

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

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Legislative Document

No. 1141

H.P. 844

House of Representatives, March 4, 2003

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### **An Act To Provide Property Tax Relief for Maine Residents and Businesses and Implement Comprehensive Tax Reform**

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative McGOWAN of Pittsfield.

Under suspension of the rules, cosponsored by Senator STANLEY of Penobscot and Representatives: BLANCHETTE of Bangor, BROWNE of Vassalboro, CANAVAN of Waterville, CHURCHILL of Orland, CLARK of Millinocket, DUGAY of Cherryfield, DUNLAP of Old Town, FISCHER of Presque Isle, FLETCHER of Winslow, GERZOFSKY of Brunswick, GOODWIN of Pembroke, HATCH of Skowhegan, JACKSON of Fort Kent, LAVERRIERE-BOUCHER of Biddeford, MARRACHÉ of Waterville, McCORMICK of West Gardiner, MOODY of Manchester, O'BRIEN of Lewiston, PARADIS of Frenchville, PELLON of Machias, PERRY of Bangor, RICHARDSON of Skowhegan, SHERMAN of Hodgdon, SUSLOVIC of Portland, TARDY of Newport, THOMAS of Orono, TOBIN of Dexter, TREADWELL of Carmel, WHEELER of Kittery, Senators: BRYANT of Oxford, GAGNON of Kennebec, HATCH of Somerset, LEMONT of York, MARTIN of Aroostook, MITCHELL of Penobscot, STRIMLING of Cumberland.

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

4 **Sec. 1. 5 MRSA §1513, sub-§1**, as corrected by RR 1999, c. 2,  
5 §1, is amended to read:

6 **1. Maine Rainy Day Fund.** As the first priority before any  
7 other transfer, the State Controller shall at the close of each  
8 fiscal year reserve from the unappropriated surplus of the  
9 General Fund an amount equal to ~~1/2~~ 25% of the excess of total  
10 General Fund revenues received over accepted estimates in that  
11 fiscal year and transfer that amount to the Maine Rainy Day Fund  
12 at the beginning of the next fiscal year. Accepted revenue  
13 estimates may not be increased after adjournment of each First  
14 Regular Session of the Legislature except as provided. For the  
15 first year of the biennium, revenue estimates for the 2nd year of  
16 the biennium may be adjusted once during the Second Regular  
17 Session of the Legislature. Accepted revenue estimates may be  
18 increased for other fiscal periods only if an amount not to  
19 exceed 1/2 of the increase is transferred by the State Controller  
20 to the Rainy Day Fund at the same time from the unappropriated  
21 surplus of the General Fund. The fund may not exceed 6% of the  
22 total General Fund revenues received in the immediately preceding  
23 fiscal year and may not lapse, but remains in a continuing  
24 carrying account to carry out the purposes of this section. A  
25 reduction in the fund is not necessary in the event the total  
26 General Fund revenues received in the immediately preceding  
27 fiscal year are less than the total General Fund revenues  
28 received in the fiscal year 2 years previous and if the fund is  
29 at its 6% limit.

30 **Sec. 2. 5 MRSA §1514-A** is enacted to read:

31 **§1514-A. Income Tax Rate Management Fund**

32 **1. Fund established.** For the purposes of reducing the  
33 volatility of state tax revenues, improving the predictability of  
34 state and local budgeting efforts and managing the State's  
35 overall tax burden, there is established the Income Tax Rate  
36 Management Fund, referred to in this section as "the fund." The  
37 fund may be used to alleviate only the characteristics of the  
38 State's income tax rate structure that concentrate the individual  
39 income tax rates within a narrow range of taxable incomes and  
40 apply the highest marginal rate to a relatively low level of  
41 taxable income. Money in the fund does not lapse, but is carried  
42 forward for the purposes of this section.

