

MAINE STATE LEGISLATURE

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M
Rds.
L.D. 2219

DATE: March 20, 1998

(Filing No. S- 570)

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STATE OF MAINE
SENATE
118TH LEGISLATURE
SECOND REGULAR SESSION

SENATE AMENDMENT "E" to COMMITTEE AMENDMENT "A" to H.P. 1589, L.D. 2219, Bill, "An Act to Reduce Income and Property Taxes"

Amend the amendment by inserting after the title the following:

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

'An Act to Provide Tax Relief and to Establish the Tax Relief Guarantee Fund'

Further amend the amendment by striking out everything after the title and before the 2nd paragraph before the fiscal note and inserting in its place the following:

'Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

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 E, §1, is repealed.

Sec. 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.

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

6 A. At the end of fiscal year 1998-99, the State Controller
8 shall transfer all unexpended and unobligated balances
 remaining on the effective date of this section from the
10 former Tax Relief Fund for Maine Residents and the former
 Tobacco Tax Relief Fund.

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

16 Sec. 3. 22 MRSA §1546, as enacted by PL 1997, c. 560, Pt. A,
18 §1 and affected by §5, is repealed.

20 Sec. 4. 36 MRSA §1811, as amended by PL 1995, c. 281, §§18
 and 19 and affected by §42, is further amended to read:

22 **§1811. Sales tax**

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

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

50 On or before May 15th of each year, the State Budget Officer
 shall present a final estimate of General Fund revenues for the

SENATE AMENDMENT "E" to COMMITTEE AMENDMENT "A" to H.P. 1589,
L.D. 2219

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 ~~these~~ the tangible personal property and taxable services taxed at a rate of 6% 5% on the effective date of this paragraph ~~shall~~ must fall 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. 5. 36 MRSA §4365, last ¶, 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-Fund established in Title 22, section 1546.~~

Sec. 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 Fund established in Title 22, section 1546.~~

Sec. 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.~~

Sec. 8. Tax Relief Fund for Maine Residents; Tobacco Tax Relief Fund; lapsed balances. Notwithstanding any other provision of law, any unencumbered balance in the Tax Relief Fund for Maine Residents or the Tobacco Tax Relief Fund lapses to the General Fund at the end of fiscal year 1998-99.

Sec. 9. Transfer of funds. Notwithstanding the Maine Revised Statutes, Title 5, section 1585, or any other provision of law, the State Controller shall transfer from the Tax Relief Fund for Maine Residents to General Fund unappropriated surplus in fiscal year 1998-99 \$80,264,134 to offset the revenue loss from the decrease in the sales and use tax from 6% to 5%.

Sec. 10 Allocation. The following funds are allocated from the Tax Relief Fund for Maine Residents to carry out the purposes of this Act.

1998-99

**ADMINISTRATIVE AND FINANCIAL SERVICES,
DEPARTMENT OF**

Capital Construction - Correctional Facilities

Capital Expenditures	\$10,000,000
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Provides funds for repairs to the Maine Youth Center.	
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**DEPARTMENT OF ADMINISTRATIVE AND
FINANCIAL SERVICES
TOTAL**

	<hr/>
	\$10,000,000

EDUCATION, DEPARTMENT OF

General Purpose Aid for Local Schools

All Other \$11,255,091

Provides funds to increase school subsidy
payments.

Jobs for Maine Graduates

All Other \$515,000

Provides funds to replace lost federal funds
to prevent the shutdown of 14 school sites
and the elimination of services to 580 Maine
students.

**DEPARTMENT OF EDUCATION
TOTAL**

\$11,770,091

**MAINE TECHNICAL COLLEGE SYSTEM,
BOARD OF TRUSTEES OF THE**

**Maine Technical College System -
Board of Trustees**

All Other \$400,000

Provides funds to continue the work-based
learning program for Maine's youth as
provided by the Maine Career Advantage
Program.

**BOARD OF TRUSTEES OF THE MAINE
TECHNICAL COLLEGE SYSTEM
TOTAL**

\$400,000

**UNIVERSITY OF MAINE SYSTEM, BOARD
OF TRUSTEES OF THE**

Maine Economic Improvement Fund

All Other \$7,000,000

Provides funds to be used in accordance with
the Maine Revised Statutes, Title 10,
chapter 107-C to fund applied scientific
research and related commercial development
conducted by the University of Maine System,

its member institutions and its employees
and students in 5 target areas.

**BOARD OF TRUSTEES OF THE UNIVERSITY OF
MAINE SYSTEM**

TOTAL \$7,000,000

TOTAL ALLOCATIONS \$29,170,094

Sec. 11. Effective date. This Act takes effect June 30, 1999,
except that that section of this Act that amends the Maine
Revised Statutes, Title 36, section 1811 takes effect October 1,
1998.' '

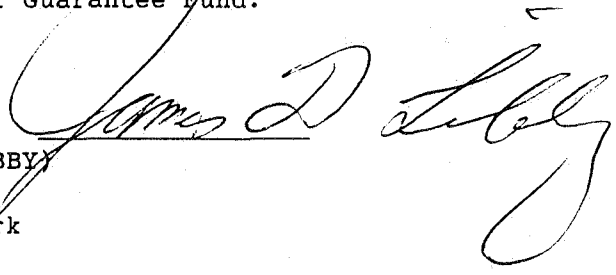
FISCAL NOTE

This amendment will increase the combined total cost of the
bill to the General Fund and the Tax Relief Fund for Maine
Residents by \$30,112,967 in fiscal year 1998-99, \$35,486,557 in
fiscal year 1999-2000 and \$36,909,202 in fiscal year 2000-01.

This amendment also repeals the Tax Relief Fund for Maine
Residents and the Tobacco Tax Relief Fund at the end of fiscal
year 1998-99 and makes allocations totaling \$29,170,094 in fiscal
year 1998-99 from the Tax Relief Fund for Maine Residents.
Balances remaining in these funds on June 30, 1999, estimated to
be approximately \$38.4 million and \$49.9 million, will be
transferred to the newly established Tax Relief Guarantee Fund.

SUMMARY

This amendment replaces the original bill and Committee
Amendment "A." The amendment reduces the sales tax from 6% to 5%
effective October 1, 1998 and establishes the Tax Relief
Guarantee Fund for the purposes of ensuring the continuation of
tax relief. The amendment repeals the Tax Relief Fund for 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.

SPONSORED BY: 
(Senator LIBBY)

COUNTY: York