

MAINE STATE LEGISLATURE

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

(Filing No. H-140)

HOUSE AMENDMENT "C" to H.P. 1160, L.D. 1252, Bill, "AN ACT
Relating to School Funding and Inventory Tax Reimbursement."

Amend the Bill by striking out everything after the Title
and inserting in its place the following:

'Emergency preamble. Whereas, Acts of the Legislature do
not become effective until 90 days after adjournment unless enacted
as emergencies; and

Whereas, the Legislature has promised the business community
of Maine to repeal the property tax on business inventories; and

Whereas, the Legislature has promised the municipalities of
Maine to reimburse them in full for their lost inventory tax revenues; and

Whereas, it is desirable to shift as much as practicable from
the overburdened local property tax to taxes that can reflect each
citizen's "ability to pay;" and

Whereas, the education of this State's children should be
based on an equitable and efficient mixture of taxes; and

Whereas, in the judgment of the Legislature, these facts
create an emergency within the meaning of the Constitution of Maine
and require the following legislation as immediately necessary
for the preservation of the public peace, health and safety; now,
therefore,

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

PART 1

SCHOOL FINANCE PROVISIONS

Sec. 1. Appropriation. The appropriation provided for general
purpose aid for local schools in 1977-78 shall be expended for the

purposes listed below under Parts A and B of this section as modified by section 3.

PART A

| | |
|--|----------------------|
| 1. Elementary and Secondary Operating Costs | \$220,155,155 |
| 2. Special Education costs for programs operated by the administrative units | 9,032,600 |
| 3. Special Education—costs for tuition and board, excluding medical costs | 4,314,600 |
| 4. Vocational Education Costs | 5,680,800 |
| 5. Transportation Costs | |
| a. Operating | 15,441,600 |
| b. Purchase of Buses | 2,827,400 |
| 6. Debt Service Costs | |
| a. Capital Outlay | 763,000 |
| b. Debt Service | 26,750,000 |
| Subtotal | <u>284,966,055</u> |
| Less: P.L. 874 Funds | 1,900,000 |
| Total—Part A | <u>\$283,066,055</u> |

PART B

| | |
|--|----------------------|
| 1. Major Capital Costs | \$ 555,000 |
| 2. Cost of Unusual Enrollment Adjustments | 600,000 |
| 3. Cost of Geographic Isolation Adjustments | 308,934 |
| 4. Cost of Reimbursement for Private School Transportation | 217,000 |
| 5. Audit Adjustments | 71,000 |
| 6. Optional Local Appropriations with State Participation—maximum State obligation | 5,785,245 |
| Total—Part B | <u>\$ 7,537,179</u> |
| Grand Total | <u>\$290,603,234</u> |

Sec. 2. Basic per pupil elementary and secondary per pupil operating rate. The basic elementary per pupil operating rate for 1977-78 shall be \$828 and the basic secondary per pupil rate for 1977-78 shall be \$1,161.

Sec. 3. Limit of state's obligation. In the event that the state's computed obligation for any individual program contained within Part A and B exceeds the level of funding provided for that program, any unexpended balances occurring in other programs within that Part may be applied to avoid prora-

tion of payments for any individual program. Any unexpended balance from Part A or B shall not lapse but shall be carried forward to be used for the same purpose.

Sec. 4. Appropriation. There is appropriated from the General Fund to the Department of Educational and Cultural Services the sum of (\$3,086,860) for the fiscal year ending June 30, 1977, and the sum of \$160,868,924 for the fiscal year ending June 30, 1978, to carry out the purposes of this Act. The breakdown shall be as follows:

| | 1976-77 | 1977-78 |
|---|---------|---------|
| EDUCATIONAL AND CULTURAL SERVICES, DEPARTMENT OF | | |

| | | |
|---------------------------------------|---------------|---------------|
| General purpose aid for local schools | | |
| All Other | (\$3,086,860) | \$160,868,924 |

Sec. 5. 20 MRSA § 3748, sub-§ 4, 3rd, 4th and 7th sentences, as repealed and replaced by PL 1975, c. 746, § 24-P, are amended to read:

Under this subsection, an administrative unit is authorized to appropriate a maximum of ~~\$90~~ \$100 per pupil per year for the pupils specified in subsection 1. The maximum levy on a municipality within an administrative unit shall not exceed ~~\$45~~ \$50 per pupil per mill levied on that municipality.

