

MAINE STATE LEGISLATURE

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*State Of Maine
122nd Legislature*

*First Regular Session and
First Special Session*

Bill Summaries

*Joint Select Committee
on
Property Tax Reform*

August 2005

Members:

*Sen. Dennis S. Damon, Chair
Sen. Joseph C. Perry
Sen. Peter Mills
Sen. Richard W. Rosen*

*Rep. Richard G. Woodbury, Chair
Rep. Arthur L. Lerman
Rep. Benjamin F. Dudley.
Rep. Edward R Dugay.
Rep. Jacqueline R. Norton
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Rep. Patrick S. A. Flood*

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Maine State Legislature

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122nd Legislature
First Regular Session and First Special Session

Summary of Legislation Considered by the Joint Standing Committees
August 2005

Enclosed please find a summary of all bills, resolves, joint study orders, joint resolutions and Constitutional resolutions that were considered by the joint standing select committees of the Maine Legislature this past session. 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 considered by the 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. A subject index for each committee is included immediately before the bill summaries for that committee, and a numerical index by LD number is included 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:

- CARRIED OVER Bill Carried Over to Second Regular Session
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
NOT PROPERLY BEFORE THE BODY..... Ruled out of order by the presiding officers; bill died
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 First Regular Session (unless otherwise specified in a particular law) is June 29, 2005; and for non-emergency legislation enacted in the First Special Session is September 17, 2005.

Joint Select Committee on Property Tax Reform

LD 1

An Act To Increase the State Share of Education Costs, Reduce Property Taxes and Reduce Government Spending at All Levels.

PUBLIC 2

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
RICHARDSON	OTP-AM	H-1
EDMONDS	OTP-AM	S-11

LD 1, a Governor's Bill, proposed to increase the state share of education costs, provide property tax reduction for Maine residents and reduce government spending at all levels. Specifically, the bill proposed the following.

Part A proposed to change the structure and operation of the State Budget Stabilization Fund and establish a General Fund growth limitation to control state spending and taxes.

Part B proposed to authorize the Intergovernmental Advisory Committee to identify best management practices that would facilitate property tax reduction through the increase in the state share of education costs.

Parts C, E and G proposed to establish caps on the growth of municipal, plantation and county spending, respectively. The caps could not be exceeded except in defined extraordinary circumstances or as overridden by a majority vote of the voters of the municipality or county.

Part D proposed to establish a cap on total education costs and to require the State to increase its share of school funding by paying 50% of the total cost of essential programs and services in fiscal year 2006-07 and 55% in fiscal year 2008-09. The funds made available for property tax reduction, as a result of the State's increasing its share of education funding, would be used to reduce property taxes. This property tax reduction could be overridden only by a majority vote of affected voters.

Part F proposed to provide funding for increasing property tax relief over the period of time during which the State is increasing funding of education spending up to at least 55%. Part F proposed to expand the nonelderly portion of the Maine Residents Property Tax Program by increasing household income limitations to \$50,000 for single-member households and \$75,000 for multimember households. This Part also proposed that the State Tax Assessor undertake a study of the Maine Residents Property Tax Program in order to examine how the maximum benefits under the program may be increased over time.

Part F also proposed to require the Maine State Housing Authority to create a property tax deferral program permitting Maine residents to defer the portion of property taxes on a principal residence that exceed 6% of income.

Part F also proposed to change the funding for the Business Equipment Tax Reimbursement, "BETR," program from a General Fund appropriation to an adjustment to individual income tax revenues.

Part H proposed to establish the goal of reducing the total state and local tax burden to the national average in 10 years. It also proposed to require the Governor, in consultation with the Legislative Council, to establish an independent commission to annually assess and report to the Governor and Legislature on progress toward the tax burden reduction goal.

Part H also proposed procedures for implementation of the Fund for the efficient Delivery of Educational Services and the Fund for the Efficient Delivery of Local and Regional Services.

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Committee Amendment "A" (H-1) proposed to replace the bill and provide the following:

Part A proposed to establish a General Fund appropriation limitation that limits the growth of General Fund appropriations to the rate established by a formula that is based on real personal income growth and population growth. The limit is higher when the state and local tax burden for the State is reduced to the middle 1/3 of all states.

Part A also proposed to restructure the Maine Budget Stabilization Fund and change the primary use of the fund to budget stabilization during periods when General Fund revenues are insufficient to meet allowable General Fund appropriations. The Maine Budget Stabilization Fund would be capped at 12% of General Fund revenues. When all designated year-end transfers of excess General Fund revenues have reached their caps, excess revenues would be transferred to a new Tax Relief Fund for Maine Residents.

Part B proposed to establish limits on the growth of county tax assessments.

Part C proposed to establish limits on the growth of municipal property tax levies.