43 **2. Revenues reserved.** Beginning with fiscal year 2004-05,  
44 and notwithstanding section 1513, if the tax revenues generated  
45 by the individual income tax for any fiscal year, as determined  
46 by the State Controller at the close of the fiscal year, exceed

2 those of the previous fiscal year by more than the maximum tax  
4 growth target as described in section 1710-A, subsection 4, the  
6 State Controller shall at the close of each fiscal year reserve  
from the unappropriated surplus of the General Fund an amount  
equal to the identified excess individual income tax revenues and  
transfer that amount to the fund.

8 **3. Changes to rate structure.** The State Tax Assessor shall  
10 adopt by rule changes to the income tax rate structure in  
12 accordance with this section and within the financial limits of  
14 the money available in the fund. Specifically, the assessor  
16 shall proportionately reduce the individual income tax rates to  
the nearest 1/10th of 1% without exceeding the amount of money  
available in the fund. Rules adopted under this section are  
routine technical rules as defined in Title 5, chapter 375,  
subchapter 2-A.

18 **4. Transfer to General Fund.** The State Controller shall  
20 transfer from the fund to the General Fund an amount certified by  
22 the State Tax Assessor as the adjustment necessary to offset any  
individual income tax revenue reduction implemented by the  
assessor pursuant to subsection 3.

24 **Sec. 3. 5 MRS §1521** is enacted to read:

26 **§1521. Education Funding Stabilization Fund**

28 **1. Education Funding Stabilization Fund.** The Education  
30 Funding Stabilization Fund, referred to in this section as "the  
32 fund," is established to be used solely for meeting the State's  
share of the cost of funding public education from kindergarten  
to grade 12.

34 **2. Definition.** For the purposes of this section, unless  
36 the context otherwise indicates, "funding public education from  
38 kindergarten to grade 12" has the same meaning as provided in  
Title 20-A, section 15658-A.

40 **3. Transfers to the fund.** As an equal priority with the  
42 transfer required under section 1513, the State Controller at the  
44 close of each fiscal year, beginning with fiscal year 2003-04,  
46 shall reserve from the unappropriated surplus of the General Fund  
48 an amount equal to 25% of the excess of total General Fund  
50 revenues received over accepted estimates in that fiscal year and  
transfer that amount to the fund at the beginning of the next  
fiscal year. Accepted revenue estimates may not be increased  
after adjournment of any First Regular Session of the Legislature  
except as provided. For the first year of the legislative  
biennium, revenue estimates for the 2nd year of the biennium may  
be adjusted once during the Second Regular Session

2 of the Legislature. Accepted revenue estimates may be increased  
4 for other fiscal periods only if an amount not to exceed 25% of  
6 the increase is transferred by the State Controller to the  
8 Education Funding Stabilization Fund at the same time the revenue  
10 estimates are increased from the unappropriated surplus of the  
12 General Fund.

8 4. Transfers from fund. Money in the fund may be allocated  
10 only for the purpose of meeting the State's share of the cost of  
12 funding public education from kindergarten to grade 12 and only  
14 upon a 2/3 vote of all the members elected to each House of the  
16 Legislature.

14 5. Nonlapsing fund. Any unexpended balance in the fund may  
16 not lapse, but must be carried forward.

16 6. Investment of fund. The money in the fund may be  
18 invested as provided by law with the earnings credited to the  
20 fund.

20 **Sec. 4. 5 MRSA §1710-A, sub-§§2 and 3,** as amended by PL 1997,  
22 c. 643, Pt. W, §1, are further amended to read:

