

MAINE STATE LEGISLATURE

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
108TH LEGISLATURE
FIRST REGULAR SESSION

(Filing No. H-799)

COMMITTEE AMENDMENT "A" to H.P. 394, L.D. 498, Bill,
"AN ACT Concerning the Administration of Laws by the Bureau of
Taxation."

Amend the Bill by inserting after section 3 the
following:

'Sec. 3-A. 36 MRSA §57 is enacted to read:

§57. Contract authority

1. General. The State Tax Assessor shall be authorized to contract with persons on an independent contract basis for the furnishing of technical services to assist the State Tax Assessor in the administration of the tax laws of this State.

2. Confidential information. Notwithstanding any confidentiality provision in this Title, the State Tax Assessor shall be authorized, pursuant to a contract for technical services, to provide information, otherwise confidential, from his records and files to a person retained on an independent contract basis or the person's authorized employees. It shall be unlawful for any person so retained on an independent contract basis or his authorized employees to divulge or make known in any manner any particulars set forth in the information supplied by the State Tax Assessor pursuant to the contract, except as permitted by statute to the State Tax Assessor and his employees and as further limited by the contract for technical services. The State Tax Assessor shall not provide to a

person so retained on an independent contract basis or the person's authorized employees any federal tax information supplied to the State Tax Assessor by the Internal Revenue Service unless disclosure to them is permitted by the Internal Revenue Service.

3. Penalties. Any person so retained on an independent contract basis or his authorized employees violating this section shall be subject to the same penalties as provided by law for unlawful disclosure of confidential information by the State Tax Assessor or his employees. If the person so retained on an independent contract basis or an authorized employee of that person is found guilty of a criminal offense for unlawful disclosure, he shall be ineligible to contract with the State for a period of 5 years or be employed by a contractor with the State for a period of 5 years.'

Amend the Bill by striking out all of section 6 and inserting in its place the following:

'Sec. 6. 36 MRSA §1752, sub-§7-B is enacted to read:

7-B. New machinery and equipment. "New machinery and equipment" means new machinery and equipment and attachments therefor, but excludes repair parts, foundations for new machinery and equipment and special purpose buildings used to
K ----- house or support new machinery and
equipment. This section shall not determine in any way, either directly or implicitly the status as "new machinery or equipment" of any special purpose buildings purchased prior to May 1, 1977, used to house or support new machinery and equipment.

"New machinery and equipment" includes parts, which are or will be capitalized, used to convert existing machinery to machinery that performs a different function; manufactures a different product or acquires a higher productive capacity, measured by the units of production, than the highest productive capacity of the machinery at any time prior to conversion.'

Further amend the Bill by striking out all of the
of section 8
last paragraph/and inserting in its place the following:

'Production commences with the movement of raw materials to the first production machine after their receipt and storage, if there is storage, otherwise after their receipt and ends with the completion of the finished product, including any packaging operations required for such product. The acquisition of raw materials to be used in production, the transportation of raw materials or goods in process between production sites and administrative and distributive operations are not considered as production even though they may be considered essential to production.'

Production does not include biological processes, wood harvesting operations, the severance from sand, gravel, oil, gas or other natural resources produced or severed from the soil or water, or activities such as cooking or preparing drinks, meals, food or food products by a retailer for retail sale. The foregoing are examples of activities that are not included within the term "production." '

Further amend the Bill by striking out all of section 11 and inserting in its place the following:

'Sec. 11. 36 MRSA §1760, sub-§31, as last amended by PL 1973, c. 794, is repealed and the following enacted in its place:

31. New machinery and equipment. Sales of new machinery and equipment for use by the purchaser directly and primarily in the production of tangible personal property, which property is intended to be sold or leased ultimately for final use or consumption.'

Further amend the Bill by inserting after section 15 the following:

'Sec. 16. 36 MRSA §5124, as amended by PL 1975, c. 765, §27 is repealed.

Sec. 17. 36 MRSA §5124-A is enacted to read:

§5124-A. Standard deduction; resident

The standard deduction of a resident individual or of a resident husband and wife who file a joint return or of a resident married person who files a separate return shall be as follows:

1. Single persons. Single persons, the higher of a low-income allowance of \$1,700 or 16% of his Maine adjusted gross income up to a maximum deduction of \$2,400;

2. Married persons; joint returns. Married persons filing joint returns or a surviving spouse, the higher of a low-income allowance of \$2,100 or 16% of Maine adjusted gross income up to a maximum deduction of \$2,800; and

3. Married person; separate return. A married person filing a separate return, the higher of a low-income allowance of \$1,050 or 16% of Maine adjusted gross income up to a maximum deduction of \$1,400, except that if either spouse uses the low-income allowance, both must use it.

Sec. 18. 36 MRS 5143, as amended by PL 1975, c. 765, §28, is repealed and the following enacted in its place:

§5143. Standard deduction; nonresident

The standard deduction of a nonresident individual, a nonresident husband and wife who file a joint return or of a nonresident married person who files a separate return shall be the same as the standard deduction allowed under section 5124-A to a resident individual, a resident husband and wife who file a joint return or of a resident married person who files a separate return.

Sec. 19. 36 MRS 5250, sub-§1, last sentence, as last amended by PL 1975, c. 627, §3 is repealed and the following enacted in its place:

This section shall not apply to shares of a lobster boat's catch apportioned by a lobster boat operator to a sternman.'

Further amend the Bill by renumbering sections 16 to 18 to be 20 to 22.

Statement of Fact

The purposes of this amendment are to:

1. Clarify the current sales tax exemption for sales of new machinery and equipment used in production, ~~this~~ amendment does attempt to define when production commences and what is or is not "production;"
2. Adhere to federal law which makes the withholding of income taxes from military pay effective on July 1, 1977;
3. Allow the State Tax Assessor to provide necessary information to independent contractors while still maintaining proper confidentiality of information; and
4. Prevent changes in the ~~federal~~ treatment of low income allowances and standard deductions from committing the State to making similar changes.

Reported by the Majority of the Committee on Taxation.

Reproduced and distributed under the direction of the Clerk of the House.

6/22/77

(Filing No. H-799)