1, 2004, except that cigarettes held in vending machines as of that date do not require that stamp.

3. Vending machines. Notwithstanding any other provision of this chapter, it is presumed that all cigarette vending machines are filled to capacity on August 1, 2004 and that the tax imposed by this section must be reported on that basis. A credit against this inventory tax must be allowed for cigarettes stamped at the rate of 75 mills per cigarette placed in vending machines before August 1, 2004.

4. Payment. Payment of the tax imposed by this section must be made to the State Tax Assessor in equal monthly installments by June 30, 2005, accompanied by forms prescribed by the assessor.

Sec. C-3. 36 MRSA §4366-D, as enacted by PL 2001, c. 450, Pt. D, §1, is repealed.

PART D

Sec. D-1. 5 MRSA §13090-K, sub-§2, as enacted by PL 2001, c. 439, Pt. UUUU, §1, is amended to read:

2. Source of fund. Beginning July 1, 2003 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services and 3.5% of the 10% tax on liquor sold at licensed establishments pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the

2018

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services and 3.5% of the 10% tax on liquor sold at licensed establishments pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

Sec. D-2. 36 MRSA §1811, first ¶, as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% 10% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of rental for a period of less than one year of an automobile; 7% on the value of prepared food; and 5% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

Sec. D-3. Application. That section of this Part that amends the Maine Revised Statutes, Title 5, section 13090-K, subsection 2 applies to liquor sold at licensed establishments on or after August 1, 2004.

PART E

Sec. E-1. 36 MRSA §4403, sub-§§1 and 2, as amended by PL 1989, c. 588, Pt. D, §4, are repealed and the following enacted in their place:

- 1. Smokeless tobacco. A tax is imposed on all smokeless tobacco, including chewing tobacco and snuff, at the rate of 75% of the wholesale sales price.
- 2. Other tobacco. A tax is imposed on cigars, pipe tobacco and other tobacco intended for smoking at the following rates:

HOUSE AMENDMENT

2 A. For cigars, the tax is 20% of the wholesale sales price;
and

4 B. For pipe tobacco and other tobacco intended for smoking,
6 the tax is 100% of the wholesale sales price.

8 **Sec. E-2. Application.** That section of this Part that repeals
and replaces the Maine Revised Statutes, Title 36, section 4403,
10 subsections 1 and 2 applies to wholesale sales on or after August
1, 2004.

12 **PART F**

14 **Sec. F-1. 28-A MRSA §1652, sub-§1,** as repealed and replaced by
16 PL 1987, c. 342, §116, is amended to read:

18 1. **Excise tax on malt liquor.** An excise tax is imposed on
the privilege of manufacturing and selling malt liquor in the
20 State. The Maine manufacturer or importing wholesale licensee
shall pay an excise tax of 25¢ 50¢ per gallon on all malt liquor
22 sold in the State.

24 **Sec. F-2. 28-A MRSA §1652, sub-§2,** as amended by PL 1997, c.
26 767, §4, is further amended to read:

28 2. **Excise tax on wine; hard cider.** An excise tax is
imposed on the privilege of manufacturing and selling wine in the
State. The Maine manufacturer or importing wholesale licensee
30 shall pay an excise tax of 30¢ 90¢ per gallon on all wine other
than sparkling wine manufactured in or imported into the State,
32 ~~\$1~~ \$2.50 per gallon on all sparkling wine manufactured in or
imported into the State and 25¢ 75¢ per gallon on all hard cider
34 manufactured in or imported into the State.

36 **PART G**

38 **Sec. G-1. 30-A MRSA c. 3, sub-c. 3** is enacted to read:

40 **SUBCHAPTER 3**

42 **COUNTY APPROPRIATION LIMITATION**

44 **§981. County appropriation limitations**

46 Notwithstanding the other provisions of this chapter, the
48 following limitations apply to a county services appropriation
for county fiscal years that begin on or after January 1, 2005.
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1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "County budget authority" means a body with authority to adopt a county budget under this chapter.

B. "County services appropriation" means the total amount of money raised and appropriated to pay for services, programs and public debt that is included in a county's annual budget but does not include any grant or subsidy that the county receives from the Federal Government.