24 **2. Biennial economic assumptions.** The commission shall  
26 submit recommendations for state economic assumptions for the  
28 next fiscal biennium and analyze economic assumptions for the  
30 current fiscal biennium, which must be approved by a majority of  
32 the commission members. No later than November 1st of each  
34 even-numbered year, the commission shall submit to the Governor,  
36 the Legislative Council, the Revenue Forecasting Committee, the  
38 State Tax Assessor, the Commissioner of Education and the joint  
40 standing committee of the Legislature having jurisdiction over  
42 appropriations and financial affairs a report that presents the  
44 analyses, findings and recommendations for economic assumptions  
46 related to revenue forecasting for the next fiscal biennium. The  
report must identify the actual growth in total annual personal  
income for the 2 years preceding the current fiscal year, and an  
estimate of the projected growth in total annual personal income  
for the current fiscal year and for each fiscal year of the next  
biennium. For purposes of this subsection, "total annual  
personal income" means the total personal income of the State's  
residents as reported by the United States Department of  
Commerce, Bureau of Economic Analysis for the fiscal year that  
coincides with the State's fiscal year. In its report, the  
commission shall fully describe the methodology employed in  
reaching its recommendations.

48 **3. Current biennium adjustments.** No later than February  
50 1st and November 1st annually the commission shall submit to the  
Governor, the Legislative Council, the Revenue Forecasting

2 Committee, the State Tax Assessor, the Commissioner of Education  
and the joint standing committee of the Legislature having  
4 jurisdiction over appropriations and financial affairs a report  
that presents the commission's findings and recommendations for  
6 adjustments to the economic assumptions for the current fiscal  
biennium, including any adjustments to the actual growth in total  
8 annual personal income for the 2 fiscal years preceding the  
current fiscal year, and the projected growth in total annual  
10 personal income for each fiscal year of the biennium. For  
purposes of this subsection, "total annual personal income" means  
12 the total personal income of the State's residents as reported by  
the United States Department of Commerce, Bureau of Economic  
14 Analysis for the fiscal year that coincides with the State's  
fiscal year. In each report the commission shall fully describe  
the methodology employed in reaching its recommendations.

16 **Sec. 5. 5 MRSA §1710-A, sub-§4** is enacted to read:

18 **4. Maximum tax growth target.** The maximum tax growth  
20 target for a state fiscal year is the growth in total annual  
personal income, measured as the percent of change between the  
22 actual total annual personal income for 2 consecutive fiscal  
24 years, the last of which ended on June 30th of the year preceding  
the calendar year, as that information is presented in the  
commission's report no later than February 1st pursuant to  
26 subsection 3.

28 **Sec. 6. 20-A MRSA §15617, sub-§1, ¶B,** as amended by PL 1993,  
c. 435, §6, is further amended to read:

30 B. A summary of anticipated revenues and estimated school  
32 expenditures for the fiscal year; and

34 **Sec. 7. 20-A MRSA §15617, sub-§1, ¶C,** as enacted by PL 1993,  
c. 435, §7, is amended to read:

36 C. The following statement, including the estimated dollar  
38 amount of state retirement payments: "This budget does not  
include the estimated amount of \$..... in employer share  
40 of teacher retirement costs that is paid directly by the  
State."; and

42 **Sec. 8. 20-A MRSA §15617, sub-§1, ¶D** is enacted to read:

44 D. A statement indicating the estimated impact of the  
46 budget document, if approved, on property tax mill rates for  
education for all classes of property within the  
48 municipalities that are part of the unit.

50 **Sec. 9. 20-A MRSA §15658-A** is enacted to read:

2 **§15658-A. Funding public education from kindergarten to grade 12**

4 "Funding public education from kindergarten to grade 12" has  
6 the following meanings under the following circumstances.

