

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 983

S.P. 324

In Senate, February 25, 2003

An Act To Phase Out the Tax on Business Equipment

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 BLAIS of Kennebec.
Cosponsored by Representative BERUBE of Lisbon and
Senator: SHOREY of Washington, Representative: VAUGHAN of Durham.

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

4 **Sec. 1. 5 MRSA §13070-J, sub-§1, ¶D,** as corrected by RR 2001,
c. 2, Pt. A, §11, is amended to read:

6 D. "Economic development incentive" means:

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

10 (2) The Governor's Training Initiative Program under
12 Title 26, chapter 25, subchapter 4;

14 (3) Municipal tax increment financing under Title
30-A, chapter 206;

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

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

24 (6) Reimbursement for taxes paid on certain business
property under Title 36, chapter 915. This
26 subparagraph is repealed April 1, 2010;

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

30 (8) The shipbuilding facility credit under Title 36,
chapter 919; or

32 (9) The credit for seed capital investment under Title
34 36, section 5216-B.

36 **Sec. 2. 36 MRSA §662** is enacted to read:

38 **§662. Certain personal property used in business**

40 **1. Definitions.** As used in this section, unless the
42 context otherwise indicates, the following terms have the
44 following meanings.

46 **A. "Business property" means tangible personal property**
that:

48 **(1) Is used or held for use exclusively for a business**
purpose by the person in possession of it or, in the
50 **case of construction in progress or inventory parts, is**

2 intended to be used exclusively for a business purpose
3 by the person who will possess that property; and

4 (2) Either:

6 (a) Was subject to an allowance for depreciation
7 under the Code on April 1st of the property tax
8 year to which the claim for reimbursement relates
9 or would have been subject to an allowance for
10 depreciation under the Code as of that date but
11 for the fact that the property has been fully
12 depreciated; or

14 (b) In the case of construction in progress or
15 inventory parts, would be subject under the Code
16 to an allowance for depreciation when placed in
17 service or would have been subject to an allowance
18 for depreciation under the Code as of that date
19 but for the fact that the property has been fully
20 depreciated.

22 "Business property" also includes all property that is
23 affixed or attached to a building or other real estate if it
24 is used to further a particular trade or business activity
25 taking place in that building or on that real estate.
26 "Business property" does not include components or
27 attachments to a building if used primarily to serve the
28 building as a building, regardless of the particular trade
29 or activity taking place in or on the building. "Business
30 property" also does not include land improvements if used
31 primarily to further the use of the land as land, regardless
32 of the particular trade or business activities taking place
33 in or on the land. In the case of construction in progress
34 or inventory parts, the term "used" means intended to be
35 used. "Business property" also does not include any vehicle
36 registered for on-road use on which a tax assessed pursuant
37 to chapter 111 has been paid or any watercraft registered
38 for use on state waters on which a tax assessed pursuant to
39 chapter 112 has been paid.

40 B. "Inventory parts" includes repair parts, replacement
41 parts, replacement equipment, additions, accessions and
42 accessories on hand but not in service and stocks or
43 inventories of repair parts, replacement parts, replacement
44 equipment, additions, accessions and accessories on hand but
45 not in service if acquired after April 1, 2005, regardless
46 of when placed in service.

48 2. Phaseout of tax on business property. An exemption from
49 the personal property tax levied pursuant to this Part is
50

2 provided under this subsection for a percentage of the just value
3 of business property according to the following:

4 A. Beginning April 1, 2005, 20% of the just value of the
5 business property is exempt;

6 B. Beginning April 1, 2006, 40% of the just value of the
7 business property is exempt;

10 C. Beginning April 1, 2007, 60% of the just value of the
11 business property is exempt;

12 D. Beginning April 1, 2008, 80% of the just value of the
13 business property is exempt; and

16 E. Beginning April 1, 2009, 100% of the just value of the
17 business property is exempt.

18 3. Reimbursement to municipalities. The State shall
19 reimburse municipalities for revenue lost as a result of the
20 operation of this section according to the procedure established
21 in section 661.

24 **Sec. 3. 36 MRSA §6664 is enacted to read:**

26 **§6664. Repeal**

28 This chapter is repealed April 1, 2010.

32 SUMMARY

34 This bill provides an exemption of 20% from personal
35 property taxation on business property beginning April 1, 2005
36 and increases that exemption by the same amount each year until
37 the business property is completely exempt beginning April 1,
38 2009. Under the requirements of the Constitution of Maine,
39 Article IV, Part Third, Section 23, the State is required to
40 reimburse each municipality 50% of the property tax revenue loss
41 suffered by that municipality as a result of this bill.

42 This bill also repeals the business equipment tax
43 reimbursement program in 2010, since business property is exempt
44 from personal property taxation beginning April 1, 2009 and
45 businesses currently have one year to file for reimbursement.