C. "Exceptional circumstances" means an unforeseen condition or conditions over which the county budget authority has little or no control and does not mean new programs or program expansions that go beyond existing program criteria and operations.

2. Appropriation limitation. The total county services appropriation for each fiscal year of a county may not exceed the county services appropriation of the previous fiscal year multiplied by the limitation on the total General Fund appropriation described in Title 5, section 1664.

3. Exceptional circumstances. The amount derived under subsection 2 may be exceeded only by the amount of additional costs or the lost revenue from the following exceptional circumstances:

A. Unfunded or underfunded new state or federal mandates;

B. Losses in state or federal revenues or other revenue sources;

C. Citizens' initiatives or referenda that require increased county spending;

D. Court orders or decrees that require additional county resources to comply with the orders or decrees; or

E. Sudden or significant increases in demand for existing county services that are not the result of county budget authority actions that increase eligibility or increase benefits.

In addition, the county budget authority may designate exceptional circumstances that are not explicitly described in paragraphs A to E but meet the intent of this section.

Sec. G-2. 30-A MRSA §5721-A is enacted to read:

§5721-A. Municipal appropriation limitations

The following limitations apply to a municipality's appropriations for fiscal years that begin on or after January 1, 2005.

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Exceptional circumstances" means an unforeseen condition or conditions over which the municipal legislative body has little or no control and does not mean new programs or program expansions that go beyond existing program criteria and operations.

B. "Municipal services appropriation" means the total amount of money raised and appropriated to pay for services, programs and public debt that is included in a municipality's annual budget but does not include local costs for public education from kindergarten to grade 12, assessments made to support general municipal government and any grant or subsidy that the municipality receives from the Federal Government.

2. Appropriation limitation. The total municipal services appropriation for each fiscal year of a municipality may not exceed the municipal services appropriation of the previous fiscal year multiplied by the limitation on the total General Fund appropriation described in Title 5, section 1664.

3. Exceptional circumstances. The amount derived under subsection 2 may be exceeded only by the amount of additional costs or the lost revenue from the following exceptional circumstances:

A. Unfunded or underfunded new state or federal mandates;

B. Losses in state or federal revenues or other revenue sources, except losses in revenue under subsection 4;

C. Citizens' initiatives or referenda that require increased municipal spending;

D. Court orders or decrees that require additional municipal resources to comply with the orders or decrees; or

Revised

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

2 E. Sudden or significant increases in demand for existing
3 municipal services that are not the result of municipal
4 legislative body actions that increase eligibility or
5 increase benefits.

6 In addition, the municipal legislative body may designate
7 exceptional circumstances that are not explicitly described in
8 paragraphs A to E but meet the intent of this section.

10 4. Revenue-sharing deduction. If a municipality's spending
11 exceeds the amount derived under subsections 2 and 3 due to
12 circumstances that are not exceptional as established in
13 subsection 3, its share of distributions under section 5681,
14 subsections 4-A and 4-B must be reduced in the following manner:

16 A. The Department of Audit shall declare the amount by
17 which the municipality has exceeded the amount derived under
18 subsection 2 and shall determine what the property tax
19 burden of the municipality would be without the exceeding of
20 the amount derived under subsections 2 and 3;

22 B. The Department of Audit shall report the property tax
23 burden determination under paragraph A to the Treasurer of
24 State; and

26 C. The Treasurer of State shall use the property tax burden
27 amount reported under paragraph B to determine the amount to
28 be disbursed to the municipality under section 5681,
29 subsections 4-A and 4-B.

30 5. Procedures. The Department of Audit and the Treasurer
31 of State shall establish procedures and may adopt rules to
32 implement the requirements of this section. Rules adopted under
33 this subsection are routine technical rules as defined in Title
34 5, chapter 375, subchapter 2-A. The Department of Audit and the
35 Treasurer of State may present legislation to the First Regular
36 Session of the 122nd Legislature by February 1, 2005 if
37 considered necessary to implement this section.