8 **1. Before implementation of essential programs and services**  
10 **model. In fiscal year 2004-05, and in any succeeding year before**  
12 **an essential programs and services model pursuant to section**  
14 **15671 is in effect, "funding public education from kindergarten**  
16 **to grade 12" means the sum of:**

18 **A. The total allocation amount for that year, as defined in**  
20 **section 15603, subsection 28, as adjusted by section 15658;**

22 **B. All adjustments for that year listed in sections 15612**  
24 **and 15613; and**

26 **C. The additional local appropriation amount for the prior**  
28 **year.**

30 **2. At implementation of essential programs and services**  
32 **model. Beginning in the first year in which an essential**  
34 **programs and services model pursuant to section 15671 is in**  
36 **effect, "funding public education from kindergarten to grade 12"**  
38 **means funding the total costs of the essential programs and**  
40 **services components that must be funded that year pursuant to the**  
42 **transition plan that is in effect for that year plus the state**  
44 **and local share amounts for any nonredundant components of the**  
46 **School Finance Act of 1985 and the School Finance Act of 1995**  
48 **that remain in effect for that year.**

30 **3. Municipalities that are part of a school administrative**  
32 **district or community school district. For a municipality that**  
34 **is a member of a school administrative district or a community**  
36 **school district as defined in section 1, "funding public**  
38 **education from kindergarten to grade 12" means funding the amount**  
40 **that is calculated under subsection 1 or subsection 2 for the**  
42 **school administrative district or the community school district**  
44 **of which the municipality is a member. For a municipality that**  
46 **is a member of a community school district and that also operates**  
48 **a municipal school unit as defined in subsection 1, "funding**  
**public education from kindergarten to grade 12" means funding the**  
**sum of amounts that are calculated under subsection 1 or**  
**subsection 2 for the community school district and the municipal**  
**school unit.**

48 **Sec. 10. 30-A MRSA §2523, sub-§6 is enacted to read:**

2       6. Budgetary articles. With respect to any town meeting  
3       warrant that contains one or more budgetary articles that, if  
4       enacted, would have an impact on municipal expenditures for  
5       public education from kindergarten to grade 12, a statement must  
6       be printed on the article indicating the estimated impact of the  
7       budget document, if approved, on property tax mill rates for  
8       education for all classes of property within the municipality.

9  
10       **Sec. 11. 30-A MRSA §5731 is enacted to read:**

11       **§5731. Budget statement**

12  
13       A statement must be printed at the beginning of the  
14       municipal budget document that is prepared for public hearing  
15       indicating the estimated impact of the budget document, if  
16       approved, on property tax mill rates for education for all  
17       classes of property within the municipalities that are part of  
18       the unit.

19       **Sec. 12. 36 MRSA §383, sub-§4, ¶¶A and B,** as enacted by PL  
20       2001, c. 32, §1, are amended to read:

21       A. Maine Tree Growth Tax Law, section 578; and

22       B. Veterans' property tax exemptions, section 653, and.

23       **Sec. 13. 36 MRSA §383, sub-§4, ¶C,** as enacted by PL 2001, c.  
24       32, §1, is repealed.

25       **Sec. 14. 36 MRSA §507,** as amended by PL 1997, c. 643, Pt.  
26       HHH, §2 and affected by §10, is further amended to read:

27       **§507. Taxpayer information**

28  
29       When a municipality issues a property tax bill to each  
30       taxpayer, each bill must contain a statement or calculation that  
31       demonstrates the amount or percentage by which the taxpayer's tax  
32       has been reduced by the distribution of state-municipal revenue  
33       sharing, ~~state reimbursement for the Maine resident homestead~~  
34       ~~property tax exemption~~ and state aid for education. ~~The property~~  
35       ~~tax bill must contain a statement of the assessed value of a~~  
36       ~~homestead, before and after the calculation of a Maine resident~~  
37       ~~homestead property tax exemption, and the amount of the exemption~~  
38       ~~applied to the homestead.~~ The State Tax Assessor shall annually  
39       provide each municipality with the amount of state-municipal  
40       revenue sharing and state aid for education subject to  
41       identification under this section.

