

# MAINE STATE LEGISLATURE

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L.D. 1643

(Filing No. H- 432 )

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
112TH LEGISLATURE  
FIRST REGULAR SESSION

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COMMITTEE AMENDMENT "A" to H.P. 1137, L.D. 1643, Bill, "AN ACT to Provide a Sales Tax Exemption on Railroad Track Equipment and to Include Long-term Freight Car Leases in the Definition of Operating Investment for Railroad Excise Tax Purposes."

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Amend the bill by striking out the title and inserting in its place the following: 'AN ACT Concerning Railroad Excise Tax.'

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Further amend the bill by striking out everything after the enacting clause and inserting in its place the following:

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'Sec. 1. 36 MRSA §1760, sub-§48 is enacted to read:

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48. Rail track materials. Railroad track materials purchased and installed on railroad lines located within the boundaries of the State. The track materials shall include rail, ties, ballast, joint bars and associated materials such as bolts, nuts, tie plates, spikes, culverts, steel, concrete or stone, switch stands, switch points, frogs, switch ties, bridge ties and bridge steel.

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Sec. 2. 36 MRSA §2621-A, sub-§2, as amended by PL 1983, c. 593, §1, is further amended to read:

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2. Operating investment. "Operating investment" means investment in railway property used in transportation service, less depreciation, plus cash, including temporary cash investments and special deposits, plus material and supplies. For purposes of railroad excise taxes payable in 1984 and 1985 1986, based upon operations for the calendar years 1983 and 1984, respectively year 1985, "operating investment"

COMMITTEE AMENDMENT "A" to H.P. 1137, L.D. 1643

1 also includes freight car operating leases of 10  
2 years or more, valued at cost less straight-line de-  
3preciation over the initial term of the lease.

4 In order for a taxpayer to qualify for the inclusion  
5 of freight car operating leases in operating invest-  
6 ment as provided in this subsection, the taxpayer may  
7 not require any landowner to pay any fee or charge  
8 for maintenance or repair or to assume liability for  
9 crossings or rights-of-way if the landowner was not  
10 required to do so prior to July 1, 1981, and the tax-  
11 payer must continue to maintain crossings and rights-  
12 of-way which it was required to maintain on that date  
13 and may not remove the crossings if there is any ob-  
14 jection to their being removed.

15 Sec. 3. 36 MRSA §2624, first ¶, as amended by PL  
16 1983, c. 571, §6, is further amended to read:

17 The amount of the annual excise tax on railroads  
18 shall be ascertained as follows: The amount of the  
19 gross transportation receipts for the year ended on  
20 the 31st day of December preceding the levying of the  
21 tax shall be compared with the net railway operating  
22 income for that year. When the net railway operating  
23 income does not exceed 10% of the gross transporta-  
24 tion receipts, the tax shall be an amount equal to 3  
25 1/4% of the gross transportation receipts. When the  
26 net railway operating income exceeds 10% of the gross  
27 transportation receipts but does not exceed 15%, the  
28 tax shall be an amount equal to 3 3/4% of the gross  
29 transportation receipts. When the net railway operat-  
30 ing income exceeds 15% of the gross transportation  
31 receipts but does not exceed 20%, the tax shall be an  
32 amount equal to 4 1/4% of such gross transportation  
33 receipts. When the net railway operating income ex-  
34 ceeds 20% of the gross transportation receipts but  
35 does not exceed 25%, the tax shall be an amount equal  
36 to 4 3/4% of the gross transportation receipts. When  
37 the net railway operating income exceeds 25% of the  
38 gross transportation receipts, the tax shall be an  
39 amount equal to 5 1/4% of the gross transportation

COMMITTEE AMENDMENT "A" to H.P. 1137, L.D. 1643

1 receipts. The tax shall be decreased by the amount  
2 by which 5 3/4% of operating investment exceeds net  
3 railway operating income but shall in no event be de-  
4 creased below a minimum amount equal to 1/4 of 1% of  
5 gross transportation receipts. In the case of rail-  
6 roads operating not over 50 miles of road, the tax  
7 shall not exceed 1 3/4% of the gross transportation  
8 receipts. For taxes payable in 1986 based upon opera-  
9 tions for the calendar year 1985, the maximum amount  
10 of tax payable by each taxpayer is limited to  
11 \$1,000,000.

12 Sec. 4. Study. The Joint Standing Committee on  
13 Taxation shall study the railroad excise tax, includ-  
14 ing the treatment of long-term freight car leases and  
15 shall submit a report to the Second Regular Session  
16 of the 112th Legislature, containing recommendations  
17 for any necessary changes in the tax, including per-  
18 manent retention of the treatment of long-term  
19 freight car leases.

20 Sec. 5. Appropriation. The following funds are  
21 appropriated from the General Fund in order to carry  
22 out the purposes of this Act.

23		<u>1985-86</u>
24	<u>LEGISLATURE</u>	
25	Personal Services	\$1,950
26	All Other	<u>4,675</u>
27	Total	\$6,625

28 FISCAL NOTE

29 It is estimated that enactment of this bill will  
30 result in the following effect on revenues.

31		<u>1985-86</u>
32	General Fund	

COMMITTEE AMENDMENT "A" to H.P. 1137, L.D. 1643

1	Rail track materials	\$180,000
2	Freight car leases	300,000
3	Tax cap	<u>100,000</u>
4	Total	\$580,000'

5 STATEMENT OF FACT

6 This amendment extends for one year the benefi-  
7 cial treatment accorded railroads with regard to  
8 long-term freight car leases. It provides that in or-  
9 der to qualify for that treatment, the railroad may  
10 not require a landowner to maintain or assume liabil-  
11 ity for a crossing if the landowner was not required  
12 to do so on July 1, 1981, nor may the railroad remove  
13 the crossing. It also sets a maximum amount of tax  
14 that would be paid by any one railroad at \$1,000,000  
15 and requires a study by the joint standing committee  
16 of the Legislature having jurisdiction over taxation  
17 regarding the railroad excise tax. The committee  
18 would be required to report to the Second Regular  
19 Session of the 112th Legislature.

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Reported by the Majority of the Committee on Taxation  
Reproduced and distributed under the direction of the  
Clerk of the House

6/17/85

(Filing No. H-432)