

MAINE STATE LEGISLATURE

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3/11/98

L.D. 2219

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4 MINORITY REPORT

(Filing No. H- 877)

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TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
SECOND REGULAR SESSION

16

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

22

Amend the bill by inserting after section 1 the following:

24

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

26

§5681-A. High burden state-municipal revenue sharing

28

1. Definitions. As used in this section, the terms
"population" and "property tax burden" have the same meanings as
in section 5681.

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2. High Burden Revenue Sharing Fund. To assist
municipalities with a high property tax burden, there is
established the High Burden Revenue Sharing Fund.

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3. Sharing the High Burden Revenue Sharing Fund. Money
credited to the High Burden Revenue Sharing Fund must be
distributed on the basis of a formula that provides a varying
amount of per capita revenue sharing aid to municipalities based
upon the comparative tax burden of each municipality. Those
municipalities having a greater property tax burden receive a
larger per capita revenue sharing distribution.

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The portion of the High Burden Revenue Sharing Fund to be
distributed to each municipality must be in proportion to the
product of the population of the municipality multiplied by that
portion of the municipality's property tax burden that exceeds
.10.

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2 4. Treasurer of State. An amount equal to 2% of the
4 receipts from taxes imposed under Title 36, Parts 3 and 8 and
6 credited to the General Fund must be transferred by the Treasurer
 of State to the High Burden Revenue Sharing Fund on the first day
 of each month beginning August 1, 1998.

8 5. Plantations and unorganized territory. For purposes of
10 state-municipal revenue sharing, plantations and the unorganized
 territory must be treated as if they were municipalities.

12 6. Indian territory. For purposes of state-municipal
14 revenue sharing, the Passamaquoddy Tribe and the Penobscot Nation
16 Indian territories must be treated as if they were
18 municipalities. In the absence of a levy of real and personal
20 property taxes in either or both Indian territories, the property
 tax assessment is computed by multiplying the state valuation for
 the Indian territory for the period for which revenue sharing is
 being determined by the most current average equalized property
 tax rate of all municipalities in the State at that time as
 determined by the State Tax Assessor.

22 **Sec. 3. 36 MRSA §1752, sub-§1-B,** as amended by PL 1995, c.
24 281, §11 and affected by §42, is further amended to read:

26 **1-B. Automobile.** "Automobile," for purposes of subsection
28 17-A, paragraph H, means a self-propelled 4-wheel or 6-wheel
 motor vehicle designed primarily to carry passengers and not
 designed to run on tracks.

30 **Sec. 4. 36 MRSA §1760, sub-§79** is enacted to read:

32 79. Automobiles. The first \$2,000 of the sales price of an
34 automobile.

36 **Sec. 5. 36 MRSA §1811, first ¶,** as amended by PL 1993, c. 701,
 §6 and affected by §10, is further amended to read:

38 A tax is imposed on the value of all tangible personal
40 property and taxable services sold at retail in this State. The
42 rate of tax is 7% on the value of liquor sold in licensed
44 establishments as defined in Title 28-A, section 2, subsection
46 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
48 consumption of liquor pursuant to Title 28-A, chapter 43; 5% of
 the value of automobiles sold; and 6% on the value of all other

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COMMITTEE AMENDMENT "B" to H.P. 1589, L.D. 2219

tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

Sec. 6. 36 MRSA §1811, last ¶, as amended by PL 1995, c. 281, §19 and affected by §42, is further amended to read:

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% 5% 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. 7. 36 MRSA §1812, sub-§1, ¶E is enacted to read:

E. If the tax rate is 5%:

<u>Amount of Sale Price</u>	<u>Amount of Tax</u>
<u>\$0.01 to \$0.10, inclusive</u>	<u>0¢</u>
<u>.11 to .20, inclusive</u>	<u>1¢</u>
<u>.21 to .40, inclusive</u>	<u>2¢</u>
<u>.41 to .60, inclusive</u>	<u>3¢</u>
<u>.61 to .80, inclusive</u>	<u>4¢</u>
<u>.81 to 1.00, inclusive</u>	<u>5¢</u>

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

Sec. 4. Allocation. The following funds are allocated from the High Burden Revenue Sharing Fund to carry out the purposes of this Act.