42  
43       Each property tax bill issued with respect to a property tax  
44       year beginning on or after April 1, 2004 must also contain the



2 following statement, including the appropriate values, accurately  
3 calculated:

4 "In 2003, the Legislature and the voters established a  
5 maximum equalized property tax rate of 12 mills for  
6 secondary residential property and 4 mills for all other  
7 property for the purpose of financing public education from  
8 kindergarten to grade 12, beginning in 2005. A school  
9 administrative unit may adopt a budget that results in mill  
10 rates higher than 4 mills (equalized) for primary  
11 residential property. Before these changes went into  
12 effect, the property tax rate for education purposes in  
13 (name of municipality) was ( ) mills (equalized) and the  
14 property tax rate for municipal and county purposes was ( )  
15 mills (equalized). The property tax rate for education  
16 reflected in this bill for property subject to the 4 mill  
17 (equalized) limitation is ( ) mills and for municipal,  
18 county and all other purposes is ( ) mills (equalized)."

19 Each property tax bill issued by a municipality shall ~~shall~~ must  
20 clearly state the amount of the tax bill that is attributable to  
21 the cost of education, the amount attributable to county taxes,  
22 the amount attributable to the remainder of the municipal budget  
23 and the date interest will begin to accrue on delinquent taxes.

24 **Sec. 15. 36 MRSA c. 105, sub-c. 1-A is enacted to read:**

25 **SUBCHAPTER 1-A**

26 **PROPERTY TAX CONTRIBUTION TO PUBLIC EDUCATION**

27 **§521. Definitions**

28 For the purposes of this subchapter, unless the context  
29 indicates otherwise, the following terms have the following  
30 meanings.

31 **1. Funding public education from kindergarten to grade 12.**  
32 "Funding public education from kindergarten to grade 12" has the  
33 same meaning as in Title 20-A, section 15658-A.

34 **2. Permanent residence.** "Permanent residence" means the  
35 place where an individual has a true, fixed and permanent home  
36 and principal establishment to which the individual, whenever  
37 absent, has the intention of returning. An individual may have  
38 only one permanent residence at a time and, once permanent  
39 residence is established, that residence is presumed to continue  
40 until circumstances indicate otherwise.

2           3. Primary residential property. "Primary residential  
3           property" means any residential property in this State assessed  
4           as real property owned by a resident of the property or held in a  
5           revocable living trust for the benefit of a resident and occupied  
6           by that resident as the resident's permanent residence. "Primary  
7           residential property" does not include any real property used  
8           solely for commercial, agricultural or industrial purposes.

9           4. Secondary residential property. "Secondary residential  
10          property" means noncommercial residential property that is not a  
11          permanent residence.

12           **§522. Maximum mill rates established**

13           With respect to the assessment of any property taxes for a  
14           property tax year beginning on or after April 1, 2004, the  
15           maximum property tax rate that may be applied to the value of the  
16           following classes of property for the purpose of funding public  
17           education from kindergarten to grade 12 is provided in this  
18           section. For a municipality that assesses property at a  
19           percentage other than 100% of just value, the maximum mill rates  
20           established by this section must be adjusted, in the process of  
21           assessment and prior to commitment, to the mill rate that  
22           generates the equivalent revenue that would be collected if the  
23           municipality were assessing property at 100% of just value.

24           1. Class A property. For secondary residential property,  
25           which may be referred to as "Class A property," the maximum mill  
26           rate is 12 mills. Mill rates applied under this subsection to  
27           Class A property may not exceed the mill rate applied to Class B  
28           property unless the mill rate applied to Class B property has  
29           reached the maximum permitted for that class.

30           2. Class B property. For property other than that listed  
31           in subsection 1, which may be referred to as "Class B property,"  
32           the maximum mill rate is 4 mills.

33           **§523. Exceeding mill rate limits; referendum process**

34           The legislative body of a school administrative unit, as  
35           defined in Title 20-A, section 1, subsection 26, may act by  
36           voting to adopt a school budget, undertake a school construction  
37           project or otherwise obligate itself to educational expenditures  
38           in such a manner and to such a degree so as to require the  
39           application of property tax rates that exceed the limits  
40           established by section 522 if that action is approved by the  
41           voters of the school administrative unit by referendum or the  
42           referendum validation process authorized by Title 20-A, sections  
43           1305-B and 1701-B, and the voters are properly notified as  
44           required by Title 20-A, section 15617 or Title 30-A, section  
45           2523, or 2551, as applicable.