40 Sec. G-3. 30-A MRSA §5823, sub-§3, ¶A, as amended by PL 2003,
41 c. 178, §5, is further amended to read:

- 42 A. The report must contain the following items:
- 44 (1) A management letter, if applicable;
 - 46 (2) A letter of transmittal;
 - 48 (3) The independent auditor's report on the financial
 - 50 statements; and

PL 018

2 (4) All financial statements and all other
information required by governmental accounting and
4 financial reporting standards; and

6 (5) A statement of:

8 (a) Whether the municipality has exceeded the
9 amount derived under section 5721-A, subsection 2
10 due to circumstances that are not exceptional as
11 described in section 5721-A, subsection 3, if
12 applicable; and

14 (b) If the amount derived under section 5721-A,
15 subsection 2 has been exceeded as described in
16 division (a), a calculation of the amount by which
17 the municipality has exceeded that amount.

18 **Sec. G-4. 30-A MRSA §5823, sub-§3, ¶B,** as amended by PL 1997,
20 c. 142, §2, is further amended to read:

22 B. Within 30 days after the postaudit is completed, the
auditor shall send to the State Auditor:

24 (1) A certified copy of the postaudit report,
26 excluding the management letter; and

28 (2) A certified copy of the audit procedural form
prescribed by the State Auditor for governmental
30 audits; and

32 (3) A copy of the municipality's or quasi-municipal
33 corporation's approved official budget for the year
34 audited.

36 **PART H**

38 **Sec. H-1. 36 MRSA §683, sub-§1,** as repealed and replaced by PL
40 2003, c. 20, Pt. BB, §1 and affected by §3, is repealed.

42 **Sec. H-2. 36 MRSA §683, sub-§1-A,** as enacted by PL 2003, c.
44 20, Pt. BB, §2 and affected by §3, is repealed.

46 **Sec. H-3. 36 MRSA §683, sub-§§1-B and 1-C** are enacted to read:

48 1-B. Exemption amount; property tax year 2004. For
property tax year 2004, the estate up to the just value of
\$10,000 for persons who are 65 years of age or older and \$7,000

2013

2 for all other persons of the homestead of a permanent resident of
 4 this State who has owned a homestead in this State for the
 6 preceding 12 months is exempt from taxation except for
 8 assessments for special benefits. In determining the local
 10 assessed value of the exemption, the assessor shall multiply the
 12 amount of the exemption by the ratio of current just value upon
 14 which the assessment is based as furnished in the assessor's
 16 annual return pursuant to section 383. If the title to a
 18 homestead is held by the applicant jointly or in common with
 20 others, the exemption may not exceed \$10,000 of the just value of
the homestead for persons who are 65 years of age or older and
\$7,000 of the just value of the homestead for all other persons
but may be apportioned among the owners who reside on the
property to the extent of their respective interests. A
municipality responsible for administering the homestead
exemption has no obligation to create a separate account for each
partial interest in a homestead owned jointly or in common. The
exemption provided under this subsection is limited to claimants
whose Maine adjusted gross income, as defined in section 5102,
subsection 1-C, is \$125,000 or less.

22 **1-C. Exemption amount; property tax year 2005 and later.**
 24 For property tax years beginning in 2005 and later, the estate up
 26 to the just value of \$15,000 for persons who are 65 years of age
 28 or older and \$10,000 for all other persons of the homestead of a
 30 permanent resident of this State who has owned a homestead in
 32 this State for the preceding 12 months is exempt from taxation
 34 except for assessments for special benefits. In determining the
 36 local assessed value of the exemption, the assessor shall
 38 multiply the amount of the exemption by the ratio of current just
 40 value upon which the assessment is based as furnished in the
 42 assessor's annual return pursuant to section 383. If the title
 44 to a homestead is held by the applicant jointly or in common with
others, the exemption may not exceed \$10,000 of the just value of
the homestead for persons who are 65 years of age or older and
\$7,000 of the just value of the homestead for all other persons
but may be apportioned among the owners who reside on the
property to the extent of their respective interests. A
municipality responsible for administering the homestead
exemption has no obligation to create a separate account for each
partial interest in a homestead owned jointly or in common. The
exemption provided under this subsection is limited to claimants
whose Maine adjusted gross income, as defined in section 5102,
subsection 1-C, is \$125,000 or less.

