

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

FIRST REGULAR SESSION-1999

Legislative Document

No. 1804

S.P. 637

In Senate, March 10, 1999

An Act to Authorize a Local Option Tax on Wages Earned in a Municipality.

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator RAND of Cumberland.

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

4 **Sec. 1. 36 MRSA c. 804 is enacted to read:**

6 **CHAPTER 804**

8 **LOCAL OPTION WAGE TAX**

10 **§5120. Local option wage tax**

12 **1. Municipalities authorized to adopt.** The legislative
14 **body of a municipality may impose a local option wage tax**
16 **according to this chapter on the same wages subject to employer**
withholding under section 5250. The tax may be applied at a
maximum rate of 2% of the amount of Maine income tax owed under
chapter 803 on wages.

18 **2. Notify assessor.** A municipality that imposes a local
20 **option wage tax under this section shall notify the State Tax**
22 **Assessor at least 180 days before the local tax takes effect to**
provide the State with sufficient time to prepare for
administration of the local tax.

24 **3. Withholding.** An employer in a municipality that has
26 **imposed a local option wage tax under this chapter shall deduct**
and withhold from the wages paid to a wage earner the tax imposed
by this section.

28 **4. Employer's return and payment of tax withheld.** An
30 **employer required to deduct and withhold tax under this chapter**
32 **shall file a withholding return and remit payment as prescribed**
34 **by the assessor for each calendar quarter on or before the last**
36 **day of the month following the close of the calendar quarter or**
38 **such other reporting period as the assessor may require. The**
bureau shall provide to every employer in a municipality that has
imposed a local option wage tax a form and a pamphlet explaining
the use of the form to use to file the withholding return and
remit the payment of the tax imposed under this chapter.

40 **5. Payment to municipalities.** Each month the assessor
42 **shall identify the amount of revenue actually collected and**
44 **attributable to each municipality under this section, subtract**
46 **the costs of administering this section and certify the net**
48 **amount due each municipality from the Local Option Wage Fund**
established under subsection 11. The Treasurer of State shall
make monthly payments from the fund to the municipal treasurer of
the net amounts certified by the assessor and adjusted by this
subsection. Revenue collected pursuant to this section is not
considered to be receipts from the taxes imposed under this

2 Part and Part 8 to be transferred from the Local Government Fund
3 pursuant to Title 30-A, section 5681.

4 6. Use of local option wage tax revenue. The revenue
5 raised by the adoption of a local option wage tax must be used by
6 the municipality for the payment of principal and interest to
7 holders of bonds issued for the construction of a major capital
8 project undertaken by the municipality. For the purposes of this
9 section, "major capital project" means the construction,
10 renovation or expansion of a building or facility to be used for
11 public purposes or of municipal roads.

12 7. Limitations on local option wage tax. When the
13 municipal debt service obligation for a major capital project, as
14 specifically authorized by the voters in a referendum vote
15 authorizing the local option wage tax, has been satisfied, or
16 when the voters in a referendum vote to deauthorize the local
17 option wage tax, the municipal officers shall notify the assessor
18 and the local option wage tax is repealed on the first day of the
19 month following 90 days after that notification.

20 8. Referendum. The question of whether to impose a local
21 option wage tax must be submitted to the legal voters of a
22 municipality that seeks to impose the local option wage tax.

23 The petition process and the voting at elections held in towns
24 and plantations must be held and conducted in accordance with
25 Title 30-A, sections 2528, 2529 and 2532, even if the
26 municipality has not accepted the provisions of Title 30-A,
27 section 2528. The voting at elections held in municipalities
28 must be held and conducted in accordance with Title 21-A. The
29 municipal clerk shall make a return of the results, certify the
30 results and send them to the Secretary of State. The Secretary
31 of State shall forward the results to the assessor and the
32 Treasurer of State. The municipal clerk shall prepare the
33 required ballots, which must contain the following question:

34 "Do you approve the imposition of a tax on wages earned
35 within the municipal corporate limits of (name of
36 municipality) at the rate of % with all proceeds
37 dedicated to the financing of a major capital project that
38 is reasonably estimated to cost \$ for construction,
39 renovation or expansion and is further described as follows:
40 "

41 "
42 The voters shall indicate by a cross or check mark placed against
43 the word "yes" or "no" their opinion of the same.

2 9. Effective date of tax. The tax authorized by this
section takes effect 120 days after the municipal referendum vote
4 if it is accepted by a majority of the legal voters voting at the
election and the total number of votes cast for and against the
6 acceptance of the local option wage tax equals or exceeds 20% of
the total vote cast in the most recent gubernatorial election.

8 10. Charter municipalities. A municipality with a charter
that allows the creation of municipal debt obligation without a
10 vote by the legal voters of the municipality is not subject to
subsections 6, 7 and 8 and may impose or deauthorize the local
12 option wage tax to be used in accordance with subsection 6
pursuant to the municipal charter. A tax imposed pursuant to
14 this subsection takes effect 120 days after enactment by the
municipal officials and, if repealed, is repealed on the first
16 day of the month following 90 days after notification of the
assessor.

18 11. Local Option Wage Tax Fund. The Local Option Wage Tax
20 Fund is established within the bureau to enable the assessor to
segregate and administer the funds collected and attributable to
22 each municipality that adopts a local option wage tax.

24 SUMMARY

26 This bill allows municipalities to adopt a local option wage
28 tax at a rate of not more than 2% of the amount of the Maine
income tax owed under the Maine Revised Statutes, Title 36,
30 chapter 803.

32 All the provisions regarding assessment, collection and
enforcement of the state tax also apply to the local option wage
34 tax. The State shall assess and collect the local wage tax along
with the state wage tax and return the revenue raised to the
36 municipality. The municipality must notify the State Tax
Assessor at least 90 days before the local wage tax goes into
38 effect. This will give the State Tax Assessor time to set up the
procedures for administering the local tax.

40 The State Tax Assessor shall determine the amount of revenue
42 raised by each municipality's local wage tax each month, subtract
the administrative costs of the local tax and certify the amount
44 to be returned to each municipality. The Treasurer of State
shall pay that certified amount to each participating
46 municipality each month.

48 The additional revenue raised by a local option wage tax
must be used by the municipality to finance specifically approved
50 major capital projects.