

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals  
(may include minor formatting differences from printed original)

STATE OF MAINE  
118TH LEGISLATURE

SECOND REGULAR SESSION  
AND  
SECOND SPECIAL SESSION

BILL SUMMARIES  
JOINT STANDING COMMITTEE  
ON  
TAXATION

MAY 1998

**MEMBERS:**

*Sen. Richard P. Ruhlin, Chair*

*Sen. Beverly C. Daggett*

*Sen. S. Peter Mills*

*Rep. Verdi L. Tripp, Chair*

*Rep. John L. Tuttle, Jr.*

*Rep. Bonnie Green*

*Rep. G. Steven Rowe*

*Rep. Kenneth T. Gagnon*

*Rep. Alton E. Morgan*

*Rep. Robert W. Spear*

*Rep. Kenneth F. Lemont*

*Rep. John T. Buck*

*Rep. Peter E. Cianchette*

**Staff:**

*Julie S. Jones, Legislative Analyst*

*Office of Fiscal and Program Review*

*Room 225, 5 State House Station*

*Augusta, ME 04333*

*(207)287-1635*



**Maine State Legislature**  
**OFFICE OF POLICY AND LEGAL ANALYSIS**

13 State House Station, Augusta, Maine 04333-0013  
 Telephone: (207) 287-1670  
 Fax: (207) 287-1275

**ONE HUNDRED EIGHTEENTH LEGISLATURE**  
**SECOND REGULAR AND SECOND SPECIAL SESSIONS**

**Summary Of Legislation Before The Joint Standing Committees**  
**May 1998**

We are pleased to provide this summary of bills that were considered by the Joint Standing Committees of the Maine Legislature. The document is a compilation of bill summaries which describe each bill and relevant amendments, as well as the final action taken. Also included are statistical summaries of bill activity this Session for the Legislature and each of its joint standing committees.

The document is organized for convenient reference to information on bills handled by the joint standing committees. It is organized by committees and within committees by bill (LD) number. The committee report(s), prime sponsor for each bill and the lead co-sponsor(s), if designated, are listed below each bill title. All adopted amendments are listed by paper number. Two indices, a subject index and a numerical index by LD number are provided for easy reference to bills. They are located at the back of the document. A separate publication, History and Final Disposition of Legislative Documents, may also be helpful in providing information on the disposition of bills. These bill summaries also are available at the Law and Legislative Reference Library and on the Internet ([www.state.me.us/legis/opla](http://www.state.me.us/legis/opla)).

Final action on each bill is noted to the right of the bill title. The abbreviations used for various categories of final action are as follows:

- CON RES XXX*..... Chapter # of Constitutional Resolution passed by both Houses
- CONF CMTE UNABLE TO AGREE*.....Committee of Conference unable to agree; bill died
- DIED BETWEEN BODIES*.....House & Senate disagree; bill died
- DIED IN CONCURRENCE*.....One body accepts ONTP report; the other indefinitely postpones the bill
- DIED ON ADJOURNMENT*.....Action incomplete when session ended; bill died
- EMERGENCY*.....Enacted law takes effect sooner than 90 days
- FAILED EMERGENCY ENACTMENT/FINAL PASSAGE*.....Emergency bill failed to get 2/3 vote
- FAILED ENACTMENT/FINAL PASSAGE*.....Bill failed to get majority vote
- FAILED MANDATE ENACTMENT*.....Bill imposing local mandate failed to get 2/3 vote
- INDEF PP*.....Bill Indefinitely Postponed
- ONTP*..... Ought Not To Pass report accepted
- OTP ND*..... Committee report Ought To Pass In New Draft
- OTP ND/NT*..... Committee report Ought To Pass In New Draft/New Title
- P&S XXX*..... Chapter # of enacted Private & Special Law
- PUBLIC XXX*..... Chapter # of enacted Public Law
- RESOLVE XXX*..... Chapter # of finally passed Resolve
- UNSIGNED*.....Bill held by Governor
- VETO SUSTAINED*.....Legislature failed to override Governor's Veto

Please note the effective date for all non-emergency legislation enacted in the Second Regular Session (unless otherwise specified in a particular law) is June 30, 1998 and July 9, 1998 for the Second Special Session. Second Special Session laws include Public Laws beginning with Chapter 718, Private and Special Laws beginning with Chapter 82 and Resolves beginning with Chapter 117.

**Senate Amendment "E" to Committee Amendment "A" (S-570)** would have replaced the original bill and Committee Amendment "A." The amendment would have reduced the sales tax from 6% to 5% effective October 1, 1998 and establishes the Tax Relief Guarantee Fund for the purposes of ensuring the continuation of tax relief. The amendment would have repealed the Tax Relief Fund for Maine Residents and the Tobacco Tax Relief Fund and would have required the State Controller to transfer any unexpended or unobligated balances to the Tax Relief Guarantee Fund.