46 **Sec. H-4. Application.** This Part applies to property tax
 48 valuations based on the status of property on or after April 1,
 2004.

Page

2 Sec. H-5. Appropriations and allocations. The following
appropriations and allocations are made.

4 ADMINISTRATIVE AND FINANCIAL
SERVICES, DEPARTMENT OF

6 Homestead Property Tax Exemption Reimbursement

8 Initiative: Provides funding for the additional costs associated
10 with the changes to the homestead property tax exemption in this
Part.

12	General Fund	2003-04	2004-05
14	All Other	\$0	\$6,174,798
16	General Fund Total	\$0	\$6,174,798

18 Homestead Property Tax Exemption - Mandate Reimbursement

20 Initiative: Provides funding for the estimated additional local
costs to implement the changes in the homestead property tax
22 exemption in this Part.

24	General Fund	2003-04	2004-05
26	All Other	\$0	\$645,800
28	General Fund Total	\$0	\$645,800

30 ADMINISTRATIVE AND FINANCIAL
SERVICES, DEPARTMENT OF
32 DEPARTMENT TOTALS

32		2003-04	2004-05
34	GENERAL FUND	\$0	\$6,820,598
36	DEPARTMENT TOTAL - ALL FUNDS	\$0	\$6,820,598

38 Sec. H-6. Retroactivity. This Part applies retroactively to
April 1, 2004. Any actions by municipalities to comply with this
Part that are taken before the effective date of this Part are
40 valid.'

42 **SUMMARY**

44 This amendment provides comprehensive property tax relief
46 through the following measures.

48 Part A expands the Maine Residents Property Tax Program by
expanding the income eligibility, increasing the maximum benefit
50 to \$1,500 beginning in 2005 and increasing the percentage of

12 of 13

HOUSE AMENDMENT "B" to H.P. 1347, L.D. 1824

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income constituting property taxes for nonelderly households from 18% to 20%. Part A also adds an appropriations and allocations section.

Part B provides an appropriation to general purpose aid for local schools of \$25,000,000 in fiscal year 2004-05 and makes adjustments to school funding factors to account for the increase.

Part C increases the cigarette tax by 50¢ per pack of 20 cigarettes.

Part D increases the sales tax on liquor sold in licensed establishments from 7% to 10% and directs the State Controller to transfer 3.5% of that 10% to the Tourism Marketing Promotion Fund.

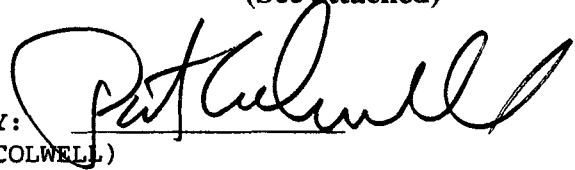
Part E increases the tax on smokeless tobacco from 62% to 75% of the wholesale price, the tax on cigars from 16% to 20% and the tax on other smoking tobacco from 16% to 100%.

Part F increases taxes on beer, still wine, sparkling wine and hard cider.

Part G establishes limitations on county and municipal spending.

Part H increases the homestead property tax exemption to \$10,000 for homeowners 65 years of age and older and \$7,000 for all other homeowners in 2004 and \$15,000 for homeowners 65 years of age or older and \$10,000 for all other homeowners in 2005. The exemption is limited to claimants with Maine adjusted gross income of \$125,000 or less. Part H also adds an appropriations and allocations section.

