

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



118th MAINE LEGISLATURE

SECOND SPECIAL SESSION-1998

Legislative Document

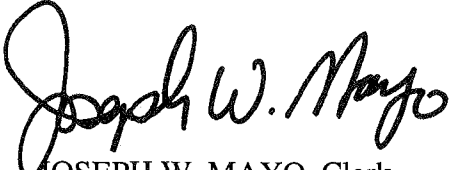
No. 2297

H.P. 1679

House of Representatives, April 2, 1998

An Act Relating to the Taxation of Certain Federal Entities, the Business Equipment Tax Reimbursement Program, the Administration of the Tax Laws and to Make a Technical Correction.

Reported by Representative Kerr for the Joint Standing Committee on Appropriations and Financial Affairs pursuant to Joint Order H.P. 148.


JOSEPH W. MAYO, Clerk

Be it enacted by the People of the State of Maine as follows:

2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
40
42
44
46
48

PART A

Sec. A-1. 36 MRSA 1760, sub-§2, as corrected by RR 1995, c. 2, §94, is amended to read:

2. **Certain governmental entities.** Sales to the State or any political subdivision, or to the Federal Government, or to any unincorporated agency or instrumentality of either of them or to any incorporated agency or instrumentality of them wholly owned by them. This exemption does not apply where title is held or taken as security for any financing arrangement. This exemption also does not apply to corporations organized under Title IV, Part E of the Farm Credit Act of 1971, 12 United States Code, Sections 2211 to 2214.

PART B

Sec. B-1. 36 MRSA §6652, sub-§1, as amended by PL 1997, c. 24, Pt. C, §14, is further amended to read:

1. ~~Generally. Subject to the provisions of subsections 1-A and 1-B and of sections 6653 and 6654,~~ a A person against whom taxes have been assessed pursuant to Part 2, except for chapters 111 and 112, with respect to eligible property and who has paid those taxes is entitled to reimbursement of those taxes from the State as provided in this chapter.

Sec. B-2. 36 MRSA §6652, sub-§1-C is enacted to read:

1-C. Certain energy facilities. Reimbursement for certain energy facilities under this chapter is limited as follows.

A. Reimbursement may not be made for a natural gas pipeline, including pumping or compression stations, storage depots and appurtenant facilities used in the transportation, delivery or sale of natural gas, but not including a pipeline that is less than a mile in length and is owned by a consumer of natural gas delivered through the pipeline.

B. Except as provided in paragraph C, reimbursement may not be made for property used to produce or transmit energy primarily for sale. Energy is primarily for sale if 2/3 or more of the useful energy is directly or indirectly sold and transmitted during the property tax year through the

2 facilities of a transmission and distribution utility as
3 defined in Title 35-A, section 3201, subsection 19.

4 C. A cogeneration facility is eligible for reimbursement on
5 that portion of property taxes paid multiplied by a
6 fraction, the numerator of which is the total amount of
7 useful energy produced by the facility that is directly used
8 by a manufacturing facility without transmission over the
9 facilities of a transmission and distribution utility as
10 defined in Title 35-A, section 3201, subsection 19 and the
11 denominator of which is the total amount of useful energy
12 produced.

13 D. For purposes of this subsection, unless the context
14 indicates otherwise, the following terms have the following
15 meanings.

16
17 (1) "Cogeneration facility" means the eligible
18 property within a facility that produces electrical
19 energy, thermal energy or both for commercial or
20 industrial use when less than 2/3 of the useful energy
21 produced by the facility during the property tax year
22 is sold and transmitted directly or indirectly through
23 the facilities of a transmission and distribution
24 utility, as defined in Title 35-A, section 3201,
25 subsection 19. "Cogeneration facility" includes
26 eligible property within a heat recovery steam
27 generator.

28
29 (2) "Useful energy" is energy in any form that does
30 not include waste heat, efficiency losses, line losses
31 or other energy dissipation.

32
33
34 **PART C**

35
36 **Sec. C-1. Department of Administrative and Financial Services,**
37 **Bureau of Revenue Services; lease-purchase authorization.** Pursuant to
38 the Maine Revised Statutes, Title 5, section 1587, the Department
39 of Administrative and Financial Services, Bureau of Revenue
40 Services, after advising the Treasurer of State, may enter into
41 financing arrangements for the acquisition and implementation of
42 a tax revenue modeling system. Any financing agreement may not
43 exceed 3 years in duration and \$1,000,000 in principal costs.
44 The interest rate may not exceed 6% and total interest costs may
45 not exceed \$120,000.

