

MAINE STATE LEGISLATURE

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119th MAINE LEGISLATURE

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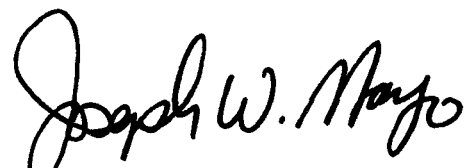
House of Representatives, March 24, 1999

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

(AFTER DEADLINE)

Approved for introduction by a majority of the Legislative Council pursuant to Joint Rule 205.

Reference to the Committee on Taxation suggested and ordered printed.


JOSEPH W. MAYO, Clerk

Presented by Representative GAGNON of Waterville.
Cosponsored by Senator RAND of Cumberland.

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

2
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 assessor at
22 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
 day of the month following the close of the calendar quarter or
 such other reporting period as the assessor may require. The
36 bureau shall provide to every employer in a municipality that has
 imposed a local option wage tax a form and a pamphlet explaining
38 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
 attributable to each municipality under this section, subtract
44 the costs of administering this section and certify the net
 amount due each municipality from the Local Option Wage Tax Fund
 established under subsection 11. The Treasurer of State shall
46 make monthly payments from the fund to the municipal treasurer of
 the net amounts certified by the assessor and adjusted by this
48 subsection. Revenue collected pursuant to this section is not
 considered to be receipts from the taxes imposed under this

2 Part to be transferred from the Local Government Fund pursuant to
3 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
18 assessor, and the local option wage tax is repealed on the first
19 day of the 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 The voters shall indicate by a cross or check mark placed against
42 the word "Yes" or "No" their opinion of the same.

2 9. Effective date of tax. The tax authorized by this
3 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
5 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
7 the total vote cast in the most recent gubernatorial election.

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

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

24

SUMMARY

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27 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
29 income tax owed under the Maine Revised Statutes, Title 36,
30 chapter 803.

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

40

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

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