1998-99

TREASURER OF STATE, OFFICE OF THE High Burden Revenue Sharing Fund

All Other	\$31,839,000
Allocates funds to authorize the distribution of the funds set aside in the High Burden Revenue Sharing Fund.'	

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COMMITTEE AMENDMENT "B" to H.P. 1589, L.D. 2219

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

4
6 Further amend the bill by inserting at the end before the
summary the following:

8
10 **FISCAL NOTE**

12 **1998-99**

14 **APPROPRIATIONS/ALLOCATIONS**

16 Other Funds \$31,839,000

18 **REVENUES**

20 General Fund (\$42,905,736)
22 Other Funds (1,290,987)

24 This bill will have a combined total cost to the General
Fund and the Tax Relief Fund for Maine Residents of \$89,007,154
26 in fiscal year 1998-99, \$102,777,930 in fiscal year 1999-2000 and
\$106,512,708 in fiscal year 2000-01.

28 The increase in the personal exemption will reduce
30 individual income tax collections. This will reduce the amount
set aside in the Tax Relief Fund for Maine Residents by
32 \$30,091,807 in fiscal year 1998-99 and will reduce General Fund
revenue from the individual income tax by \$35,183,652 in fiscal
34 year 1999-2000 and \$36,110,406 in fiscal year 2000-01. The
corresponding decreases in dedicated revenue to the Local
36 Government Fund for state-municipal revenue sharing will be
\$1,617,157, \$1,890,797 and \$1,940,601 in fiscal years 1998-99,
38 1999-2000 and 2000-01, respectively.

40 The changes in the sales tax rate for automobiles, combined
with the exemption of the first \$2,000, will decrease sales tax
42 collections. The resulting reductions of General Fund revenue
will be \$26,442,168 in fiscal year 1998-99, \$31,217,908 in fiscal
44 year 1999-2000 and \$32,466,624 in fiscal year 2000-01. The
corresponding decreases in dedicated revenue to the Local
46 Government Fund for state-municipal revenue sharing as a result
of these sales tax changes will be \$1,421,023, \$1,677,675 and
48 \$1,744,782, respectively.

COMMITTEE AMENDMENT

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2 The estimated amounts to be set aside in the High Burden
3 Revenue Sharing Fund for distribution to municipalities will be
4 \$31,839,000 in fiscal year 1998-99, \$35,634,881 in fiscal year
5 1999-2000 and \$37,174,658 in fiscal year 2000-01. This will
6 reduce General Fund revenue by \$16,463,568 in fiscal year
7 1998-99, \$36,376,370 in fiscal year 1999-2000 and \$37,935,678 in
8 fiscal year 2000-01. A portion of the set aside in fiscal year
9 1998-99 will reduce the amount to be set aside in the Tax Relief
10 Fund for Maine Residents by \$16,009,611.

11 The additional costs associated with changing the sales tax
12 form and notifying affected taxpayers can be absorbed by the
13 Bureau of Revenue Services utilizing existing budgeted resources.

14 The Office of the Treasurer of State will incur some minor
15 additional costs to administer the high burden state-municipal
16 revenue sharing program. These costs can be absorbed within the
17 office's existing budgeted resources.'

20 SUMMARY

21 This amendment eliminates the portion of the bill providing
22 for a homestead property tax rebate program and adds the
23 following provisions.

24 The amendment provides for additional state-municipal
25 revenue sharing directed at municipalities with a high local tax
26 burden. The additional revenue sharing is funded by directing an
27 additional 2% of state sales and income taxes to a fund set up
28 for this purpose. The funds are apportioned among municipalities
29 based upon their local property tax burden that exceeds 10 mills.

30 The amendment reduces the sales tax on automobiles from 6%
31 to 5% and provides a sales tax exemption for the first \$2,000 of
32 the sales price of an automobile.

33 The amendment also adds a fiscal note to the bill.

COMMITTEE AMENDMENT