FISCAL NOTE REQUIRED
(See attached)



SPONSORED BY:
(Speaker COLWELL)

TOWN: Gardiner

HOUSE AMENDMENT

**121st Maine Legislature
Office of Fiscal and Program Review**

**LD 1824****An Act To Provide Property Tax Relief to Maine Homeowners****LR 2194(06)****Fiscal Note for House Amendment " "****Sponsor: Speaker Colwell****Fiscal Note Required: Yes****Fiscal Note**

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
Net Cost (Savings)				
General Fund	\$0	(\$2,991,797)	\$2,570,124	\$5,240,374
Appropriations/Allocations				
General Fund	\$0	\$31,964,165	\$30,770,185	\$31,727,669
Revenue				
General Fund	\$0	\$34,955,962	\$28,200,061	\$26,487,295
Other Special Revenue Funds	\$0	(\$383,625)	(\$939,421)	(\$1,022,668)

Fiscal Detail and Notes

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
General Fund Appropriations				
Part A - Administrative costs - Revenue Services		\$143,567	\$160,852	\$155,277
Part B - General Purpose Aid for Local Schools		\$25,000,000	\$0	\$0
Part H - Homestead Exemption Costs		\$6,174,798	\$29,963,533	\$30,926,592
Part H - Homestead State Mandate Costs		\$645,800	\$645,800	\$645,800
Total General Fund Appropriations	\$0	\$31,964,165	\$30,770,185	\$31,727,669

	2003-04	2004-05	2005-06	2006-07
General Fund Revenue				
Part A - Maine Residents Property Tax Program		(\$11,750,532)	(\$22,880,436)	(\$24,596,469)
Part C - Cigarette Tax Increase - Cigarette Tax		\$32,578,000	\$35,400,000	\$35,200,000
Part C - Cigarette Tax Increase - Sales Tax		\$649,990	\$707,113	\$716,126
Part D - Liquor Sold in Licensed Establishments - Sales Tax		\$3,662,001	\$4,323,259	\$4,496,190
Part E - Tobacco Products Tax Inc. - Tobacco Products Tax		\$1,073,048	\$1,195,516	\$1,225,404
Part E - Tobacco Products Tax Inc. - Sales Tax		\$46,843	\$56,667	\$58,084
Part F - Excise Tax - Beer and Wine - Excise Tax		\$8,443,331	\$9,210,906	\$9,210,906
Part F - Excise Tax - Beer and Wine - Sales Tax		\$368,585	\$436,597	\$436,597
Part H - Homestead impact on individual income tax		(\$115,304)	(\$249,561)	(\$259,543)
Total General Fund Revenue	\$0	\$34,955,962	\$28,200,061	\$26,487,295

Revenue - Local Government Fund/Disproportionate Tax Burden Fund

Part A - Maine Residents Property Tax Program		(\$631,483)	(\$1,255,045)	(\$1,349,173)
Part C - Cigarette Tax Increase - Sales Tax		\$34,931	\$38,787	\$39,281
Part D - Liquor Sold in Licensed Establishments - Sales Tax		\$196,799	\$263,470	\$274,327
Part E - Tobacco Products Tax Inc. - Sales Tax		\$2,517	\$3,108	\$3,186
Part F - Excise Tax - Beer and Wine - Sales Tax		\$19,808	\$23,948	\$23,948
Part H - Homestead impact on individual income tax		(\$6,197)	(\$13,689)	(\$14,237)
Net Increase (Decrease)	\$0	(\$383,625)	(\$939,421)	(\$1,022,668)

Conflicts with LD 1919 - 2004-2005 Supplemental Budget Bill

The estimates included in this fiscal note reflect the impact of the bill as amended by this amendment and attempt to anticipate the interaction effects of this bill as amended and LD 1919, the 2004-2005 Supplemental Budget Bill, as amended by Committee Amendment "A".

This bill does not reflect the deappropriation in fiscal year 2004-05 as a result of the change of the treatment of the Maine Residents Property Tax Program (or "circuit breaker" program) as reductions of individual income tax revenue rather than a General Fund appropriation because that deappropriation is included in LD 1919. If LD 1919 is not enacted, a deappropriation from the Maine Residents Property Tax Program will be required and the amount of the net change to General Fund revenue and the transfers to the Local Government Fund/Disproportionate Tax Burden Fund will be increased.

The General Purpose Aid for Local Schools statutory changes and language establishing the fiscal year 2004-05 distribution to municipalities assume that the additional \$15 million provided in LD 1919 Part N is also appropriated. If the amounts in LD 1919 are changed, the amounts included in this bill and the statutory and other language establishing the distribution will need to be revised accordingly.