Part D proposed the following changes to implement an increase in the state share of the cost of education from kindergarten to grade 12:

1. Provide a 4-year ramp to achieve 55% state share of 100% of essential programs and services;
2. Modify special education distributions;
3. Provide funds in fiscal year 2005-06 for various transition adjustments;
4. Direct the Commissioner of Education to develop and report recommendations for a transition adjustment in fiscal year 2006-07 to the Joint Standing Committee on Education and Cultural Affairs;
5. Direct the Department of Education to phase-in the impact of cost-sharing changes;
6. Exempt SAD 6 and SAD 44 from the total cost of education mechanism enacted by Public Law 2003, chapter 712;
7. Provide a school administrative unit spending cap based on 100% of the essential programs and services total cost of education and provide for a local override process;
8. Address conflicting provisions regarding administration and oversight of the Fund for Efficient Delivery of Educational Services; and
9. Clarify criteria to be used in determining the adjustment for isolated small schools in fiscal year 2005-06.

Part E proposed to change the Maine Residents Property Tax Program, also known as the circuit breaker program, by eliminating income eligibility requirements, raising the maximum benefit from \$1,000 to \$2,000, extending the application period through May 31st annually and establishing the maximum property taxes and rent constituting property taxes that may be considered in calculating the benefit.

Part F proposed to increase the homestead property tax exemption to \$13,000 for all homesteads.

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Part G proposed to set the ceiling on the Local Government Fund under state-municipal revenue sharing at \$100,000,000 in fiscal year 2005-06 and provide for future indexing of the ceiling according to the Consumer Price Index. This change would increase the portion of state-municipal revenue sharing funds transferred to the Disproportionate Tax Burden Fund, also referred to as Revenue Sharing 2, which would provide greater payments to municipalities with tax rates exceeding 10 mills.

Part H proposed to establish the goal of reducing the total state and local tax burden to the middle 1/3 of all states by 2015. It also proposed to require the State Planning Office to monitor and report on the progress of state and local government in meeting this goal and to collect and analyze data relating to state and local spending and revenues.

Part I contained appropriations and allocations to implement the bill.

Senate Amendment "J" to Committee Amendment "A" (S-11) proposed to strike the emergency preamble and emergency clause and make portions of the amendment apply retroactively.

Enacted law summary

Public Law 2005, chapter 2 provides the following tax and spending reform:

1. It establishes a General Fund appropriation limitation that limits the growth of General Fund appropriations to the rate established by a formula that is based on real personal income growth and population growth. The limit is higher when the state and local tax burden for the State is reduced to the middle 1/3 of all states. It restructures the Maine Budget Stabilization Fund and changes the primary use of the fund to budget stabilization during periods when General Fund revenues are insufficient to meet allowable General Fund appropriations. The Maine Budget Stabilization Fund is capped at 12% of General Fund revenues. When all designated year-end transfers of excess General Fund revenues have reached their caps, excess revenues are transferred to a new Tax Relief Fund for Maine Residents.
2. It establishes limits on the growth of county tax assessments.
3. It establishes limits on the growth of municipal property tax levies.
4. It makes changes to the education funding formulas to provide 4-year ramp to achieve 55% state share of 100% of essential programs and services; modifies special education distributions; provides various transition adjustments; directs the Commissioner of Education to develop and report recommendations for a transition adjustment and other issues in fiscal year 2006-07 to the Joint Standing Committee on Education and Cultural Affairs; directs the Department of Education to phase-in the impact of cost-sharing changes; provides a school administrative unit spending cap based on 100% of the essential programs and services total cost of education and provides for a local override process; and addresses conflicting provisions regarding administration and oversight of the Fund for Efficient Delivery of Educational Services;
5. It changes the Maine Residents Property Tax Program, also known as the circuit breaker program, by eliminating income eligibility requirements, raising the maximum benefit from \$1,000 to \$2,000, extending the application period through May 31st annually and establishing the maximum property taxes and rent constituting property taxes that may be considered in calculating the benefit.

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6. It increases the homestead property tax exemption to \$13,000 for all homesteads and provides 50% state reimbursement to municipalities.
7. It sets the ceiling on the Local Government Fund under state-municipal revenue sharing at \$100,000,000 in fiscal year 2005-06 and provides for future indexing of the ceiling according to the Consumer Price Index. This change increases the portion of state-municipal revenue sharing funds transferred to the Disproportionate Tax Burden Fund, also referred to as Revenue Sharing 2, which provides greater payments to municipalities with tax rates exceeding 10 mills.

**LD 2 RESOLUTION, Proposing an Amendment to the Constitution of CARRIED OVER
Maine to Limit the Rate of Change in Taxable Value of Homestead
Land**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERCY DAMON		

LD 2 proposed to amend the Constitution to authorize a municipality to limit the rate of change in the tax rate applicable to homestead land, defined as land that is exclusively and continuously owned by one or more residents of the State while the land remains the principal home of each owner, to the rate of change in the purchasing power of United States currency as consistently measured by a reliable index adopted by the Legislature.

This bill was recommitted to the Joint Standing Committee on Taxation and carried over by H.P. 1203 to the next special or regular session of the 122nd Legislature.

**LD 295 RESOLUTION, Proposing an Amendment to the Constitution of DIED BETWEEN
Maine To Allow the Legislature to Permit Municipalities To Adopt HOUSES
a Higher Property Tax Rate on Secondary Residential Property**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
	OTP ONTP	

LD 295 proposed an amendment to the Constitution of Maine to allow the Legislature to permit municipalities to adopt a tax rate on secondary residential property that is up to 25% higher than the property tax rate on other property.