

# MAINE STATE LEGISLATURE

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R. of S.

L.D. 2390

(Filing No. S-691 )

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STATE OF MAINE  
SENATE  
114TH LEGISLATURE  
SECOND REGULAR SESSION

SENATE AMENDMENT "A " to COMMITTEE AMENDMENT "A" to H.P. 1731, L.D. 2390, Bill, "An Act to Provide Tax Amnesty and Necessary Administrative Support to the Bureau of Taxation"

Amend the amendment by striking out all of the first paragraph after the title and inserting in its place the following:

'Amend the bill by striking out everything after the title and before the statement of fact and inserting in its place the following:

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

**Whereas,** a comprehensive study of the taxation system and tax policies of the State will enable the State to address budgetary matters in a coherent and consistent manner; and

**Whereas,** it is necessary that this legislation be enacted as an emergency measure so that the Select Committee on Comprehensive Tax Reform, established in this Act, may immediately undertake its important tasks and make a timely, complete and accurate report to the First Regular Session of the 115th Legislature; 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: ' '**

Further amend the amendment in section A-1 by inserting at the end the following:

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L.D. 2390

2 **'§6559. Amnesty receipts**

4 Notwithstanding any other provision of law, funds obtained  
6 through the Maine Tax Amnesty Program established by this chapter  
accrue in their entirety directly to the General Fund.'

8 Further amend the amendment in section B-1 in that part  
10 designated "~~§113.~~" by striking out all of the first paragraph  
(page 4, lines 26 to 29 in amendment) and inserting in its place  
the following:

12 'Funds derived from contract audit and collection efforts  
14 are treated as revenues only to the extent that collections  
16 resulting from those efforts exceed the costs associated with the  
18 audit and collection efforts. The State Tax Assessor shall  
annually report to the Legislature the costs and collections of  
the Maine Tax Amnesty Program established by chapter 913.'

20 Further amend the amendment by inserting at the end of Part  
H the following:

22 **'PART I**

24 **Sec. I-1. Committee established.** The Select Committee on  
26 Comprehensive Tax Reform is established.

28 **Sec. I-2. Committee membership.** The committee consists of the  
following 13 members: 2 Senators appointed by the President of  
30 the Senate; 3 members of the House of Representatives appointed  
by the Speaker of the House of Representatives; the State Tax  
32 Assessor or the assessor's designee; the State Auditor or the  
auditor's designee; and 6 members of the general public  
34 representing a broad spectrum of expertise, interest and concern  
in state tax policy. Two of the members representing the general  
36 public must be appointed by the President of the Senate, 2 must  
be appointed by the Speaker of the House of Representatives and 2  
38 must be appointed by the Governor.

40 **Sec. I-3. Appointments; meetings.** All appointments must be  
made no later than 30 days following the effective date of this  
42 Act. The Executive Director of the Legislative Council must be  
notified by all appointing authorities once the selections have  
44 been made. The Chair of the Legislative Council shall call the  
first meeting of the committee. The committee shall select a  
46 chair from its membership.

48 **Sec. I-4. Duties.** The Chair of the Legislative Council or a  
designee, upon completion of all appointments, shall convene the  
50 committee. The committee shall undertake a study of the current  
taxation system and tax policies in the State and strive

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2 to establish a comprehensive tax reform package. As part of the study, the committee shall review:

4 1. The current procedures raising revenue through taxation in the State and determine the progressive or regressive nature of the various taxes;

8 2. Inconsistencies in the current tax scheme, including inconsistent sales tax rates and inconsistent rates imposed on selected services with a goal of removing those inconsistencies;

12 3. Exemptions under the sales and use tax and income tax laws;

14 4. Revenue policy in other jurisdictions; and

16 5. The budget of the State to provide an analysis of the impact of that budget on future Legislatures and future budgets of the State, counties and municipalities.

20 **Sec. I-5. Subcommittees authorized.** Under the direction of the chair, the committee may form subcommittees as necessary to perform its duties more effectively.

24 **Sec. I-6. Report.** The committee shall submit its preliminary report to the First Regular Session of the 115th Legislature by December 1, 1990. The committee shall submit its final report, including any necessary implementing legislation, to the First Regular Session of the 115th Legislature and the Office of the Executive Director of the Legislative Council by January 30, 1991.

32 **Sec. I-7. Staff assistance.** The committee may request staff assistance from the Legislative Council. The Bureau of Taxation shall provide general staffing assistance to the committee. The committee may contract for additional consulting assistance as necessary.