2           **Sec. 16. 36 MRSA §655, sub-§1, ¶P**, as amended by PL 1997, c.  
24, Pt. U, §1, is further amended to read:

4  
6           P. All items of individually owned personal property with a  
just value of less than \$1,000, except:

8                   (1) Items used for industrial or commercial purposes;  
and

10                   (2) Vehicles and camp trailers as defined in section  
12 1481 not subject to an excise tax; and

14           **Sec. 17. 36 MRSA §655, sub-§1, ¶S**, as enacted by PL 1983, c.  
16 555, §1, is amended to read:

18           S. Mining property as provided in section 2854~~v~~; and

20           **Sec. 18. 36 MRSA §655, sub-§1, ¶T** is enacted to read:

22           T. All property described in section 6651, subsection 3  
24 that would first be subject to taxation under this chapter  
after April 1, 2004.

26           **Sec. 19. 36 MRSA c. 105, sub-c. 4-B**, as amended, is repealed.

28           **Sec. 20. 36 MRSA §709**, as amended by PL 1975, c. 651, §7, is  
further amended to read:

30           **§709. Assessment and commitment**

32           The assessors shall assess upon the estates in their  
34 municipality all taxes for public education from kindergarten to  
36 grade 12 in accordance with subchapter 1-A and all municipal  
taxes and their due proportion of any state or county tax payable  
38 during the municipal year for which municipal taxes are being  
raised, make perfect lists thereof and commit the same, when  
40 completed and signed by a majority of them, to the tax collector  
of their municipality, if any, otherwise to the sheriff of the  
county or ~~his~~ the sheriff's deputy, with a warrant under their  
hands, in the form prescribed by section 753.

42           **Sec. 21. 36 MRSA §709-A, first ¶**, as amended by PL 1973, c.  
44 788, §184, is further amended to read:

46           The municipal officers after receipt of the valuation lists  
48 from the primary assessing areas shall assess upon the estates in  
their municipality all taxes for public education from  
kindergarten to grade 12 in accordance with subchapter 1-A and

2 all municipal taxes and their due proportion of any state or  
county tax, make perfect lists thereof and commit the same, when  
4 completed and signed by a majority of them, to the tax collector  
of their municipality, if any, otherwise to the sheriff of the  
6 county or his the sheriff's deputy, with a warrant under their  
hands in the form prescribed by section 753.

8 **Sec. 22. 36 MRSA §6201, sub-§11-A**, as amended by PL 1999, c.  
401, Pt. R, §1 and affected by §2, is further amended to read:

10 **11-A. Rent constituting property taxes accrued for**  
12 **nonelderly household.** "Rent constituting property taxes accrued  
for nonelderly household" means ~~18%~~ 25% of the gross rent  
14 actually paid in cash or its equivalent in any tax year by a  
claimant and the claimant's household solely for the right of  
16 occupancy of their Maine homestead in the tax year and which rent  
constitutes the basis, in the succeeding calendar year, of a  
18 claim for relief under this chapter by the claimant.

20 **Sec. 23. Legislative duties.** During the Second Regular Session  
of the 121st Legislature and as directed by the voters pursuant  
22 to the referendum required by this Act, the Joint Standing  
Committee on Taxation shall report out revenue-neutral  
24 legislation designed to generate the additional revenue necessary  
to provide adequate funding for public education from  
26 kindergarten to grade 12 pursuant to the Maine Revised Statutes,  
Title 20-A, section 15658-A and may include any further  
28 legislation necessary to implement the provisions of this Act.  
The legislation must include the changes to the sales tax  
30 receiving the higher number of votes at the referendum required  
by this Act.

