

# MAINE STATE LEGISLATURE

The following document is provided by the  
**LAW AND LEGISLATIVE DIGITAL LIBRARY**  
at the Maine State Law and Legislative Reference Library  
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied  
(searchable text may contain some errors and/or omissions)

L.D. 2195

(Filing No. H-1231)

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

HOUSE AMENDMENT "C" to S. P. 740, L.D. 2195, Bill,  
"AN ACT Adjusting Appropriations and Allocations for the  
Expenditures of State Government and Changing Certain  
Provisions of the Law Necessary to the Proper Operations of  
State Government for the Fiscal Years Ending June 30, 1978,  
and June 30, 1979."

Amend the Bill by inserting at the end before the  
emergency clause the following:

'PART K

Sec. 1. 36 MRSA §1760, sub-§9 is amended to read:

9. Coal, oil and wood. Coal, oil, wood and all other  
fuels, except gas and electricity, when bought for cooking and  
heating in homes, mobile homes, hotels and apartment houses,  
and other buildings designed both for human habitation and  
sleeping;

Sec. 2. 36 MRSA §1760, sub-§§9-B and 9-C are enacted to read:

9-B. Residential electricity. Sale of the first 500 kilowatt  
hours of residential electricity per month. For the purpose of this  
subsection, "residential electricity" shall mean electricity furnished  
to homes, mobile homes, boarding homes and apartment houses, with  
the exception of hotels and motels;

9-C. Residential gas. Sales of gas when bought for cooking  
and heating in residences. For the purpose of this subsection,  
"residences" shall mean homes, mobile homes, boarding homes and  
apartment houses, with the exception of hotels and motels.

Sec. 3. 36 MRSA §1760, sub-§39 is enacted to read:

39. Water. Sales of water purchased for use in homes, mobile homes, boarding houses and apartment houses and other buildings designed for both human habitation and sleeping, with the exception of hotels and motels.

Sec. 4. 36 MRSA §1765, as last repealed and replaced by PL 1975, c. 765, §20, is repealed and the following enacted in its place:

§1765. Trade-in credit for vehicles, boats or aircraft

When one or more motor vehicles, farm tractors, boats, aircraft or self-propelled vehicles used to harvest lumber is traded in toward the sale price of another motor vehicle, farm tractor, boat, aircraft or self-propelled vehicle used to harvest lumber, the tax imposed by chapters 211 to 225 shall be levied only upon the difference between the sale price of the purchased vehicle and the sale price of the vehicle or vehicles taken in trade, except for transactions between dealers involving exchange of the vehicles from inventory.

Sec. 5. 36 MRSA §2013 is enacted to read:

§2013. Refund of sales tax on depreciable machinery and equipment purchases

1. Definitions. As used in this section, unless the context otherwise indicates, the following words shall have the following meanings.

A. "Agricultural production" means commercial production of crops for human and animal consumption and production of livestock.

B. "Commercial fishing" means attempting to catch fish or any

other marine animal with the intent of disposing of them for profit or trade in commercial channels and does not include subsistence fishing for personal use, sport fishing or charter boat fishing where the vessel is used for carrying sport fishermen to available fishing grounds.

C. "Depreciable machinery and equipment" means that part of the following machinery and equipment for which depreciation is allowable under the Internal Revenue Code:

- (1) New or used machinery and equipment for use by the purchaser directly and primarily in commercial agricultural production, including self-propelled vehicles, attachments and equipment for the production of field and orchard crops; new or used machinery and equipment used in production of milk and in animal husbandry and production of livestock, including poultry; or
- (2) New or used watercraft used primarily for commercial fishing; and nets, traps, cables, tackle and related equipment necessary to the operation of a commercial fishing venture.

2. Credit authorized. Any person, association of persons, firm or corporation who purchases depreciable machinery or equipment for use in commercial agricultural production or commercial fishing shall be refunded the amount of sales tax paid by him by presenting to the State Tax Assessor evidence that the machinery or equipment complies with the definitions of subsection 1.

*Indicates*  
Evidence required by the State Tax Assessor shall include, but not be limited to, a copy or copies of that portion of the purchaser's most recent filing under the Internal Revenue Code which indicates that the purchaser is in fact engaged in commercial agricultural production or commercial fishing and that the purchased machinery or equipment is depreciable for those purposes.

In the event that any piece of machinery or equipment shall be only partially depreciable under the Internal Revenue Code, any reimbursement of the sales tax shall be prorated accordingly.

Application for refunds shall be filed with the State Tax Assessor within 15 months of the date of purchase and shall be limited to purchases made subsequent to July 1, 1978.

Sec. 6. 36 MRSA §5102, sub-§8, 1D is enacted to read:

D. For the tax years beginning on or after January 1, 1977, an amount equal to the taxpayer's federal new jobs credit as determined under the laws of the United States.

Sec. 7. 36 MRSA §5115 is enacted to read:

§5115. Head of household

For taxable years beginning on and after January 1, 1978, a taxpayer who qualified to file his federal income tax return as a head of a household may also file as a head of a household with the State. If he does so, his tax shall be equal to 1/2 the amount imposed by section 5111 on his income if he were single, plus 1/2 of the amount imposed by section 5111 if he were filing a joint return.

