

# MAINE STATE LEGISLATURE

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L.D. 1824

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## TAXATION

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### STATE OF MAINE SENATE 118TH LEGISLATURE SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to S.P. 621, L.D. 1824, Bill, "An Act to Establish a System of Tax Revenue Targeting"

Amend the bill by inserting after the title and before the enacting clause the following:

**'Mandate preamble.** This measure requires one or more local units of government to expand or modify activities so as to necessitate additional expenditures from local revenues but does not provide funding for at least 90% of those expenditures. Pursuant to the Constitution of Maine, Article IX, Section 21, two thirds of all of the members elected to each House have determined it necessary to enact this measure.'

Further amend the bill by striking out all of section 2 (page 1, lines 20 to 41) and inserting in its place the following:

**'Sec. 2. 5 MRSA §1710-F, sub-§2,** as amended by PL 1997, c. 157, §1, is further amended to read:

**2. Biennial revenue projections.** The committee shall submit recommendations for state revenue projections for the next 2 fiscal biennia and analyze revenue projections for the current fiscal biennium, which must be approved by a majority of the committee members. No later than ~~December~~ November 1st of each even-numbered year, the committee shall submit to the Governor, the Legislative Council, the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the State Budget Officer a report that presents the analyses, findings and recommendations for General Fund and Highway Fund revenue projections for the next 2 fiscal biennia. In addition, the report must present projections of revenue

derived from all state taxes listed in section 1710-R for the General Fund, Highway Fund and Other Special Revenue funds. In its report the committee shall fully describe the methodology employed in reaching its recommendations. Revenue-projections for other funds of the State Other Special Revenue funds may be included in the report at the discretion of the committee.'

Further amend the bill in section 4 by striking out all of that part designated "§1710-U." and inserting in its place the following:

**'§1710-U. Revenues collected in excess of tax revenue targets**

**1. Excess state tax revenues.** If over the course of a biennium, beginning with the 2000-2001 biennium, state and local tax revenues together exceed by 0.05% the maximum share of total personal income in the State specified by the adopted revenue targets, and if state tax revenues have contributed to this surplus by exceeding by at least 0.05% their assigned target, the first 50% of the excess of state tax revenues must be placed in the Maine Rainy Day Fund or used to pay existing or anticipated liabilities of the State. The remainder of the excess of state tax revenues must be used to fund during the next biennium state aid and reimbursement programs listed in subsection 2, paragraphs A to H. Any balance remaining after the full funding of these programs must be placed into a tax reduction fund for distribution in relief of income, sales or property taxes, or a combination thereof, as determined by the Legislature. The distribution of the tax reduction fund must be made during the biennium following the biennium in which the excess collection of revenues occurred, by means to be determined by the Legislature. The determination of whether the adopted revenue target has been exceeded must be made by the Bureau of Revenue Services based on actual tax revenues collected compared to the most recent report of total statewide personal income available from the United States Bureau of Economic Analysis covering the fiscal year.

**2. State aid and reimbursement programs.** Pursuant to subsection 1, an excess of state tax revenues must be used to fulfill obligations to state aid and reimbursement programs as follows:

**A. If the appropriation by the State under the Maine Tree Growth Tax Law, as described in Title 36, section 578, for the biennium was less than required by statute, the difference between the funds appropriated for this purpose and the amount required to be provided under the law;**

**B. If the appropriation by the State under the municipal general assistance program, as described in Title 22,**

2 section 4311, for the biennium was less than required by  
3 statute, the difference between the funds appropriated for  
4 this purpose and the amount required to be provided under  
5 this law;

6 C. If the appropriation by the State under the Local Road  
7 Assistance Program, as described in Title 23, section  
8 1803-B, for the biennium was less than required by statute,  
9 the difference between the funds appropriated for this  
10 purpose and the amount required to be provided under the law;

11 D. If the appropriation by the State under community  
12 corrections programs to reimburse counties for housing  
13 certain prisoners, as described in Title 34-A, section 1210,  
14 for the biennium was less than required by statute, the  
15 difference between the funds appropriated for this purpose  
16 and the amount required to be provided under that law;

17 E. If the appropriation by the State under the School  
18 Finance Act of 1985 for general purpose aid, as described in  
19 Title 20-A, section 15605, for the biennium was less than  
20 the rate of inflation, as measured by the Consumer Price  
21 Index published by the United States Bureau of Labor  
22 Statistics for the immediately previous biennium, the  
23 difference between the funds appropriated for this purpose  
24 and the amount that would have been provided had it equaled  
25 the rate of inflation;

26 F. If the appropriation by the State from the Local  
27 Government Fund under the state-municipal revenue sharing  
28 program, as described in Title 30-A, chapter 223, subchapter  
29 II, for the biennium was less than that prescribed by  
30 statute, the difference between the funds appropriated for  
31 this purpose and the amount required to be provided under  
32 the law;