If the additional school levy authorized under this subsection fails to produce ~~\$45~~ \$50 per pupil per mill levied, the commissioner shall add to the allocation of the unit for the unit's fiscal year a sum which, when combined with the local levy under this section, shall equal ~~\$45~~ \$50 per pupil per mill.

Sec. 6. 20 MRSA § 3748, sub-§ 4, 10th sentence, as amended by PL 1975, c. 746, § 24-R, is further amended to read:

The purpose of these appropriations is to provide that all administrative units may raise and appropriate at least ~~\$45~~ \$50 per pupil per mill to supplement the adjusted allocations when necessary in the judgment of the local administrative units.

Sec. 7. 20 MRSA § 3748, sub-§ 4, last ¶, last sentence, as enacted by PL 1975, c. 660, § 2, is amended to read:

Moneys appropriated under such a special grant of authority by the State Board of Education shall ~~not~~ be included in any future calculation of the state or local average per pupil operating costs and shall be reported as local funds without state participation in future calculations of the actual costs of education as provided in section 3744, subsection 1, paragraph O.

Sec. 8. 36 MRSA § 451-A is enacted to read:

§ 451-A. Mill rate for fiscal year 1977-78

Notwithstanding the provisions of section 451, subsection 2,

the uniform property tax rate shall be 11.5 mills for the period beginning July 1, 1977, and ending June 30, 1978.

Emergency clause. In view of the emergency cited in the preamble, Part 1 of this Act shall take effect when approved.

PART 2

INVENTORY TAX REIMBURSEMENT FINANCING

Sec. 1. 36 MRSA §1752, sub-§14, as last amended by PL 1971, c. 479, is further amended by adding at the end the following new sentence:

"Sales price" shall include the amount of any excise tax levied under chapter 703.

Sec. 2. 36 MRSA §1760, sub-§10 is repealed.

Sec. 3. 36 MRSA §5200, as last repealed and replaced by PL 1973, c. 788, §193, is repealed and the following enacted in its place:

§5200. Imposition and rate of tax

A tax is imposed on every corporation as follows: The tax shall be the greater of:

1. 5% of the Maine net income not over \$25,000 plus 7% of the Maine net income over \$25,000 but less than \$100,000, plus 8% of the Maine net income over \$100,000; or

2. \$100.

Sec. 4. 36 MRSA c. 818 is enacted to read:

CHAPTER 818

A MINIMUM TAX ON TAX PREFERENCE INCOME

§5203. Minimum tax on tax preference income

Each taxpayer shall pay to the State a sum equal to 20% of their minimum tax on tax preferences paid to the Federal Government

under Section 56 (a) of the Internal Revenue Code. If only a portion of the taxpayer's income is taxable by the State, this state tax shall be adjusted proportionately.

Sec. 5. 36 MRSA §5205, as repealed and replaced by PL 1973, c. 788, §194, is repealed and the following enacted in its place: §5205. Franchise tax on banking corporations and loan associations

A tax is imposed for each calendar year or fiscal year ending during that calendar year upon the franchise or privilege of doing business in this State of every corporation which is a bank, savings bank, savings institution, trust company and every savings and loan association, or loan and building association, that has a business location in this State. The tax shall be the greater of:

1. 5% of the taxable income not over \$25,000, plus 7% of the taxable income over \$25,000 but less than \$100,000, plus 8% of the taxable income over \$100,000 of the corporation or association for that taxable year under the laws of the United States, reduced by the amount of the tax payable by the corporation or association for the taxable year under chapter 817; or

2. \$100.

Sec. 6. 36 MRSA c. 841 is enacted to read:

CHAPTER 841

BUSINESS PRIVILEGE TAX

§5401. Title

This chapter shall be known as the "Maine Business Privilege Tax."

§5402. Definitions

For the purposes of this chapter, unless the context indicates otherwise, the following words and phrases shall have the following

meanings.

1. Assessor. "Assessor" means the State Tax Assessor.

2. Business organization. "Business organization" means an individual, firm, bank, financial institution, partnership, limited partnership, copartnership, proprietorship, farm proprietorship, joint venture, association, corporation, receiver, estate, trust or any other group or combination acting as a unit, which is organized for profit and which derives economic benefit from the employment of property or labor within the State.