Sec. 8. 36 MRSA §5122, sub-§2, as enacted by P&SL 1969, c. 154, §F, §1, is repealed and the following enacted in its place:

2. Subtractions. For tax years beginning on or after January 1, 1977, federal adjusted gross income shall be reduced by:

A. Interest or dividends on obligations of the United States and its territories and possessions or of any authority, commission or instrumentality of the United States to the extent includible in gross income for federal income tax purposes but exempt

from state income taxes under the laws of the United States, provided that the amount subtracted shall be decreased by any expenses incurred in the production of the interest or dividend income to the extent that these expenses, including amortizable bond premiums, are deductible in determining federal adjusted gross income; and

B. An amount equal to the taxpayer's federal new jobs credit as determined under the laws of the United States.

Sec. 9. 36 MRSA §5130 is enacted to read:

§5130. Retirement credit

For any taxable year beginning on and after January 1, 1978, a resident may receive a credit against state taxes due equal to 20% of any credit he received for that year under the Internal Revenue Code, section 37, credit for the elderly. In no case shall this credit reduce the Maine income tax to less than zero.

Sec. 10. 36 MRSA §5205, sub-§3, as enacted by PL 1973, c. 788, §194, is repealed and the following enacted in its place:

3. 5% of taxable income not in excess of \$25,000, plus 7% of the taxable income in excess of \$25,000 attributable on or after January 1, 1974, provided that taxable income, for purposes of this subsection, shall be reduced by the amount of the corporation's or association's federal new jobs credit tax years beginning on or after January 1, 1977; and is reduced by the amount of the tax payable by the corporation or association for the taxable year under chapter 817.

Sec. 11. 36 MRSA §6108, as repealed and replaced by PL 1973, c. 634, §3, is amended to read:

§6108. Income limitation

No claim otherwise allowable shall be granted to claimants of single member households with household income in excess of ~~§4,500~~ \$5,000 in the year for which relief is requested; and no claim otherwise allowable shall be granted to claimants of households of 2 or more members with income in excess of ~~§5,000~~ \$6,000 in the year for which relief is requested.

Sec. 12. 36 MRSA §6112, as last amended by PL 1977, c. 579, §D, §1, is repealed and the following enacted in its place:

§6112. Amount of claim

The claim shall be limited to the amount by which property taxes accrued or rent constituting property taxes accrued in such tax year on the claimant's homestead.

Sec. 13. Appropriation. The following funds shall be appropriated from the General Fund to carry out the purposes of this Act:

1978-79

FINANCE AND ADMINISTRATION,  
DEPARTMENT OF

Bureau of Taxation

Personal Services	(1)	\$12,500
All Other		4,250
Capital Expenditures		<u>750</u>
		\$17,500

Sec. 14. Appropriation for Elderly Householders Tax and Rent Refund Act. The following funds shall be appropriated from the General Fund to carry out the purposes of this Act:

1978-79

FINANCE AND ADMINISTRATION,  
DEPARTMENT OF

Elderly Householders Tax and  
Rent Refund Act

Bureau of Taxation

All Other

\$1,400,000

Sec. 15. Effective date. Part K shall become  
effective on July 1, 1978.'

Fiscal Note

This amendment results in the following permanent, yearly  
tax relief expenditures. The total relief provided is \$7.44 million.  
The amendment:

1. Exempts from the sales tax the sale of residential gas  
used for cooking and heating, \$.2 million;
2. Exempts from the sales tax the sale of the first 500  
KWH of residential electricity, \$2.8 million;
3. Exempts from the sales tax the sale of residential water,  
\$.475 million;
4. Increases the benefits of the elderly householders tax  
and rent refund program, \$1.40 million;
5. Establishes as a head of household personal income tax  
rate, \$.15 million;



6. Refunds the sales tax for purchases of agriculture equipment, \$1.8 million and fishing equipment, \$.32 million;
7. Exempts from the sales tax the trade-in value of self-propelled logging harvesting equipment, \$.17 million; and
8. Establishes an elderly retirement income tax credit equal to 20% of the federal credit, \$.125 million.

Statement of Fact

The purpose of this amendment is to provide permanent tax relief of \$7.44 million. The specific tax relief measures are listed in the fiscal note.

This amendment also counteracts the present effect of the federal new jobs credit on Maine taxable income. The federal credit is partially offset by a federal requirement that the taxpayer's normal deduction for wages paid be reduced by the amount of credit. Since Maine does not allow the credit, use of the federal adjusted gross income figure, which includes the credit offset, would place the taxpayer in a worse position for Maine income tax purposes than if the new jobs credit did not exist. This effect would offset the incentive established by the federal credit and tend to frustrate the federal objective of job creation.

Filed by Mr. Carey of Waterville.

Reproduced and distributed under the direction of the Clerk of the House.  
3/23/78

(Filing No. H-1231)