

MAINE STATE LEGISLATURE

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120th MAINE LEGISLATURE

SECOND REGULAR SESSION-2002

Legislative Document

No. 2210

S.P. 828

In Senate, April 1, 2002

An Act Relating to Tax Expenditure Review and Other Tax Reporting Requirements.

Reported by Senator Gagnon for the Joint Standing Committee on Taxation pursuant to Resolve 2001, chapter 17, section 2.

A handwritten signature in cursive script that reads "Pamela L. Cahill".

PAMELA L. CAHILL
Secretary of the Senate

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

4 **Sec. 1. 5 MRSA §1710-J**, as enacted by PL 1995, c. 368, Pt. J,
§1, is amended to read:

6 **§1710-J. Access to information**

8 In order to assist the committee, the Department of
Administrative and Financial Services shall provide information
10 and data to the committee on request. The committee members are
bound by the confidentiality restrictions concerning certain tax
12 records described in Title 36, chapter 7. The State Tax Assessor
may disclose any corporate or individualized income tax data,
14 sales and use tax data, business tax data, property tax data or
other tax data to the committee or its staff. This information
16 may be requested in any form, including paper records,
computerized data or summary statistics, but may not be
18 transmitted with any identification by taxpayer name, number or
address and must be aggregated to include at least 3 taxpayers.
20 The State Tax Assessor shall provide information annually to the
committee before the committee's December 1st report pursuant to
22 section 1710-F concerning the amount of actual capital gains and
losses experienced by taxpayers filing income tax returns in the
24 State under Title 36, Part 8 for tax years ending in the previous
calendar year. Data reported concerning capital gains and losses
26 may be distributed by decile or quartile. In the absence of
actual data, the State Tax Assessor may provide estimates of the
28 capital gains or loss experience.

30 **Sec. 2. 5 MRSA §13070-J, sub-§1, ¶D**, as enacted by PL 1997, c.
761, §2, is amended to read:

32 D. "Economic development incentive" means:

34 (1) Assistance from Maine Quality Centers under Title
36 20-A, chapter 431-A;

38 (2) The Governor's Training Initiative Program under
40 Title 26, chapter 25, subchapter IV;

42 (3) Municipal tax increment financing under Title
30-A, chapter 207;

44 (4) The jobs and investment tax credit under Title 36,
46 section 5215;

48 (5) The research expense tax credit under Title 36,
section 5219-K;

2 (6) Reimbursement for taxes paid on certain business
property under Title 36, chapter 915; or

4 (7) Employment tax increment financing under Title 36,
chapter 917; or

6 (8) The shipbuilding facility credit under Title 36,
8 chapter 919.

10 **Sec. 3. 36 MRSA §112, sub-§9-A**, as enacted by PL 1999, c. 488,
§1, is repealed.

12 **Sec. 4. 36 MRSA §112, sub-11**, as enacted by PL 1999, c. 169,
14 §1, is repealed.

16 **Sec. 5. 36 MRSA c. 9**, as amended, is repealed.

18 **Sec. 6. 36 MRSA §200, sub-§1**, as enacted by PL 1997, c. 744,
§1, is amended to read:

20 **1. Impact of taxes on individuals.** The bureau shall submit
22 to the joint standing committee of the Legislature having
24 jurisdiction over taxation matters and the joint standing
committee of the Legislature having jurisdiction over
26 appropriations and financial affairs a report containing the
information required by this subsection ~~to the Legislature~~ by
28 July 1, 1999 and by October 1st of each even-numbered year
thereafter.

30 A. Part 1 of the report must describe the overall incidence
of all state, local and county taxes. The report must
32 present information on the distribution of the tax burden:

34 (1) For the overall income distribution, using a
measure of system-wide incidence that appropriately
36 measures equality and inequality;

38 (2) By income classes, including, at a minimum,
deciles of the income distribution; and

40 (3) By other appropriate taxpayer characteristics.

