

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1338

H.P. 983

House of Representatives, March 12, 2003

An Act To Reform the Tax Laws

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative DUNLAP of Old Town.

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

4 **Sec. 1. 20-A MRSA §15622** is enacted to read:

6 **§15622. Local option**

8 The commissioner shall reduce the total allocation to a
10 municipality under this chapter and chapter 606-A by an amount
equal to the transfer of funds by the Treasurer of State to the
municipality pursuant to Title 36, section 1817 or 5116.

12 **Sec. 2. 36 MRSA §508** is enacted to read:

14 **§508. Local option**

16 A municipality that receives revenue pursuant to section
18 1817 or 5116 that exceeds the total allocation the municipality
would have otherwise received under Title 20-A, chapters 606 and
20 606-A must reduce the tax levied in the municipality under this
part by the amount that the revenue exceeds the allocation. The
22 reduction of the tax under this Part pursuant to this section
must be applied on a pro rata basis to every taxable property
under this Part in the municipality.

24 **Sec. 3. 36 MRSA §1817** is enacted to read:

26 **§1817. Local option sales and use tax**

28 **1. Municipalities authorized to adopt.** If the legal voters
30 of a municipality give their approval in a referendum vote, the
legislative body of that municipality may impose a local option
32 sales and use tax on all of the transactions subject to the tax
imposed under this chapter. The local option sales and use tax
34 is at the same rate as and replaces the sales and use tax under
this Part.

36 **2. Notify assessor.** A municipality that imposes a local
38 option sales and use tax under this section shall notify the
assessor at least 90 days before the local tax is effective.

40 **3. Administered by State.** Retailers in a municipality that
42 has imposed a local option sales and use tax under this section
shall transfer the revenue from that tax at the time of and in
44 the manner provided for the transfer of state sales and use tax
revenue. The tax is subject to the same interest, penalties and
46 administrative actions as other taxes assessed under this Part.

48 **4. Transfer of revenue.** Each month the assessor shall
50 identify the amount of revenue attributable to each municipality
under this section, subtract 15% and certify the net amount due

2 each municipality to the Treasurer of State and the Commissioner
4 of Education. The Treasurer of State shall make monthly payments
6 to municipal treasurers of the net amounts certified by the
8 assessor under this subsection. Revenue collected pursuant to
10 this section is not considered to be receipts from the taxes
12 imposed under this Part for purposes of transfers to the Local
14 Government Fund under Title 30-A, section 5681.

16 5. Use of local sales and use tax revenue. The revenue
18 raised by the adoption of a local option sales and use tax must
20 be expended by the municipality in the same manner that the
22 municipality expends general purpose aid for local schools under
24 Title 20-A, chapters 606 and 606-A.

26 6. Referendum. The question of whether to impose a local
28 option sales and use tax must be submitted to the legal voters of
30 a municipality that seeks to impose the local option sales and
32 use tax.

34 The petition process and the voting at elections held in towns
36 and plantations must be held and conducted in accordance with
38 Title 30-A, sections 2528, 2529 and 2532 even if the municipality
40 has not accepted the provisions of section 2528. The voting at
42 elections in municipalities must be held and conducted in
44 accordance with Title 21-A.

46 The municipal clerk shall make a return of the results, certify
48 the results and send them to the Secretary of State. The
50 Secretary of State shall forward the results to the assessor.

The local option sales and use tax may be discontinued by
referendum conducted in the same manner as is the referendum
adopting the tax under this section.

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

Sec. 4. 36 MRSA §5116 is enacted to read:

§5116. Local option income tax

1. Municipalities authorized to adopt. If the legal voters
of a municipality give their approval in a referendum vote, the
legislative body of that municipality may impose a local option
income tax on the income of a taxpayer subject to the tax

2 imposed under this chapter. The local option income tax is
4 computed at the same rate as and replaces the income tax under
6 this chapter.

8 2. Notify assessor. A municipality that imposes a local
10 option income tax under this section shall notify the assessor at
12 least 90 days before the local tax is effective.

14 3. Administered by State. A taxpayer in a municipality
16 that has imposed a local option income tax under this section
18 shall pay that tax at the time of and in the manner provided for
20 the payment of state income tax. The tax is subject to the same
22 interest, penalties and administrative actions as other taxes
24 assessed under this Part.

26 4. Transfer of revenue. Each month the assessor shall
28 identify the amount of revenue attributable to each municipality
30 under this section, subtract 15% and certify the net amount due
32 each municipality to the Treasurer of State and the Commissioner
34 of Education. The Treasurer of State shall make monthly payments
36 to municipal treasurers of the net amounts certified by the
38 assessor under this subsection. Revenue collected pursuant to
40 this section is not considered to be receipts from the taxes
42 imposed under this Part for purposes of transfers to the Local
44 Government Fund under Title 30-A, section 5681.

46 5. Use of income tax revenue. The revenue raised by the
48 adoption of a local option income tax must be expended by the
50 municipality in the same manner that the municipality expends
general purpose aid for local schools under Title 20-A, chapters
606 and 606-A.

6. Referendum. The question of whether to impose a local
option income tax must be submitted to the legal voters of a
municipality that seeks to impose the local option income tax.

The petition process and the voting at elections held in towns
and plantations must be held and conducted in accordance with
Title 30-A, sections 2528, 2529 and 2532 even if the municipality
has not accepted the provisions of section 2528. The voting at
elections held in municipalities must be held and conducted in
accordance with Title 21-A.

The municipal clerk shall make a return of the results, certify
the results and send them to the Secretary of State. The
Secretary of State shall forward the results to the assessor.

The local option income tax may be discontinued by referendum
conducted in the same manner as is the referendum adopting the
tax under this section.