3. Net business income. "Net business income" means the net business income required to be reported by business organizations by the United States Internal Revenue Code.

§5403. Business activity tax

There is imposed on all business organizations in this State a tax for the privilege of doing business in Maine. For the calendar year of 1977 and thereafter, the tax shall be in accordance with the following schedule:

| <u>Net business income</u> | <u>Business privilege tax</u> |
|------------------------------------|---------------------------------------|
| \$0 - \$ 2,999 | \$10 |
| 3,000 - 5,999 | 20 |
| 6,000 - 9,999 | 50 |
| 10,000 - 24,999 | 100 |
| 25,000 - 49,999 | 200 |
| 50,000 - 99,999 | 300 |
| 100,000 - 199,999 | 500 |
| 200,000 and over | 700 |

§5404. Corporate exemptions

Any business organization which pays a tax under either chapter 817 or chapter 819 is exempt from the business privilege tax.

§5405. Administration

The State Tax Assessor shall establish necessary rules and regulations for the efficient and equitable administration of this chapter.

Sec. 7. Appropriation. There is appropriated from the General Fund to the Bureau of Property Taxation the sum of \$14.3 million for the fiscal year 1977-79 to be used to reimburse municipalities for revenue loss as provided in Title 30, section 5056. There is further appropriated from the General Fund for the administration of the business privilege tax:

| | <u>1977-78</u> | <u>1978-79</u> |
|-----------------------|------------------|------------------|
| Bureau of Taxation | | |
| Personal Services (3) | \$ 35,000 | \$ 40,000 |
| All Other | 60,000 | 60,000 |
| Capital Expenditures | 3,000 | — |
| | <u>\$ 98,000</u> | <u>\$100,000</u> |

Emergency clause. In view of the emergency cited in the preamble, Part 2 of this Act shall take effect when approved and be retroactive to January 1, 1977, except that section 1 shall be effective June 1, 1977.'

Statement of Fact1. SCHOOL FINANCE

The purpose of Part 1 is to:

A. Adopt the basic school finance proposal adopted by the Committee on Appropriations and Financial Affairs in L.D. 1445. This proposal establishes the total cost of education and the uniform property tax rate; increases the maximum leeway from \$90 to \$100 and appropriates funds for the fiscal year ending June 30, 1978. The total cost of education established in this amendment is \$290,603,234. Total state share is \$156,168,924. Total local share based on 11.5 mills is \$134,434,310. The appropriation is arrived at as follows:

| | |
|------------------------------|------------------|
| Total state share | \$156,168,924 |
| Less federal funds available | <u>500,000</u> |
| Total General Fund | \$155,668,924 |
| Uniform property tax pay-in | <u>5,200,000</u> |
| Total appropriation | \$160,868,924 |

B. Require that funds raised under a special hardship waiver granted by the State Bureau of Education should be included in the total costs of education for purposes of establishing future funding levels.

2. INVENTORY TAX REIMBURSEMENT

The purpose of Part 2 is to fund the \$14.3 million needed to fully reimburse each municipality for the removal of business inventories from its tax base. The taxes chosen are, with one exception, business taxes. Thus, the goal of this Part is to shift from a business property tax to business taxes that seek to reflect each business's ability to pay, the business taxes chosen are:

A. A 1% increase in the corporate income tax for businesses that earn over \$100,000 annually, approximately \$2.1 million in revenues, recommended by the 1976 Select Committee on State Tax Policy;

B. A minimum tax on "loop-hole" business income, approximately \$.2 million in revenues, recommended by the 1976 Select Committee on State Tax Policy;

C. A business privilege tax, with a graduated levy and based on net business income, more than \$4 million in revenues; and

D. A minimum tax on all corporations of \$100 if they don't pay at least that much under the regular corporate tax schedule, raises approximately \$.24 million in revenues.

The single non-business tax is the imposition of 5% sales tax to cigarettes. This tax was recommended by the 1976 Select Committee on State Tax Policy and would raise approximately \$3.7 million in revenues.

The total revenues raised by this tax package is approximately \$10 million. Under the current state revenue sharing law, 4% of the increased taxes on corporations, businesses and "loop-hole" income will automatically go to the communities.

Filed by Mrs. Najarian of Portland.

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

4/12/77

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