# MAINE STATE LEGISLATURE

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L.D. 1266

DATE: May 17, 1995 (Filing No. S-152 )

## TAXATION

Reported by: The Minority of the Committee.

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## STATE OF MAINE
## SENATE
## 117TH LEGISLATURE
## FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 470, L.D. 1266, Bill, "An Act to Reduce the Maine Sales Tax and the Meals and Lodging Tax to 3%"

Amend the bill by striking out the title and substituting the following:

**'An Act to Reduce the Maine Sales Tax'**

Further amend the bill by striking out all of the emergency preamble.

Further amend the bill by striking out all of section 1 and inserting in its place the following:

'**Sec. 1. 36 MRSA §1811,** as amended by PL 1995, c. 5, Pt. F, §1 and affected by §2, is further amended to read:

**§1811. Sales tax**

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp; 10% on the value of rental for a period of less than one year of an automobile; 7% on the value of prepared food sold in establishments that are licensed for on-premises consumption of liquor pursuant to Title 28-A, chapter 43; and ~~6%~~ 5% on the value of all other tangible personal property and



# COMMITTEE AMENDMENT

taxable services. Value is measured by the sale price, except as otherwise provided.

The tax imposed upon the sale and distribution of gas, water or electricity, or telephone or telegraph service, by any public utility, the rates for which sale and distribution are established by the Public Utilities Commission, ~~shall~~ must be added to the rates so established. No tax ~~shall~~ may be imposed upon the sale or use of electrical energy, or water stored for the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary by or to its parent corporation, except for electrical energy or water purchased for resale to or by ~~such~~ the wholly owned subsidiary.

~~On or before May 15th of each year, the State Budget Officer shall present a final estimate of General Fund revenues for the current fiscal year, taking into consideration an estimate of the Revenue Forecasting Committee. If estimated General Fund revenues for the current fiscal year exceed those of the prior fiscal year by 8% or more, on a base to base comparison excluding one-time revenue gains and losses, revenue in an amount equivalent to that generated by 0.5% of the tax on the sale of personal property and taxable services taxed at a rate of 6% on the effective date of this paragraph must be transferred by the State Controller to the Maine Rainy Day Fund as described in this section.~~

~~Each month following a fiscal year during which General Fund revenues exceed those of the previous fiscal year by 8% or more, on a base to base comparison excluding one time revenue gains and losses, the State Controller shall transfer an amount equivalent to that generated over the preceding month by 0.5% of the tax on the sale of personal property and taxable services taxed at a rate of 6% on the effective date of this paragraph to the Maine Rainy Day Fund until such time as the tax imposed by this chapter is reduced.~~

~~If General Fund revenues for any fiscal year, as determined by the State Controller at the close of the fiscal year following the end of that fiscal year, exceed those of the previous fiscal year by 8% or more, on a base to base comparison excluding one-time revenue gains and losses, the tax on the sale of those tangible personal property and taxable services taxed at a rate of 6% on the effective date of this paragraph shall fall by 0.5% on the subsequent October 1st, unless the Legislature takes action to prevent the reduction.~~

For the period beginning July 1, 1993 and ending June 30, 1995, the State Tax Assessor shall transfer each month to the Tourism Marketing and Development Fund all receipts of taxes imposed pursuant to this section on the value of liquor sold in licensed establishments, as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43, on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp and rental for a period of less than one year of an automobile and on the value of prepared food sold in establishments as defined in section 1752, subsection 8-A, less transfers pursuant to Title 30-A, section 5681, subsection 5, in excess of the base General Fund revenue estimates effective July 1, 1993 for the previous month. The State Tax Assessor shall reduce any subsequent transfers to the Tourism Marketing and Development Fund by an amount equal to the amount of General Fund revenues defined in this paragraph that are below the base General Fund estimates effective July 1, 1993 for the previous month. This paragraph is repealed July 1, 1995.

Rental or lease of an automobile for more than one year must be taxed at the time of the lease or rental transaction ~~at 6% of~~ on the following amount: the total monthly lease payment multiplied by the number of payments in the lease or rental, the amount of equity involved in any trade-in and the value of any cash down payment. The rate of tax is 5%.'

Further amend the bill in section 3 in subsection 1-A by striking out all of paragraph A (page 2, lines 7 to 13 in L.D.) and inserting in its place the following:

'A. If the tax rate is 5%:

| Amount of Sale Price | Amount of Tax |
|---|---|
| $0.01 to $0.10, inclusive | 0¢ |
| .11 to .20, inclusive | 1¢ |
| .21 to .40, inclusive | 2¢ |
| .41 to .60, inclusive | 3¢ |
| .61 to .80, inclusive | 4¢ |
| .81 to 1.00, inclusive | 5¢' |

Further amend the bill by striking out all of section 4 and inserting in its place the following:

'**Sec. 4. Effective date.** This Act takes effect April 1, 1997.'

Further amend the bill by striking out all of the emergency clause.

Further amend the bill by inserting at the end before the statement of fact the following:

## 'FISCAL NOTE

| | 1996-97 |
|---|---|
| **REVENUES** | |
| General Fund | ($16,094,293) |
| Other Funds | (864,920) |

The reduction in the general sales tax rate to 5% effective April 1, 1997 will decrease General Fund revenue by $16,094,293 in fiscal year 1996-97. The corresponding decrease in state-municipal revenue sharing will be $864,920. Based on current fiscal year 1996-97 revenue projections, the estimated full year reductions to General Fund revenue and state-municipal revenue sharing would be approximately $105.0 million and $5.6 million, respectively. Fiscal year 1997-98 will be the first full year of implementation.

The additional costs to notify retailers of the changes can be absorbed by the Bureau of Taxation utilizing existing budgeted resources.'

## STATEMENT OF FACT

This amendment reduces the sales tax from 6% to 5%. The amendment also adds a fiscal note to the bill.