38 **Sec. I-8. Reimbursement.** The members of the committee who are Legislators are entitled to the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, for days of attendance at committee meetings. All members of the committee who are not state employees are entitled to expenses, as defined in Title 5, section 12002, upon application to the Executive Director of the Legislative Council for those expenses.

46 **Sec. I-9. Appropriation.** The following funds are appropriated from the General Fund to carry out the purposes of this Part.

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50	1989-90	1990-91

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LEGISLATURE

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Select Committee on Comprehensive Tax Reform

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Personal Services	\$275	\$1,925
All Other	108,050	6,650

8

Provides funds for the per diem, travel, printing, consulting and miscellaneous expenses of the Select Committee on Comprehensive Tax Reform. The funds may not lapse but must be carried forward.

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LEGISLATURE TOTAL

	\$108,325	\$8,575
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PART J

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Sec. J-1. 36 MRSA §5200-A, sub-§1, ¶G, as enacted by PL 1983, c. 855, §20, is amended to read:

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G. For a taxable year ending in 1984, the sum of the following portions of the deductions allowed for that taxable year to the taxpayer under the United States Internal Revenue Code, Section 168:

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(1) 2.5% of the deductions for 3-year property;

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(2) 7.5% of the deductions for 5-year property;

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(3) 12.5% of the deductions for 10-year property; and

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(4) 20% of the deductions for 15-year property; and

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Sec. J-2. 36 MRSA §5200-A, sub-§1, ¶H is enacted to read:

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H. Interest or dividends on obligations or securities of any state or of a political subdivision or authority, other than this State and its political subdivisions and authorities.

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

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R.O.S

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Further amend the amendment by striking out all of the fiscal note and inserting in its place the following:

FISCAL NOTE

It is estimated that Part A and Parts C to E, establishing the Maine Tax Amnesty Program, will generate an additional \$17,600,000 in collections in fiscal year 1990-91. Additionally, the revenue base will be increased so that an ongoing increase in revenue will be expected. These funds are not subject to set aside for purposes of municipal revenue sharing.

Part B requires an appropriation of about \$2,600,000 in fiscal year 1990-91. The net impact of Parts A to E of this bill in fiscal year 1990-91 is an estimated increase of about \$15,000,000 in tax collections, which the Governor has included as part of the budget deficit proposals.

It is estimated that Part F will increase use tax revenue by \$4,000,000 in fiscal year 1990-91. The General Fund will receive 94.9% of the amount while the Local Government Fund will receive 5.1%.

It is estimated that Part G, that provides for the temporary elimination of corporate and large S Corporations net operating loss carry-backs will increase income tax revenue by \$1,000,000 in fiscal year 1989-90 and \$6,000,000 in fiscal year 1990-91. Of these amounts, 94.9% will accrue to the General Fund and 5.1% will accrue to the Local Government Fund.

Part I will require an appropriation of \$116,900 to fund the study being established. Part J will generate an estimated \$200,000. Of this amount, 94.9% will accrue to the General Fund.

The total net fiscal impact of this bill is a gain in General Fund revenue of about \$25,573,000 in fiscal years 1989-90 and 1990-91. The Governor has included \$26,000,000 total as part of the budget deficit proposals.'

STATEMENT OF FACT

This amendment provides that funds obtained through the Maine Tax Amnesty Program accrue directly to the General Fund. The amendment also provides that funds derived from contract audit and collections efforts are treated as revenues only to the extent that collections resulting from those efforts exceed the costs associated with those efforts.

Part I of this amendment establishes the Select Committee on Comprehensive Tax Reform that is charged with reviewing current tax schemes and procedures in the State and revenue policies in

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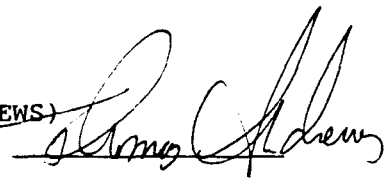
2 other states and analyzing the impact of the 1989-90 and 1990-91  
3 budgets on the State's future. As part of the study, the  
4 committee shall look at ways to more accurately make necessary  
5 budgeting projections and remove existing inconsistencies in the  
6 current tax laws.

7 Part J of this amendment will require corporate taxpayers to  
8 add to federal income the amount of interest and dividends earned  
9 on out-of-state bonds and securities. This is the same process  
10 used by individual income tax filers now.

11 The amendment also adds an emergency preamble and emergency  
12 clause and replaces the fiscal note.

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(Senator ANDREWS)  
18 SPONSORED BY: 

20

COUNTY: Cumberland

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Reproduced and Distributed Pursuant to Senate Rule 12.  
(4/10/90) (Filing No. S-691)