42 B. Part 2 of the report must describe the impact of the tax
44 system on business and industrial sectors. The report must:

46 (1) Describe the impact of taxes on major sectors of
the business and industrial economy relative to other
48 sectors; and

2 (2) Describe the relative impact of each tax on
business and industrial sectors.

4 C. When determining the overall incidence of taxes under
this subsection, the bureau shall reduce the amount of taxes
6 collected by the amount of taxes that are returned directly
to taxpayers through tax relief programs.

8 Sec. 7. 36 MRSA c. 10 is enacted to read:

10 **CHAPTER 10**

12 **TAX EXPENDITURE REVIEW**

14 **§199-A. Definitions**

16 As used in this chapter, unless the context otherwise
18 indicates, the following terms have the following meanings.

20 1. Committee. "Committee" means the joint standing
22 committee of the Legislature having jurisdiction over taxation
matters.

24 2. Tax expenditure. "Tax expenditure" means any provision
26 of state law that results in the reduction of tax revenue due to
special exclusions, exemptions, deductions, credits, preferential
28 rates or deferral of tax liability.

30 **§199-B. Report**

32 1. Report. The bureau shall submit a report regarding tax
expenditures to the committee by January 5th of each odd-numbered
34 year. The report must contain:

36 A. A summary of each tax expenditure in the laws
administered by the bureau;

38 B. A description of the purpose and background of the tax
40 expenditure and the groups likely to benefit from the tax
expenditure;

42 C. An estimate of the cost of the tax expenditure for the
44 current biennium;

46 D. Any issues regarding tax expenditures that need to be
considered by the Legislature; and

48 E. Any recommendation regarding the amendment, repeal or
50 replacement of the tax expenditure.

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§199-C. Review

The committee shall conduct the following reviews according to the following schedule.

1. Odd-numbered years. During each odd-numbered year the committee may review the report required under section 199-B.

2. Even-numbered years. During each even-numbered year the committee may review current issues of tax policy.

A. During each second regular session, the committee shall identify areas of tax policy for review during the period between the end of the second regular session and the first regular session of the next Legislature.

B. The committee may review:

(1) Issues of tax policy related to tax expenditures identified in its review under subsection 1;

(2) Issues related to the overall structure of the State's tax laws and the relative tax burdens on various classes of taxpayers;

(3) The impact of the State's tax structure on taxpayer behavior, including incentives and disincentives to reside or locate businesses in the State;

(4) Issues identified by the committee that require more detailed review than is possible during a regular session of the Legislature; or

(5) Any other tax policy issue identified by the committee as needing legislative review.

§199-D. Report

The committee shall notify the Legislature of the results of each review conducted under section 199-C and may issue a report of its findings and recommendations. The committee may report to the Legislature any legislation necessary to implement recommendations resulting from the review conducted under section 199-C.

Sec. 8. 36 MRSA §1119, as amended by PL 1999, c. 731, Pt. Y, §6, is further amended to read:

§1119. Valuation guidelines

2 By December 31, 2000 and biennially thereafter, the
3 Department of Agriculture, Food and Rural Resources working with
4 the Bureau of Revenue Services, representatives of municipal
5 assessors and farmers shall prepare ~~and report to the joint~~
6 ~~standing committee of the Legislature having jurisdiction over~~
7 ~~taxation matters~~ guidelines to assist local assessors in the
8 valuation of farmland. The department shall also deliver these
9 guidelines in training sessions for local assessors throughout
10 the State. These guidelines must include recommended values for
11 cropland, orchard land, pastureland and horticultural land,
12 differentiated by region where justified. Any variation in
13 assessment of farmland from the recommended values must be
14 substantiated by the local assessor within the parameters allowed
15 within this subchapter.

