

MAINE STATE LEGISLATURE

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R. of S.

L.D. 956

(Filing No. H- 571)

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
116TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 704, L.D. 956, Bill, "An Act to Clarify the Laws Related to State Tax Increment Financing"

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

Sec. 1. 30-A MRSA §5252, sub-§§1-C, 1-D, 2-B, 5-A, 6-A and 8-B are enacted to read:

1-C. Affiliated business. "Affiliated business" means 2 businesses exhibiting either of the following relationships:

A. One business owns 50% or more of the stock of the other business or owns a controlling interest in the other; or

B. Fifty percent of the stock or a controlling interest is directly or indirectly owned by a common owner or owners.

1-D. Affiliated group. "Affiliated group" means a designated business and its corresponding affiliated businesses.

2-B. Committee. "Committee" means the Revenue Forecasting Committee consisting of the State Budget Officer, State Planning Officer, State Tax Assessor, Director of the Office of Fiscal and Program Review and a university economist appointed by the Governor.

5-A. Gross state tax increment. "Gross state tax increment" means the difference, if any, between the sales and income tax revenues attributable to the state tax increment financing district for the current period and the sales and income tax revenues attributable to the state tax increment financing district for the base period.

COMMITTEE AMENDMENT

8. 9. 5.

2 6-A. Market area. "Market area" means a geographic region
3 that will be impacted by the operation of a state tax increment
4 financing district exclusive of the district.

6 8-B. State tax increment. "State tax increment" means the
7 net annual gain, if any, in sales tax paid as a result of taxable
8 events occurring within the state tax increment financing
9 district and the net annual gain, if any, in state income taxes
10 withheld as a result of wages paid for labor performed within the
11 district.

12 **Sec. 2. 30-A, §5254-A, sub-§1-A, ¶C,** as enacted by PL 1991, c.
13 856, §5, is amended to read:

14 C. Prior to approval of the proposed state tax increment
15 financing district, ~~the Commissioner of Administrative and~~
16 ~~Financial Services~~ committee shall estimate the annual
17 amount to be deposited in the state tax increment contingent
18 account for all existing state tax increment financing
19 districts, including the proposed district, and that
20 estimate must may be used only in determining compliance
21 with the limitations imposed under subsection 4, paragraphs
22 D and E. The committee shall project for 2 calendar years
23 immediately subsequent to retail activity commencing in a
24 state tax increment financing district the level of income
25 and sales tax collections for a market area assuming the
26 absence of the state tax increment financing district.
27 After the initial projection, the committee must every 2
28 years project the level of income and sales tax collections
29 for a market area assuming the absence of the state tax
30 increment finance district. The committee shall determine a
31 market area and every 2 years update that determination as
32 retail activity develops in the state tax increment
33 financing district and market area.

34 **Sec. 3. 30-A MRSA §5254-A, sub-§2, ¶A,** as enacted by PL 1991,
35 c. 856, §5, is amended to read:

36 A. On or before April 15th of each year, designated
37 businesses located within a state tax increment financing
38 district shall report the amount of sales tax paid in
39 connection with operations within the district, the number
40 of employees, the state income taxes withheld for the
41 immediately preceding calendar year and any further
42 information the ~~State-Tax-Assessor~~ committee may reasonably
43 require.

44 On or before June 30th of each year, the ~~State-Tax-Assessor~~
45 ~~committee~~ shall determine, ~~based on a comparison of the~~
46 ~~current reports and the base period reports contained in the~~

B.S.S.

COMMITTEE AMENDMENT "A" to H.P. 704, L.D. 956

~~application to the Commissioner of Economic and Community
Development for approval of a state tax increment financing
district, the net annual gain in sales tax paid in
connection with operations within the district and the state
income taxes withheld the state tax increment of a district
for the preceding calendar year. The net annual gain is
referred to as the state tax increment.~~

Sec. 4. 30-A MRSA §5254-A, sub-§2-A, as enacted by PL 1991, c.
856, §5, is repealed and the following enacted in its place:

2-A. Calculation of state tax increment. The committee
shall calculate a state tax increment for a particular district
by:

A. Determining the gross state tax increment as applicable
to the particular district:

B. Determining the state tax increment as applicable to the
particular district by removing from the gross state tax
increment the following:

(1) Revenues attributed to business activity shifted
from affiliated businesses to the state tax increment
financing district. This adjustment is calculated by
comparing the current year's sales and income tax
revenues for each designated business that is a member
of an affiliated group with revenues for the group as a
whole. If the growth in sales and income tax revenue
for the entire group exceeds the growth of sales and
income tax revenue generated by the designated
business, the gross state tax increment does not have
to be adjusted to remove business activity shifted from
affiliated businesses. If the growth in sales and
income tax revenue for the affiliated group is less
than the growth in sales and income tax revenue for the
designated business, the difference is presumed to have
been shifted from affiliated businesses to the
designated business and the gross state tax increment
for the district is reduced by the difference;

(2) Revenues attributed to retail spending shifts.
Actual sales tax collections within the market area
during the current year must be compared to the
committee's projected level of sales tax collections
within the market area for the current year assuming
the absence of the state tax increment financing
district. If actual sales tax collections within the
market area are less than projected sales tax
collections within the market area, the difference is

2 presumed to be shifts in retail spending and the total
3 sales tax collection within the state tax increment
4 financing district is reduced by the difference; and

6 (3) Revenues attributed to normal growth. This
7 adjustment is calculated by subtracting from the gross
8 state tax increment a figure obtained by multiplying
9 the previous year's total amount of sales taxes
10 reported and income taxes withheld by designated
11 businesses within the district by the percentage change
12 in sales tax receipts and withholding taxes for all
13 businesses within the State as a whole;

14 C. Offsetting designated businesses with negative tax
15 increments with those with positive increments in
16 determining the state tax increment for the district as a
17 whole; and

18 D. Excluding all income tax revenue in calculating the
19 state tax increment attributable to retail business
20 operations.

22 **Sec. 5. 30-A MRS** §5254-A, sub-§4, ¶G, as enacted by PL 1991,
24 c. 856, §5, is amended to read:

26 G. State tax increment revenues received by a municipality
27 pursuant to subsection 2 may not be used by the municipality
28 to ever offset up to 1/2 of existing tax increment
29 financing obligations arising under section 5254.

30 FISCAL NOTE

32 This bill expands the list of uses of tax increment revenues
33 by a municipality. Since funds not needed to satisfy the
34 estimated obligations of the development sinking fund account
35 revert to the State, expanding the number of ways a municipality
36 can use those funds may reduce General Fund revenues.

38 Changing the formula for determining state tax increment
39 financing revenue enhances the potential exposure to the State of
40 funding local STIF districts with revenues that would be General
41 Fund revenues. A precise estimate of the loss of revenue to the
42 State can not be determined at this time.

44 The additional costs to determine the state tax increment
45 can be absorbed by the various agencies that make up the Revenue
46 Forecasting Committee utilizing existing budgeted resources.

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STATEMENT OF FACT

This amendment makes the Revenue Forecasting Committee responsible for determining the state tax increment, provides a different formula for the committee to use when determining the state tax increment and adds a fiscal note.

Reported by the Committee on Taxation
Reproduced and distributed under the direction of the Clerk of the House
6/2/93 (Filing No. H-571)