

# MAINE STATE LEGISLATURE

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L.D. 1950

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DATE: *March 31, 1998*

(Filing No. S- 675 )

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

SENATE AMENDMENT "X" to COMMITTEE AMENDMENT "A" to H.P. 1397, L.D. 1950, Bill, "An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government and Changes to Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 1998 and June 30, 1999"

Amend the amendment by striking out all of Part T.

Further amend the amendment by inserting after Part DDD the following:

**PART EEE**

**Sec. EEE-1. 5 MRSA §1518**, as enacted by PL 1997, c. 24, Pt. E, §1, is repealed.

**Sec. EEE-2. 5 MRSA §1518-A** is enacted to read:

**§1518-A. Tax Relief Guarantee Fund**

**1. Tax Relief Guarantee Fund.** There is created the Tax Relief Guarantee Fund, which must be used for the purposes of ensuring the continuation of tax relief in the next biennium.

**2. Transfers to Tax Relief Guarantee Fund.** Notwithstanding any other provision of law, the State Controller shall transfer money to the Tax Relief Guarantee Fund as follows.

**A. On July 1, 1998, the State Controller shall transfer all unexpended and unobligated balances from the Tax Relief Fund for Maine Residents and the Tobacco Tax Relief Fund.**

3. Nonlapsing fund. Any unexpended balance in the Tax Relief Guarantee Fund may not lapse, but must be carried forward to be used pursuant to subsection 1.

4. Transfer to General Fund. The State Controller shall transfer into the General Fund the revenues necessary to maintain the level of cigarette tax revenue at the level that was budgeted for the General Fund in fiscal year 1998-99. Beginning in fiscal year 1999-2000, the State Controller shall transfer to the General Fund the revenues necessary to maintain the level of cigarette tax revenue in the previous year less 3%. The Treasurer of State shall annually review the recommendations of the Consensus Revenue Forecasting Committee to determine whether any change in the reduction rate is required and, if so, shall change the rate accordingly.

Sec. ~~EEE-3.~~ 22 MRSA §1546, as enacted by PL 1997, c. 560, Pt. A, §1 and affected by §5, is repealed.

Sec. ~~EEE-4.~~ 36 MRSA §1811, as amended by PL 1995, c. 281, §§18 and 19 and affected by §42, 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 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 ~~shall~~ must be added to the rates so established. No ~~A~~ tax shall may not 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 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% 5% 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% 5% 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% 5% on the effective date of this paragraph ~~shall fall~~ falls by 0.5% on the subsequent October 1st, unless the Legislature takes action to prevent the reduction.

Rental or lease of an automobile for one year or more must be taxed at the time of the lease or rental transaction at 6% of the following: 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. Collection and remittance of the tax is the responsibility of the person that negotiates the lease transaction with the lessee.

**Sec. EEE-5. 36 MRS §4365, 2nd ¶**, as enacted by PL 1997, c. 560, Pt. A, §2 and affected by §5, is amended to read:

Beginning November 1, 1997, as a public health measure, the tax imposed under this section is 37 mills per cigarette. The tax imposed pursuant to this section is dedicated to the ~~Tobacco~~ Tax Relief Guarantee Fund established in Title 22 5, section ~~1546~~ 1518-A.

**Sec. EEE-6. 36 MRSA §4365-D, sub-§4**, as enacted by PL 1997,  
c. 560, Pt. A, §3 and affected by §5, is amended to read:

**4. Payment.** Payment of the tax imposed by this section must be made to the State Tax Assessor by February 1, 1998, accompanied by forms prescribed by the assessor and must be credited to the ~~Tobacco~~ Tax Relief Guarantee Fund established in Title 22 5, section ~~1546~~ 1518-A.

**Sec. EEE-7. 36 MRSA §5126, first ¶**, as amended by PL 1997, c. 24, Pt. E, §2, is further amended to read:

A resident individual is allowed \$2,100 for each exemption to which the individual is entitled for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. No additional exemption may be allowed for taxpayers over 65 years of age or blind. The nominal dollar amount of this section is subject to adjustment pursuant to Title 5, section ~~1518~~ 1518-A.

**Sec. EEE-8. Transfer of Funds.** Notwithstanding Maine Revised Statutes, Title 5, section 1585 or any other provision of law, the State Controller shall transfer \$47,051,828 from the Tax Relief Fund for Maine Residents to the General Fund unappropriated surplus on July 1, 1998.

**Sec. EEE-9. Transfer of Funds.** Notwithstanding Maine Revised Statutes, Title 5, section 1585 or any other provision of law, the State Controller shall transfer \$2,317,124 from the Tax Relief Guarantee Fund to the General Fund unappropriated surplus in fiscal year 1998-99.

**Sec. EEE-10. Allocation.** The following funds are allocated from Tobacco Tax Relief Fund to carry out the purposes of this Part.

1998-99

**HUMAN SERVICES, DEPARTMENT OF**

**Bureau of Health**

All Other (\$3,500,000)

Deallocates funds to reflect the repeal of the Tobacco Tax Relief Fund.

**Sec. EEE-11. Effective date.** This Part takes effect July 1, 1998, except that section 4 of this Part takes effect January 1, 1999.'

SENATE AMENDMENT "X" to COMMITTEE AMENDMENT "A" to H.P. 1397,  
L.D. 1950

2 Further amend the amendment by relettering or renumbering  
4 any nonconsecutive Part letter or section number to read  
consecutively.

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### FISCAL NOTE

8 This amendment will have no net effect on General Fund  
10 appropriations and revenue and a balanced budget is maintained  
for fiscal year 1997-98 and fiscal year 1998-99.

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### SUMMARY

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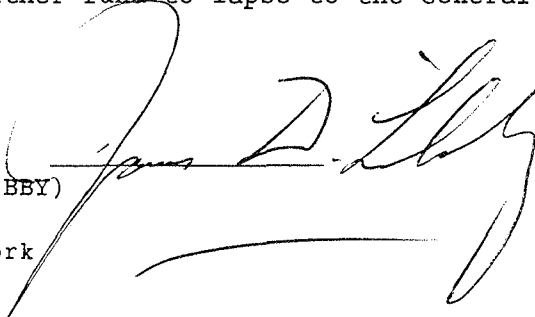
16 This amendment reduces the sales tax from 6% to 5% effective  
January 1, 1999 and establishes the Tax Relief Guarantee Fund for  
18 the purposes of ensuring the continuation of tax relief in the  
next biennium. The amendment repeals the Tax Relief Fund for  
20 Maine Residents and the Tobacco Tax Relief Fund and requires the  
State Controller to transfer any unexpended or unobligated  
balances to the Tax Relief Guarantee Fund.

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24 This amendment also removes those provisions of Committee  
Amendment "A" that repealed the Tax Relief Fund for Maine  
26 Residents and the Tobacco Tax Relief Fund and that authorized the  
balance of either fund to lapse to the General Fund.

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SPONSORED BY:   
(Senator LIBBY)

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COUNTY: York

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