

MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION
2

3 ONE HUNDRED AND TWELFTH LEGISLATURE
4

5 Legislative Document

No. 1973

6
7 H.P. 1399

House of Representatives, February 7, 1986

8 Reported by Representative Cashman from the Committee on Taxation
pursuant to Public Law 1985, Chapter 477, Section 3.

9 Reference to the Joint Standing Committee on Taxation suggested and
printing ordered under Joint Rule 18.
10

EDWIN H. PERT, Clerk

11
12 STATE OF MAINE
13

14 IN THE YEAR OF OUR LORD
15 NINETEEN HUNDRED AND EIGHTY-SIX
16

17 AN ACT Relating to the Railroad Excise Tax.
18

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

21 Sec. 1. 36 MRSA §2621-A, sub-§2, as amended by
22 PL 1985, c. 477, §2, is further amended to read:

23 2. Operating investment. "Operating investment"
24 means investment in railway property used in trans-
25 portation service, less depreciation, plus cash, in-
26 cluding temporary cash investments and special depos-
27 its, plus material and supplies. For purposes of
28 railroad excise taxes payable in 1986, based upon op-
29 erations for the calendar year 1985, "operating in-
30 vestment" also includes freight car operating leases
31 of 10 years or more, valued at cost less
32 straight-line depreciation over the initial term of
33 the lease.

34 Sec. 2. 36 MRSA §2624, as amended by PL 1983, c.
35 571, §§6, 7, is further amended to read:

1 §2624. Amount of tax

2 The amount of the annual excise tax on railroads
3 shall be ascertained as follows: The amount of the
4 gross transportation receipts for the year ended on
5 the 31st day of December preceding the levying of the
6 tax shall be compared with the net railway operating
7 income for that year. When the net railway operating
8 income does not exceed 10% of the gross transporta-
9 tion receipts, the tax shall be an amount equal to ~~3~~
10 ~~1/4%~~ 3% of the gross transportation receipts. When
11 the net railway operating income exceeds 10% of the
12 gross transportation receipts but does not exceed
13 15%, the tax shall be an amount equal to ~~3~~ 3 3/4% 3
14 1/2% of the gross transportation receipts. When the
15 net railway operating income exceeds 15% of the gross
16 transportation receipts but does not exceed 20%, the
17 tax shall be an amount equal to ~~4~~ 1/4% 4% of ~~such~~ the
18 gross transportation receipts. When the net railway
19 operating income exceeds 20% of the gross transporta-
20 tion receipts but does not exceed 25%, the tax shall
21 be an amount equal to ~~4~~ 3/4% 4 1/2% of the gross
22 transportation receipts. When the net railway oper-
23 ating income exceeds 25% of the gross transportation
24 receipts, the tax shall be an amount equal to ~~5~~ 1/4%
25 5% of the gross transportation receipts. The tax
26 shall be decreased by the amount by which ~~5~~ 3/4% of
27 operating investment exceeds net railway operating
28 income but shall in no event be decreased below a
29 minimum amount equal to ~~1/4~~ of 1% of gross transporta-
30 tion receipts. In the case of railroads operating
31 not over 50 total miles of road, the tax shall not
32 exceed 1 3/4% of the gross transportation receipts.

33 When a railroad lies partly within and partly
34 without the State, or is operated as a part of a line
35 or system extending beyond the State, the tax shall
36 be equal to the same proportion of the gross trans-
37 portation receipts in the State, and its amount shall
38 be determined as follows: The gross transportation
39 receipts of ~~such~~ the railroad, line or system, ~~as the~~
40 ~~case may be,~~ over its whole extent, within and ~~with-~~
41 ~~out the State~~ the United States, shall be divided by
42 the total number of miles operated within the United
43 States to obtain the average gross transportation re-
44 ceipts per mile, and the gross transportation re-
45 ceipts in the State shall be taken to be the average

1 gross transportation receipts per mile multiplied by
2 the number of miles operated within the State, and
3 the net railway operating income and operating
4 investment within the State shall be similarly deter-
5 mined.

6 The State Tax Assessor, after notice and hearing,
7 may determine the accuracy of any returns required of
8 any railroad, and if found inaccurate, may order
9 proper corrections to be made therein.

10

STATEMENT OF FACT

11 This bill implements the recommendations of the
12 study of the Joint Standing Committee on Taxation of
13 the railroad excise tax pursuant to Public Law 1985,
14 chapter 477. This bill is intended to reduce the
15 railroad excise tax rates by 1/4 of 1% in each bracket
16 and to discontinue the temporary inclusion of
17 freight car operating leases in "operating invest-
18 ment." It also provides that the railroad excise tax
19 will be based only upon gross transportation receipts
20 which are earned within the United States and will
21 not include foreign receipts.

22 The remaining technical amendments repeal lan-
23 guage relating to administrative audit of tax re-
24 turns, which is now superfluous because of the uni-
25 form assessment provision under the Maine Revised
26 Statutes, Title 36, section 141. The bill also clar-
27 ifies the statutory language to reflect long standing
28 administrative interpretations that the 1 3/4% maxi-
29 mum rate applies only to railroads which operate no
30 more than 50 miles of total track and not to larger
31 railroads which operate no more than 50 miles in the
32 State and that operating investment, as well as gross
33 transportation receipts and net railway operating in-
34 come, should be apportioned as part of the tax compu-
35 tation.

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