

MAINE STATE LEGISLATURE

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114th MAINE LEGISLATURE

SECOND REGULAR SESSION - 1990

Legislative Document

No. 2348

H.P. 1699

House of Representatives, February 23, 1990

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 27.

Reference to the Committee on Human Resources suggested and ordered printed.

EDWIN H. PERT, Clerk

Presented by Representative BOUTILIER of Lewiston.

Cosponsored by Representative LISNIK of Presque Isle, Representative CARROLL of Gray and Senator TITCOMB of Cumberland.

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY

An Act Concerning the Funding of Boarding Home Depreciation Accounts Under the Cost-reimbursement Program.

(AFTER DEADLINE)

(EMERGENCY)



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

4 Whereas, boarding care homes may currently choose whether to
6 fund depreciation; and

8 Whereas, the Department of Human Services may amend its
rules to require boarding care homes to fund depreciation; and

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

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

18 Sec. 1. 22 MRSA §7907-A is enacted to read:

20 **§7907-A. Depreciation**

22 The department may not adopt or enforce any rule regarding
24 depreciation that conflicts with the following.

26 1. Recording of depreciation. Appropriate recording of
depreciation includes the identification of the depreciable
28 assets in use, the historical cost of the assets, the method of
depreciation, estimated useful lives and the accumulated
30 depreciation of the assets. The Chart of Accounts published by
the American Hospital Association and publications of the United
32 States Internal Revenue Service must be used as guides for
estimating the useful life of assets.

34 2. Depreciation method. Proration of the cost of an asset
36 over its useful life is allowed on the straight-line method.

38 3. Funding of depreciation. Although funding of
depreciation is not required, providers are strongly encouraged
40 to use this mechanism to conserve funds for replacement of
depreciable assets and coordinate their planning of capital
42 expenditures with area-wide planning activities of community and
state agencies. As an incentive for funding, investment income
44 on funded depreciation may not be treated as a reduction of
allowable interest expense or other costs.

46 4. Gains and losses on disposal of assets. Gains and
48 losses realized from the disposal of depreciable assets while a
provider is participating in the cost-reimbursement program, or
50 within one year after leaving the program, are to be included in
the determination of allowable cost. The extent to which such
52 gains and losses are includable is calculated on a proration

2 basis recognizing the amount of depreciation, if any, charged or
4 assumed in a period prior to the provider's participation in the
6 program, and in the period after the provider's participation in
8 the program when the sale takes place within one year after
10 termination.

12 During the first 8 years of operation in the cost reimbursement
14 program, all depreciation allowed on buildings, fixed equipment,
16 land improvements and other depreciable assets is recaptured in
18 cash from the seller at the time of the sale. From the 9th to
20 the 15th year, all but 3% per year is recaptured and from the
22 16th to the 25th year, all but 8% per year is recaptured, not to
24 exceed 100%. Accumulated depreciation is recapturable to the
26 extent of the gain on the sale.

28 Sec. 2. 22 MRSA §7910, 2nd ¶, as enacted by PL 1983, c. 844,
30 §1, is amended to read:

32 The department shall develop an intake and referral system
34 to assist persons who seek admission by referring them to the
36 appropriate agency for assessment and development of a plan of
care. The department shall ensure the continuity of the
assessment system until January 1, 1991.

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

STATEMENT OF FACT

This bill codifies certain rules of the Department of Human
Services governing depreciation funding and gains and losses on
disposal of assets by boarding home facilities enrolled in the
cost-reimbursement program.