33 G. If the appropriation by the State under Title 4, section  
34 173 is insufficient to reimburse law enforcement officers  
35 and municipalities for law enforcement officers' appearances  
36 in District Court at the stipulated rates, the difference  
37 between the funds appropriated for this purpose and the  
38 amount required for full reimbursement; and

39 H. If the Legislature enacts new property tax exemptions  
40 subject to the Constitution of Maine, Article IV, Part  
41 Third, Section 23 or enacts new mandates necessitating local  
42 expenditures subject to the Constitution of Maine, Article  
43 IX, Section 21 and if the appropriation by the State for  
44 reimbursements to municipalities was less than that  
45 prescribed by the Constitution of Maine, notwithstanding a  
46 prescription in Title 20-A, section 15605, that the amount  
47 of the appropriation for the biennium shall be not less than  
48 the amount required to be provided under the law;  
49 and  
50 the amount of the appropriation for the biennium shall be not less than

2 2/3 vote to reduce the reimbursement, the difference between  
3 the funds appropriated for the reimbursement and the amount  
4 required to be provided by the Constitution of Maine.'

6 Further amend the bill by inserting after section 4 the  
7 following:

8 **Sec. 5. 20-A MRSA §15617, sub-§1**, as amended by PL 1993, c.  
9 435, §§6 and 7, is further amended to read:

10 **1. Content.** A school administrative unit shall include in  
11 its school budget document:

12 **A.** Its foundation allocation, its debt service allocation,  
13 if any, and any additional expenditures authorized by  
14 statute;

15 **B.** A summary of anticipated revenues and estimated school  
16 expenditures for the fiscal year; and

17 **C.** The following statement, including the estimated dollar  
18 amount of state retirement payments: "This budget does not  
19 include the estimated amount of \$..... in employer share  
20 of teacher retirement costs that is paid directly by the  
21 State."; and

22 **D.** A budget statement in accordance with this subsection.

23 (1) If the information required by subparagraph (2) is  
24 made available to the municipality by the Bureau of  
25 Revenue Services, a statement must be printed in any  
26 suitable location at the beginning of the school budget  
27 document as follows and with the proper percentages  
28 entered.

29 "Tax Revenue Target

30 For the 2-year period that includes this school fiscal year,  
31 the Maine Legislature has adopted an overall state and local tax  
32 revenue target of ....% of statewide total personal income.

33 The purpose of tax revenue targeting is to systematically  
34 reduce the overall tax burden of Maine residents by allowing the  
35 voters to decide prior to adoption of state and local budgets  
36 what the level of tax burden should be.

37 To stay within the state and local government tax revenue  
38 targets set by the Maine Legislature, the combined local property  
39 tax and local excise tax revenues would increase during this  
40 fiscal period by no more than ....%.

2       The school budget document, if adopted, would increase the  
4       property tax commitment by ....%."

6               (2) The Bureau of Revenue Services shall provide in a  
8               timely manner to any official whose duties reasonably  
10              include the preparation of the school budget document  
12              the percentage value representing the prevailing  
14              overall tax revenue target and the maximum percentage  
              increase to aggregate local revenues that would be  
              required to remain within adopted revenue targets  
              pursuant to the legislative resolution required by  
              Title 5, section 1710-S, subsection 4.

16       Sec. 6. 30-A MRSA §2523, sub-§6 is enacted to read:

18       6. Budgetary articles. With respect to any town meeting  
20       warrant that contains one or more budgetary articles that, if  
      enacted, would have any impact on the municipal tax commitment,  
      the following procedures must be followed.

22              A. If the information required by paragraph B is made  
24              available to the municipality by the Bureau of Revenue  
26              Services, a statement must be printed on the warrant in any  
              suitable location above the first warrant article as follows  
              and with the proper percentages entered as required.

28                       "Tax Revenue Target

30              For the 2-year period that includes this municipal fiscal  
32              year, the Maine Legislature has adopted an overall state and  
34              local tax revenue target of ....% of statewide total personal  
              income.

36              The purpose of tax revenue targeting is to systematically  
38              reduce the overall tax burden of Maine residents by allowing the  
              voters to decide prior to adoption of state and local budgets  
              what the level of tax burden should be.

40              To stay within the state and local government tax revenue  
42              targets set by the Maine Legislature, the combined local property  
44              tax and local excise tax revenues would increase during this  
              fiscal period by no more than ....%.

46              The budgetary articles included in this town meeting  
48              warrant, if adopted, would increase the property tax commitment  
              by ....%."

50              B. The Bureau of Revenue Services shall provide in a timely  
              manner to any municipal official whose duties reasonably

include the preparation of the town meeting warrant the percentage value representing the prevailing overall tax revenue target and the maximum percentage increase to aggregate local revenues that would be required to remain within adopted revenue targets pursuant to the legislative resolution required by Title 5, section 1710-S, subsection 4.