**Senate Amendment "F" to Committee Amendment "A" (S-573)** would have decreased the amount of the homestead property tax exemption from \$7,500 to \$6,500 and repealed the snack tax.

**Senate Amendment "G" to Committee Amendment "A" (S-638)** would have decreased the amount of the homestead exemption to \$7,000 and changed the proposed percentage of rent constituting property taxes to 18%.

**Senate Amendment "H" to Committee Amendment "A" (S-702)** would have eliminated the provisions of the bill and the committee amendment and repealed the snack tax, expanded the circuit breaker program by reducing the tax to income thresholds from 4% and 8% to 3% and 6%, respectively, increasing the income thresholds in program year 1998 from \$25,700 for singles and \$40,000 for joint filers to \$40,000 and \$60,000, respectively, and raising the maximum benefit payment from \$1,000 to \$2,000. The amendment would have funded the repeal of the snack tax and the expansion of the circuit breaker program with funding from the Tax Relief Fund for Maine Residents and the Tobacco Tax Relief Fund.

**LD 2239**

**An Act to Amend the Law Concerning Tax Base Sharing**

**PUBLIC 663**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MITCHELL E DAGGETT	OTP-AM	H-902

LD 2239 would provide that municipalities need not be contiguous in order to enter into a tax base sharing agreement and permit a tax base sharing agreement to provide that payments due to a party to the agreement may be made to a third party.

**Committee Amendment "A" (H-902)** provided that payments under a tax base sharing agreement that are made to another party or entity must be for purposes that have a general public benefit.

*Enacted law summary*

Public Law 1997, chapter 663 provides that municipalities need not be contiguous in order to enter into a tax base sharing agreement and permits a tax base sharing agreement to provide that payments due to a party to the agreement may be made to a third party if the purposes of the payment have a general public benefit.

**LD 2240**

**An Act to Provide for Equitable Taxation of All Financial Institutions**

**PUBLIC 746**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
TRIPP MILLS	OTP-AM	H-899 S-740 MICHAUD

LD 2240 would provide that an entity doing business in this State as a financial institution is subject to the financial institution franchise tax even if it is organized as a so-called "pass-through" entity or as an entity disregarded as separate from its owner for federal income tax purposes. The bill also would make it clear that, in such cases, the income earned by the financial institution is taxed only at the entity level and is not also subject to Maine's individual or corporate income tax.

**Committee Amendment "A" (H-899)** provides a technical clarification in a cross-reference in the franchise tax on financial institutions. It also adds an appropriation section for administrative costs and a fiscal note to the bill.

**Senate Amendment "A" to Committee Amendment "A" (S-740)** strikes the appropriation from the committee amendment with the intention that costs of implementation be absorbed within existing resources.

***Enacted law summary***

Public Law 1997, chapter 746 provides that an entity doing business in this State as a financial institution is subject to the financial institution franchise tax even if it is organized as a so-called "pass-through" entity or as an entity disregarded as separate from its owner for federal income tax purposes. The bill also would make it clear that, in such cases, the income earned by the financial institution is taxed only at the entity level and is not also subject to Maine's individual or corporate income tax.

**LD 2243                      An Act to Encourage Accountability and Return on Investment for                      PUBLIC 761  
Maine Taxpayers from Economic Development Initiatives**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PINGREE MITCHELL E	OTP-AM    MAJ OTP-AM    MIN	S-640

LD 2243 would provide a mechanism for the review of major economic development incentives granted to businesses.

The bill had 3 components. First, corporations seeking economic development assistance of more than \$250,000 in one year, or \$2,500,000 over 10 years, would be subject to minimum disclosure and public review provisions. The Department of Economic and Community Development, DECD, would prepare an economic and social impact statement, to be followed by a 21-day public comment period and public hearing.

Second, in addition to complying with federal, state and local laws, subsidized corporations would have been expected to pay prevailing wages and provide health and pension benefits. If an aid recipient fails to meet those basic conditions, or uses Maine taxpayer dollars to move jobs out of the State, DECD could take action to recapture an appropriate amount of the public's investment. Egregious violations may result in a bar on future assistance or state contracts or in divestment of the violator's stock from the Maine State Retirement System. Third, the bill would create a 13-member Economic Development Incentive Commission, representing the Legislature; DECD; municipalities; and business, labor and community interests. The commission would participate in the initial incentive application process, review the effectiveness of incentive programs and report