16 **Sec. 9. 36 MRSA §1121**, as amended by PL 1997, c. 526, §14, is
17 further amended to read:

18 **§1121. Program monitoring**

19 ~~By January 1, 1989, and every 2 years thereafter, the~~ The
20 Department of Agriculture, Food and Rural Resources and the
21 Bureau of Revenue Services shall periodically review the level of
22 participation in the farm and open space tax program, the taxes
23 saved due to that participation, the fiscal impact, if any, on
24 municipalities, including the impact of any penalties assessed
25 under section 1112 and the effectiveness of the program in
26 preserving farmland and open space. The department and the
27 bureau shall may report to the joint standing committee of the
28 Legislature having jurisdiction over taxation ~~within 6 months~~
29 ~~after completion of the review~~ matters on the status of the
30 program. The department and the bureau shall may identify
31 problems that prevent realization of the purposes of this
32 subchapter and potential solutions to remedy those problems.

33 ~~By February 1, 1992, the department and the bureau shall~~
34 ~~report to the joint standing committee of the Legislature having~~
35 ~~jurisdiction over taxation matters on the potential problems that~~
36 ~~occur as a matter of transferring parcels between classifications~~
37 ~~and subsequent withdrawal of those or other parcels pursuant to~~
38 ~~sections 581, 1109, 1112 and 1115. Recommendations, if any,~~
39 ~~regarding the penalty provisions imposed by withdrawal from any~~
40 ~~of the classifications contained in subchapter II-A or this~~
41 ~~subchapter must be included in this report.~~

42 **Sec. 10. 36 MRSA §5215, sub-§8**, as enacted by PL 1993, c. 672,
43 §1 and affected by §2, is repealed.

2 **Sec. 11. 36 MRSA §6254, sub-§2-A**, as enacted by PL 1989, c.
713, §4, is amended to read:

4 **2-A. Inventory.** The filing of the certificate in the
5 registry of deeds is sufficient notice of the existence of the
6 mortgage. Whenever the State acquires title to real estate, the
7 State Tax Assessor shall cause an inventory to be made of all
8 such real estate. The inventory must contain a description of
9 the real estate, amount of accrued taxes by years and any
10 information necessary to the administration and supervision of
11 the real estate. ~~The State Tax Assessor shall report annually to
12 the Legislature not later than 15 days after the Legislature
13 convenes. The report must contain a copy of the inventory of
14 real estate then owned by the State and the recommendations for
15 the disposition of this real estate that the State Tax Assessor
16 makes.~~

18 **Sec. 13. Identification of tax expenditures.** By December 1, 2002,
19 the joint standing committee of the Legislature having
20 jurisdiction over taxation matters, in consultation with the
21 Department of Administrative and Financial Services, Bureau of
22 Revenue Services, shall identify tax expenditures that must be
23 included in the report by the bureau required under that section
24 of this Act that enacts the Maine Revised Statutes, Title 36,
25 chapter 10 and develop a reporting format that will provide the
26 committee with the information needed to review those tax
27 expenditures effectively.
28

30 **FISCAL NOTE**

32 The Department of Agriculture, Food and Rural Resources may
33 realize some minor savings from changes in certain reporting
34 requirements.

36 The Bureau of Revenue Services within the Department of
37 Administrative and Financial Services will incur some minor
38 additional costs regarding certain reporting requirements. These
39 costs will be offset by elimination of certain other reporting
40 requirements within the same bureau.

42 **SUMMARY**

44 This bill implements the recommendations of the Joint
45 Standing Committee on Taxation resulting from its review of tax
46 expenditures required under the Maine Revised Statutes, Title 36,
47 chapter 9. The bill repeals the current tax expenditure review
48 process and replaces it with a process intended to provide more
49 effective legislative review of tax expenditures and provide an
50

2 opportunity for legislative review of the State's tax policy and
3 structure. The bill requires the Department of Administrative
4 and Financial Services, Bureau of Revenue Services to provide
5 information relating to tax expenditures for review biennially by
6 the joint standing committee of the Legislature having
7 jurisdiction over taxation matters. In alternate years the
8 committee is authorized to identify and review issues related to
9 expenditures, the State's overall tax policy and structure or
10 other issues identified by the committee as needing legislative
11 review. The committee is authorized to submit legislation
12 implementing its recommendations.

13
14 The bill also repeals several reports to the Legislature by
the Bureau of Revenue Services that are duplicative, obsolete or
no longer considered necessary.