46
47 **Sec. C-2. Authority to contract for auditing.** The Department of
48 Administrative and Financial Services, Bureau of Revenue Services
49 is authorized to contract for the provision of
50

2 tax auditing services for businesses whose primary locations are
outside of the State in fiscal years 1998-99, 1999-2000 and
4 2000-01. By January 1, 2001, the State Tax Assessor shall report
to the joint standing committee of the Legislature having
6 jurisdiction over appropriations and financial affairs and the
joint standing committee of the Legislature having jurisdiction
8 over taxation matters including the amount of revenue collected
through contracted auditing services and evaluating the
10 advantages and disadvantages of contracting for auditing services
compared to the direct provision of services.

12 **Sec. C-3. Authority to expend funds; Bureau of Revenue Services.**

The Bureau of Revenue Services is authorized to expend funds from
14 the appropriation in section C-4 of this Part only to the extent
that the Executive Director of Maine Revenue Services and the
16 State Budget Officer agree and certify that the General Fund
revenue received or estimated to be received by the state as a
18 direct result of section C-2 is new incremental revenue over and
above the current revenue estimate for fiscal year 1998-99. The
20 State Budget Officer shall report periodically to the joint
standing committee of the Legislature having jurisdiction over
22 appropriations and financial affairs on the amount of new
incremental revenue received as a result of section C-2 of this
24 Part.

26 **Sec. C-4. Appropriation.** The following funds are appropriated
from the General Fund to carry out the purposes of this Part.

28
30 **1998-99**

32 **ADMINISTRATIVE AND FINANCIAL
SERVICES, DEPARTMENT OF**

34 **Bureau of Revenue Services**

36 All Other \$373,333

38 Provides for the appropriation of funds for
the lease-purchase of a tax modeling
40 system. Funds must be expended in
accordance with section C-3 of this Part.
42 Unexpended funds do not lapse but carry
forward to the following year.

44 **Bureau of Revenue Services**

46 All Other \$192,000

48

2 Provides for the appropriation of funds to
3 contract for tax auditing services for
4 businesses whose primary locations are
5 outside of the State.

6 **DEPARTMENT OF ADMINISTRATIVE AND
7 FINANCIAL SERVICES**

8 **TOTAL** \$565,333

10

PART D

12

Sec. D-1. PL 1997, c. 643, Pt. HHH, §10 is amended to read:

14

15 **Sec. HHH-10. Retroactivity.** This Act Part applies
16 retroactively to April 1, 1998.

18

19 **Sec. D-2. Retroactivity.** That section of this Act that amends
20 Public Law 1997, chapter 643, Part HHH, section 10 applies
21 retroactively to June 30, 1998.

22

FISCAL NOTE

24

1998-99

26

APPROPRIATIONS/ALLOCATIONS

28

29 General Fund \$565,333

30

32 **REVENUES**

34

35 General Fund \$590,300

36

37 Highway Fund 31,723

38

39 Part A of this bill specifies that certain federal
40 instrumentalities are not exempt from sales and use tax. This
41 will increase General Fund revenue by \$20,900 in fiscal year
42 1998-99, \$24,674 in fiscal year 1999-2000 and \$25,661 in fiscal
43 year 2000-01. The corresponding increases in dedicated revenue
44 to the Local Government Fund for state-municipal revenue sharing
45 will be \$1,123, \$1,326 and \$1,379, respectively.

46

47 Part B provides that natural gas pipelines and certain
48 property used in the production or generation of electricity are
49 not eligible for reimbursement for taxes paid on certain business
50 property. It will lower the projected growth of state

2 expenditures for this program by an amount that can not be
determined at this time.

4 Part C provides a General Fund appropriation of \$565,333 in
fiscal year 1998-99 for the lease-purchase expense associated
6 with a new tax modeling system and contracting for tax auditing
services targeted at businesses whose primary locations are
8 out-of-state. Contracting for these enhanced auditing services
is expected to increase General Fund revenue by \$569,400 in
10 fiscal year 1998-99, \$586,482 in fiscal year 1999-00 and \$608,182
in fiscal year 2000-01. The corresponding increases in dedicated
12 revenue to the Local Government Fund for state-municipal revenue
sharing will be \$30,600, \$31,518 and \$32,684, respectively.

16 SUMMARY

18 Part A of this bill provides that the sales tax exemption
20 for governmental entities does not apply to corporations formed
under Part E of the federal Farm Credit Act of 1971.

22 Part B provides that natural gas pipelines and certain
24 property used in the production or generation of electricity are
not eligible for reimbursement for taxes paid on certain business
26 property.

28 Part C provides funds for the acquisition of a tax modeling
system and provides authority to the Department of Administrative
30 and Financial Services, Bureau of Revenue Services to contract
for tax auditing services for businesses whose primary locations
32 are outside of the State.

34 Part D corrects an error in the retroactivity clause of
Public Law 1997, chapter 643, Part HHH, section 10. The intent
36 of the Legislature was that only Part HHH apply retroactively.
The bill ensures that the retroactivity provision applies only to
38 Part HHH.