Sec. 7. 30-A MRSA §5730 is enacted to read:

**§5730. Budget statement**

**1. Statement required.** If the information required by subsection 2 is made available by the Bureau of Revenue Services to a municipality without a town meeting form of government, a statement must be printed on the municipal budget document that is prepared for public hearing in any suitable location at the beginning of the document as follows and with the proper percentages entered.

**"Tax Revenue Target**

For the 2-year period that includes this municipal fiscal year the Maine Legislature has adopted an overall state and local tax revenue target of ....% of statewide total personal income.

The purpose of tax revenue targeting is to systematically reduce the overall tax burden of Maine residents by allowing the voters to decide prior to adoption of state and local budgets what the level of tax burden should be.

To stay within the state and local government tax revenue targets set by the Maine Legislature, the combined local property tax and local excise tax revenues would increase during this fiscal period by no more than ....%.

The budgetary articles included in this proposed budget, if adopted, would increase the property tax commitment by ....%."

**2. Duties of Bureau of Revenue Services.** The Bureau of Revenue Services shall provide in a timely manner to any municipal official whose duties reasonably include the preparation of the municipal budget document the percentage value representing the prevailing overall tax revenue target, and the maximum percentage increase to aggregate local revenues that would be required to remain within adopted revenue targets pursuant to the legislative resolution required by Title 5, section 1710S, subsection 4.

Sec. 8. 36 MRSA §507, as amended by PL 1985, c. 376, is repealed and the following enacted to read:

**§507. Taxpayer information**

When a municipality issues a property tax bill to each taxpayer, each bill must contain the following information:

1. Statement. A statement or calculation that demonstrates the amount or percentage by which the taxpayer's tax has been reduced by the distribution of state-municipal revenue sharing and state aid for education. The State Tax Assessor shall annually provide each municipality with the amount of state-municipal revenue sharing and state aid for education subject to identification under this subsection;

2. Interest accrue. The date interest will begin to accrue on delinquent taxes; and

3. Tax revenue targeting. The following statement regarding tax revenue targeting, including the applicable percentage values provided by the bureau under Title 30-A, section 2523, subsection 6 and section 5730, subsection 2.

"Tax Revenue Targeting

The Maine Legislature, pursuant to the Maine Revised Statutes, Title 5, section 1710-S, has established a targeted increase of local revenues of no more than ....% over the prior year. This tax bill, which is the result of the adopted municipal and school budgets and the county assessment, represents an increase of ....% over the prior year."

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

**FISCAL NOTE**

This bill requires the adoption by the Legislature of revenue targets for state and local tax revenues starting in the 2000-2001 biennium. If state and local tax revenues collected exceed the target during a biennium by an amount approximately equal to \$13.5 million, based on 0.05% of the fiscal year 1998-99 estimate of personal income in Maine, and state taxes contributed to this excess tax revenue by exceeding their assigned target, the excess state tax revenues are designated for specific purposes. The first 50% of the excess of state tax revenues must be placed in the Maine Rainy Day Fund or be used to pay existing or anticipated liabilities of the State. The remainder must first be used in the next biennium to provide full funding of state aid and reimbursement programs. After full funding of



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these state aid and reimbursement programs, the remaining balance must be placed in a tax reduction fund. The amounts that may be designated for these purposes, beginning in fiscal year 2001-02, will depend on the targets established by the Legislature for the 2000-2001 biennium and the amount of excess state and local tax revenues collected.

This bill requires municipalities and school administrative units to provide additional information on budget and tax documents regarding local revenue targets. The additional costs of this state mandate can not be determined at this time. Pursuant to the Mandate Preamble, the two-thirds vote of all members elected to each House exempts the State from the constitutional requirement to fund 90% of the additional local costs.

The Bureau of Revenue Services will incur additional costs beginning in fiscal year 1999-2000 to provide tax revenue target information to municipalities and, beginning in fiscal year 2001-02, to make a determination of whether the adopted revenue target has been exceeded. These additional costs can be absorbed by the bureau utilizing existing budgeted resources.

The Legislature, the State Planning Office and the Bureau of the Budget will incur some minor additional costs to expand the number of economic and budget items forecasted by the Consensus Economic Forecasting Commission and the Revenue Forecasting Committee. These costs can be absorbed within these agencies' existing budgeted resources.'

## SUMMARY

This amendment permits the use of excess revenues to pay existing or anticipated liabilities of the State and includes in the list of state obligations reimbursement for law enforcement officers' appearances in District Court.

The amendment removes provisions from the bill reducing state assistance payments if revenue targets are exceeded and requires municipalities and school districts to provide notice of revenue targets in budget and tax documents.

The amendment adds a fiscal note to the bill.