

MAINE STATE LEGISLATURE

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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.

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Staff:

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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).

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.

<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 Maine Taxpayers from Economic Development Initiatives

PUBLIC 761

<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

biannually to the Legislature and the Governor on compliance with the law and the rate of return received on public investments.

Committee Amendment "A" (S-640) (majority report) replaces the bill. The amendment would require employers who are recipients of specified economic development incentives to disclose to the Commissioner of Economic and Community Development the public purpose supported by the economic development incentive and the employer's goals for the number, type and wage levels of jobs that will be created and file annual reports containing more detailed information. Applications filed for business property tax reimbursement and the amount of reimbursement received would be removed from tax confidentiality provisions.

The amendment would create an 11-member Economic Development Incentive Commission to review the effectiveness of incentive programs and report to the Legislature. The State Tax Assessor, the Commissioner of Labor, the Maine Technical College System and the Department of Economic and Community Development would be required to report to the Legislature regarding economic development incentives within their respective jurisdictions. The amendment would make it a condition of qualification for the jobs and investment tax credit that the employer demonstrate that the qualifying jobs meet the same standards for wages and benefits as required for receipt of reimbursement through employment tax increment financing. The new commission and the change in the jobs and investment tax credit would expire October 1, 2001. The amendment would also add an appropriation and a fiscal note to the bill.

Committee Amendment "B" (S-641) (minority report) (not adopted) would have replaced the bill. The amendment contains the same provisions as the majority amendment except that it would not have created an Economic Development Incentive Advisory Commission. Agency reports would have instead been submitted to the legislative committees with jurisdiction over business and economic development and taxation.

Enacted law summary

Public Laws 1997, chapter 761 requires employers who are recipients of specified economic development incentives to disclose to the Commissioner of Economic and Community Development the public purpose supported by the economic development incentive and the employer's goals for the number, type and wage levels of jobs that will be created and file annual reports containing more detailed information. Applications filed for business property tax reimbursement and the amount of reimbursement received are removed from tax confidentiality provisions.

The law creates an 11-member Economic Development Incentive Commission to review the effectiveness of incentive programs and report to the Legislature. The State Tax Assessor, the Commissioner of Labor, the Maine Technical College System and the Department of Economic and Community Development are required to report to the Legislature regarding economic development incentives within their respective jurisdictions. The law makes it a condition of qualification for the jobs and investment tax credit that the employer demonstrate that the qualifying jobs meet the same standards for wages and benefits as required for receipt of reimbursement through employment tax increment financing. The new commission and the change in the jobs and investment tax credit expire October 1, 2001.

LD 2263

**An Act to Allow a Municipality to Request a Joint Check from the
Maine Residents Property Tax Program in the Event of
Nonpayment of Taxes**

ONTP