

MAINE STATE LEGISLATURE

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ONE HUNDRED AND EIGHTH LEGISLATURE

Legislative Document

No. 1260

H. P. 1053

House of Representatives, March 24, 1977

On motion of Mr. Carey of Waterville, referred to Committee on Taxation.
Sent up for concurrence and 1,800 ordered printed.

EDWIN H. PERT, Clerk

Presented by Mr. Carey of Waterville.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-SEVEN

**AN ACT to Provide Reimbursements to Municipalities for the Loss of
Revenues from the Tax on Business and Agricultural Inventories.**

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

Whereas, under present law, reimbursements to municipalities as a result of the repeal of the tax on business and agricultural inventories would increase from \$2 million in the current year to \$14.2 million in fiscal year 1977-78; and

Whereas, it is desirous that an excise tax on inventories be levied at half the current rate for one year only; and

Whereas, it is desirous that reimbursements to municipalities be phased over 5 years from a basis using 1973 tax receipts to a basis using a revenue sharing formula; and

Whereas, it is necessary to make those changes to the law prior to April 1, 1977; 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:

Sec. 1. 30 MRSA § 5055, sub-§ 2, as last amended by P & SL 1971, c. 146, Sec. E, § 1, is further amended by adding a new sentence to read as follows:

An amount equal to 6.5% in fiscal year 1977-78, 8% in fiscal year 1978-79, and thereafter, of the estimated revenues received from the sales and use taxes collected under Title 36, Part 3, and the income taxes collected under Title 36, Part 8, shall be appropriated to the Local Government Fund.

Sec. 2. 30 MRSA § 5055, sub-§ 5, as last amended by P & SL 1975, c. 147, § 15, is repealed and the following enacted in its place:

5. Treasurer of State. An amount equal to 6.5% in fiscal year 1977-78, and 8% in fiscal year 1978-79 and thereafter, of the receipts from the taxes imposed under Title 36, Parts 3 and 8, and credited to the General Fund, shall be transferred by the Treasurer of State to the Local Government Fund on the first day of each month.

The Treasurer of State shall, after reimbursements have been made pursuant to section 5056, distribute the balance in the Local Government Fund on the first day of each month, beginning July 1, 1977 on the 20th day of each month, beginning July 20, 1977.

Sec. 3. 30 MRSA § 5056, sub-§ 2, as enacted by PL 1973, c. 592, § 2, is repealed and the following enacted in its place:

2. Reimbursement for revenue loss. The Treasurer of State shall, prior to each year, estimate the amount required to reimburse municipalities during that year for revenue loss due to exempted personal property under this section. On the 20th day of each month, the Treasurer of State shall distribute to each municipality $\frac{1}{12}$ of the reimbursement it is due to receive during the fiscal year. Reimbursement for revenue loss due to exempt personal property, shall be made from the Local Government Fund to each municipality in accordance with the following schedule:

- A. For the year 1977-78, 80% of each municipality's revenue loss shall be reimbursed;
- B. For the year 1978-79, 60% of each municipality's revenue loss shall be reimbursed;
- C. For the year 1979-80, 40% of each municipality's revenue loss shall be reimbursed;
- D. For the year 1980-81, 20% of each municipality's revenue loss shall be reimbursed; and
- E. For the year 1981-82, and thereafter, no municipality's revenue loss shall be reimbursed.

Sec. 4. 36 MRSA c. 108 is enacted to read:

CHAPTER 108
INDUSTRIAL, COMMERCIAL AND AGRICULTURAL
EXEMPTIONS

§ 1351. Excise tax

Persons owning or possessing property in the following categories shall, for the taxable year beginning April 1, 1977, be subject to an excise tax on the

privilege of engaging in industrial, commercial or agricultural enterprise within this State:

1. **Industrial inventories.** Industrial inventories, including raw materials, goods in process and finished work on hand;
2. **Stock in trade.** Stock in trade, including inventory held for resale by a distributor, wholesaler, retail merchant or service establishment;
3. **Agricultural produce.** Agricultural produce and forest products, including logs, pulpwood, woodchips and lumber; and
4. **Livestock.** Livestock, including farm animals, neat cattle and fowl.

§ 1352. Assessment

The excise tax levied under this chapter, shall be assessed on the just value of the average amount of property enumerated in section 1351, kept on hand for sale or for processing during the taxable year at the rate of 12 mills beginning April 1, 1976, through March 31, 1977, or any portion of that period that persons subject to the tax owned or possessed such property.

§ 1353. Place of assessment

The excise taxes levied under this chapter, shall be assessed in the place where the property is found to the owner, the person in possession or to the person owning as occupying any store, storehouse, shop, mill, wharf, landing, shipyard or other place therein where such property is located.

§ 1354. Exemptions

The exemptions applicable to personal property under chapter 105, except those provided under section 655, subsection 1, paragraphs A, B, C and D, shall apply to excise taxes under this chapter.

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

STATEMENT OF FACT

The purpose of this bill is to provide for a onetime 12 mill excise tax on business and agricultural inventories for the taxable year beginning April 1, 1977 and to provide for reimbursement to municipalities through distributions from the Local Government Fund.

At the end of a 5-year period increments to that fund would be substituted for last tax base and would be distributed to all communities through a revenue sharing formula rather than actual 1973 inventory tax receipts.

An excise tax of 12 mills is expected to generate approximately \$6.8 million in fiscal year 1977-78. An additional 2.5%, over the present 4%, of sales and income tax revenue during the fiscal year 1977-78, would add approximately \$7.9 million to the Local Government Fund. An additional 1.5%, over 6.5%, in 1978-79, would add approximately \$6.1 million to the fund, or a net increase over the biennium of \$14 million.

The statutory obligation under present law is \$14.2 million (General Fund) annually to municipalities based on actual taxes assessed on inventories in 1973.