

# MAINE STATE LEGISLATURE

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A.S.

L.D. 1816

DATE: 5-27-97

(Filing No. H-713)

MINORITY TAXATION

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
118TH LEGISLATURE  
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1279, L.D. 1816, Bill, "An Act to Increase the Excise Tax on Cigarettes to Support a Tobacco Prevention and Control Program and Reduce the Individual Income Tax Burden"

Amend the bill in section 1 in that part designated "~~§1699-A.~~" in the first indented paragraph by inserting at the end the following: 'Expenditures for this program may not exceed \$2,900,000 annually.'

Further amend the bill by inserting after section 1 the following:

'Sec. 2. 30-A MRSA §5681-A is enacted to read:

§5681-A. Supplemental State-municipal Revenue Sharing Program

The Supplemental State-municipal Revenue Sharing Program, referred to in this section as the "program," is established to assist municipalities with higher than ordinary mill rates.

1. Program funding. The State Tax Assessor shall biennially estimate the amount of General Fund revenue derived from the increase in the cigarette tax effective October 1, 1997. After deducting the cost of enforcement due to the increase, \$2,900,000 annually for the Tobacco Prevention and Control Program established pursuant to Title 22, section 1699-A and \$1,500,000 annually as the cost for the income tax credit established pursuant to Title 36, section 5219-L, the State Tax Assessor shall determine the balance remaining and present to the Governor the amount to be included in the Governor's biennial budget as an appropriation to the program.

COMMITTEE AMENDMENT

2 2. Program distribution. The Treasurer of State annually  
3 shall divide the program funds among all municipalities and the  
4 unorganized territories according to the following formula. The  
5 municipal mill rate minus 10 mills times the municipal population  
6 figure under section 5681 is the determining factor. If the  
7 determining factor is zero, the municipality is not eligible for  
8 funding from the program. An eligible municipality receives  
9 funding in an amount equal to the available total funding times  
10 the ratio of the municipal determining factor to the total of the  
11 determining factors of all eligible municipalities.

12 3. Use of funds. Funds received by a municipality pursuant  
13 to the program must be used to reduce the property tax  
14 assessment.'

16 Further amend the bill in section 2 in the first indented  
17 paragraph in the 6th line (page 1, line 28 in L.D.) by striking  
18 out the following: "June" and inserting in its place the  
19 following: 'October'

20 Further amend the bill by striking out all of section 5 and  
21 inserting in its place the following:

24 'Sec. 5. 36 MRSA §4365-D is enacted to read:

26 §4365-D. Rate of tax after September 30, 1997

28 Cigarettes that have been stamped at the rate of 18.5 mills  
29 for each cigarette and that are held for resale by any person  
30 after September 30, 1997 are subject to tax at the rate of 37.0  
31 mills for each cigarette.

32 Any person holding cigarettes for resale is liable for the  
33 difference between the 37.0 mills tax rate and the 18.5 mills tax  
34 rate in effect prior to October 1, 1997. Stamps evidencing  
35 payment of the tax imposed by this section must be affixed to all  
36 packages of cigarettes held as of October 1, 1997 for resale,  
37 except that cigarettes held in vending machines as of October 1,  
38 1997 need not be stamped.

40 Notwithstanding any other provision of this chapter, it is  
41 presumed that all cigarette vending machines are filled to  
42 capacity on October 1, 1997 and the tax imposed by this section  
43 is reported on that basis. A credit against this inventory tax  
44 is allowed for cigarettes stamped at the 37.0 mill rate that are  
45 placed in vending machines before October 1, 1997.

48 Payment of the tax imposed by this section must be made to  
49 the State Tax Assessor before November 15, 1997 and accompanied  
50 by forms prescribed by the State Tax Assessor.'

Further amend the bill in section 6 in that part designated "§5219-L." in subsection 2 by striking out all of paragraph A.

Further amend the bill in section 6 in that part designated "§5219-L." in subsection 2 in paragraph B in the first line (page 2, line 19 in L.D.) by striking out the following: "B." and inserting in its place the following: 'A.'

Further amend the bill by striking out all of section 7 and inserting in its place the following:

**'Sec. 7. Appropriation.** The following funds are appropriated from the General Fund to carry out the purposes of this Act.

	<b>1997-98</b>	<b>1998-99</b>
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**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

**Bureau of Taxation**

Positions - Legislative Count	(1,000)	(1,000)
Personal Services	\$15,903	\$32,904
All Other	38,920	53,440
Capital Expenditures	10,000	

Provides funds for one Revenue Agent position, effective January 1, 1998, one contract investigator and related administrative expenses to administer and enforce the cigarette tax laws.

**DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES,**

<b>TOTAL</b>	<b>\$64,823</b>	<b>\$86,344</b>
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**HUMAN SERVICES, DEPARTMENT OF**

**Tobacco Prevention and Control Program**

All Other	\$2,900,000	\$2,900,000
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Provides funds for the Tobacco Prevention and Control Program.

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2	<b>DEPARTMENT OF HUMAN SERVICES</b>		
	<b>TOTAL</b>	<u>\$2,900,000</u>	<u>\$2,900,000</u>
4			
6	<b>TREASURER OF STATE,</b>		
	<b>OFFICE OF THE</b>		
8	<b>Supplemental State - Municipal</b>		
	<b>Revenue Sharing</b>		
10			
	All Other	\$16,189,907	\$26,289,520
12			
	Provides funds for the State		
14	- Municipal Revenue Sharing		
	Program.		
16			
18	<b>TREASURER OF STATE,</b>		
	<b>OFFICE OF THE</b>		
	<b>TOTAL</b>	<u>\$16,189,907</u>	<u>\$26,289,520</u>
20			
22	<b>TOTAL</b>		
	<b>APPROPRIATIONS</b>	<u>\$19,154,730</u>	<u>\$29,275,864</u>

24       **Sec. 8. Application.** That section of this Act that enacts the  
 26       Maine Revised Statutes, Title 36, section 5219-L applies to tax  
 years beginning on or after January 1, 1997.'

28       Further amend the bill by relettering or renumbering any  
 30       nonconsecutive Part letter or section number to read  
 consecutively.

32       Further amend the bill by inserting at the end before the  
 34       summary the following:

**FISCAL NOTE**

	<b>1997-98</b>	<b>1998-99</b>
38		
40	<b>APPROPRIATIONS/ALLOCATIONS</b>	
42	General Fund	\$19,154,730
		\$29,275,864
44	<b>REVENUES</b>	
46	General Fund	\$21,094,149
48	Other Funds	(51,661)
		\$31,430,606
		(17,599)

# COMMITTEE AMENDMENT

## COMMITTEE AMENDMENT "A" to H.P. 1279, L.D. 1816

2 This bill will result in a net increase of General Fund  
resources of \$1,939,419 in fiscal year 1997-98 and \$2,154,742 in  
4 fiscal year 1998-99.

6 Increasing the cigarette tax effective October 1, 1997 will  
result in a net increase of General Fund revenue of \$20,654,730  
and \$30,775,864 in fiscal years 1997-98 and 1998-99,  
8 respectively. The increase in the sales price of cigarettes  
affecting the sales tax will increase General Fund revenue by  
10 \$439,419 in fiscal year 1997-98 and \$654,742 in fiscal year  
1998-99. The corresponding increase in dedicated revenue to the  
12 Local Government Fund for state-municipal revenue sharing will be  
\$23,615 and \$35,186, respectively.

14 The requirement that \$1.5 million annually be set aside to  
16 cover the loss of revenue to the General Fund due to the  
low-income tax credit will result in a gain of General Fund  
18 revenue of \$99,276 in fiscal year 1997-98 and \$517,785 in fiscal  
year 1998-99. The corresponding loss of dedicated revenue to the  
20 Local Government Fund for state-municipal revenue sharing will be  
\$75,276 and \$52,785, respectively.

22 This bill includes additional General Fund appropriations to  
24 the State Treasurer totaling \$16,189,907 and \$26,289,520 in  
fiscal years 1997-98 and 1998-99, respectively, for grants to  
26 municipalities to administer the supplemental revenue sharing  
program; to the Bureau of Taxation totaling \$64,823 and \$86,344  
28 in fiscal years 1997-98 and 1998-99, respectively, for 1 Revenue  
Agent, effective January 1, 1998, 1 contract investigator and  
30 related administrative expenses to administer and enforce the  
cigarette tax laws; and to the Department of Human Services  
32 totaling \$2,900,000 annually in fiscal years 1997-98 and 1998-99  
to implement the Tobacco Prevention and Control Program.'

### 36 SUMMARY

38 This amendment changes the effective date of the cigarette  
tax increase and replaces the increase in the personal exemption  
40 amount in the bill with a new program of property tax relief for  
certain municipalities. The amendment also makes technical  
42 changes and adds a fiscal note to the bill.