32 **Sec. 24. Statutory referendum procedure; submission at statewide**  
34 **election; form of question; effective date.** This Act takes effect when  
approved only for the purpose of permitting its submission to the  
36 legal voters of the State at a statewide election held on the  
Tuesday following the first Monday of November following passage  
38 of this Act. The municipal officers of this State shall notify  
the inhabitants of their respective cities, towns and plantations  
40 to meet, in the manner prescribed by law for holding a statewide  
election, to vote on the acceptance or rejection of this Act by  
42 voting on the following question:

44 "If an amendment to the Constitution of Maine is approved  
46 permitting the Legislature to establish different maximum  
property tax rates for different classes of property and the  
Legislature has enacted legislation that provisionally  
48 provides property tax relief by establishing a maximum  
property tax rate of 12 mills for secondary residential

2 property and 4 mills for all other property, based on  
equalized state valuation, for the purpose of supporting  
4 public education from kindergarten to grade 12 and that  
directs the Legislature to enact comprehensive tax reform  
6 subject to voter approval, would you prefer to provide the  
increased level of state financial support for public  
8 education by increasing the sales tax rates in Maine by 2  
percentage points or, in the alternative, by removing some  
10 of the exemptions from the sales tax and restricting any  
sales tax rate increase to no more than 1%?

12 Question #1: Do you favor paying for the plan by raising  
the sales tax rates by 2%?

14 Question #2: Do you favor paying for the plan by removing  
16 some sales tax exemptions and increasing sales tax rates by  
no more than 1%?"

18 The legal voters of each city, town and plantation shall  
20 vote by ballot on this question and designate their choice by a  
cross or check mark placed within a corresponding square below  
22 the word "Yes" or "No." The ballots must be received, sorted,  
counted and declared in open ward, town and plantation meetings  
24 and returns made to the Secretary of State in the same manner as  
votes for members of the Legislature. The Governor shall review  
26 the returns and, if it appears that a majority of the legal votes  
are cast in favor of the Act, the Governor shall proclaim that  
28 fact without delay, and the Act takes effect 30 days after the  
date of the proclamation.

30 The Secretary of State shall prepare and furnish to each  
32 city, town and plantation all ballots, returns and copies of this  
Act necessary to carry out the purposes of this referendum.

34 **Sec. 25. Application.** That section of this Act that amends  
36 the Maine Revised Statutes, Title 5, section 1513 and that  
section of this Act that enacts Title 5, section 1521 apply to  
38 fiscal years beginning with fiscal year 2003-04.

40 **SUMMARY**

42 This bill provides for a statutory referendum designed to  
44 achieve tax relief for residents and businesses in the State and  
implement comprehensive tax and education funding reform. The  
46 bill provides property tax relief by establishing a cap on local  
property taxes of 12 mills on secondary residential property and  
48 4 mills on all other property for the purpose of funding public  
education. Additional money for public education could be raised  
50 from the property tax only if approved by the voters at a

2 referendum. The bill also provides property tax relief by  
expanding the tax and rent refund program, phasing out the tax on  
4 certain personal property and gradually eliminating the need for  
the business equipment tax reimbursement program. Education  
6 funding would be stabilized by setting aside a portion of  
unappropriated surplus for an Education Funding Stabilization  
8 Fund. Income tax relief would be provided by setting aside a  
portion of revenues in excess of estimates to be used to reduce  
income tax rates. The bill directs the Joint Standing Committee  
10 on Taxation to report legislation to the Second Regular Session  
to raise revenue necessary to meet the State's education funding  
12 obligation. The referendum questions require the voters to  
indicate whether they prefer raising the sales tax rate by 2  
14 percentage points or by removing sales tax exemptions and  
increasing the rate by no more than one percentage point. The  
16 bill takes effect only if a majority of the voters approve at  
least one of the revenue options and if a constitutional  
18 amendment is also approved to permit different property tax rates  
for secondary residential property.