

# MAINE STATE LEGISLATURE

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A of E

L.D. 1372

DATE: 6/13/03

(Filing No. H-594)

TAXATION

Minority

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
121ST LEGISLATURE  
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to I.B. 3, L.D. 1372, "An Act To Enact the School Finance and Tax Reform Act of 2003"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following:

PART A

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

SUBCHAPTER 1-A

PROPERTY TAX CONTRIBUTION TO PUBLIC EDUCATION

§521. Definitions

As used in this subchapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Full value mill rate expectation. "Full value mill rate expectation" means the maximum property tax rate that may be applied to the value of property for the purpose of funding public education from kindergarten to grade 12.

2. Funding public education from kindergarten to grade 12. "Funding public education from kindergarten to grade 12" means

2 the cost of funding essential programs and services as described  
3 in Title 20-A, chapter 606-B.

4 **§522. State and local share of funding public education from**  
5 **kindergarten to grade 12**

6  
7 Notwithstanding Title 20-A, chapter 606-B, this section  
8 establishes the state and local shares of funding public  
9 education from kindergarten to grade 12.

10  
11 1. State share. Beginning with fiscal year 2004-2005, the  
12 state share of funding public education from kindergarten to  
13 grade 12 is 55%.

14  
15 2. Maximum full value mill rate expectation.  
16 Notwithstanding Title 20-A, chapter 606-B, with respect to the  
17 assessment of any property taxes for property tax years beginning  
18 on or after April 1, 2004, the full value mill rate expectations  
19 that may be applied to the value of property for the purpose of  
20 funding public education from kindergarten to grade 12 must be  
21 calculated under subsection 3 and may not exceed 9 mills. For a  
22 municipality that assesses property at a percentage other than  
23 100% of just value, the maximum mill rate calculated under  
24 subsection 3 must be adjusted, in the process of assessment and  
25 prior to commitment, to the mill rate that generates the  
26 equivalent revenue that would be collected if the municipality  
27 were assessing property at 100% of just value.

28  
29 3. Calculation of full value mill rate expectation. For  
30 property tax years beginning on or after April 1, 2004, the  
31 Commissioner of Education shall calculate the full value mill  
32 rate expectation that is required to fund a local share of  
33 funding public education from kindergarten to grade 12 equal to  
34 45%.

35 **§523. Exceeding mill rate expectations; referendum process**

36  
37 The legislative body of a school administrative unit, as  
38 defined in Title 20-A, section 1, subsection 26, may adopt  
39 property tax rates that exceed the adjusted full value mill rate  
40 expectation established by section 522 if that action is approved  
41 by the voters of the school administrative unit by referendum or  
42 the referendum validation process authorized by Title 20-A,  
43 sections 1305-B and 1701-B and the voters are properly notified  
44 as required by Title 20-A, section 15617 or Title 30-A, section  
45 2523 or 2551, as applicable.

46  
47 **Sec. A-2. Basis for funding costs of education from kindergarten to**  
48 **grade 12. Notwithstanding any other provision of law, beginning**  
49 **in fiscal year 2004-05, funding of the costs of**  
50

2 public education from kindergarten to grade 12 must be based on  
the cost of providing essential programs and services as  
4 described in the Maine Revised Statutes, Title 20-A, chapter  
606-B.

6 **Sec. A-3. Application.** This Part applies to property tax  
years beginning on or after April 1, 2004.

10 **PART B**

12 **Sec. B-1. 36 MRSA §690** is enacted to read:

14 **§690. Repeal**

16 A homestead property tax exemption under this subchapter is  
18 not authorized for property tax years based on the status of  
property on or after April 1, 2004. This subchapter is repealed  
20 January 1, 2005.

22 **PART C**

24 **Sec. C-1. 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:

26 **11-A. Rent constituting property taxes accrued for**  
28 **nonelderly household.** "Rent constituting property taxes accrued  
for nonelderly household" means 18% 20% of the gross rent  
30 actually paid in cash or its equivalent in any tax year by a  
claimant and the claimant's household solely for the right of  
32 occupancy of their Maine homestead in the tax year and which rent  
constitutes the basis, in the succeeding calendar year, of a  
34 claim for relief under this chapter by the claimant.

36 **Sec. C-2. 36 MRSA §6207, sub-§§1 and 2**, as amended by PL 1997,  
c. 557, Pt. A, §3 and affected by Pt. G, §1, are further amended  
38 to read:

40 **1. Benefit calculation.** For claimants representing a  
nonelderly household, the benefit is calculated as follows:

42 **A-1.** ~~Fifty-percent-of~~ The benefit equals that portion of  
44 the benefit base that exceeds 4% ~~but does not exceed 8% of~~  
~~income plus 100% of that portion of the benefit base that~~  
46 ~~exceeds 8% of income~~ to a maximum payment of \$1,000 \$3,000.

48 **2. Income eligibility.** Single-member households with  
household incomes in excess of \$25,700 \$40,000 and households  
50 with 2 or more members with a household income in excess of

\$40,000 \$65,000 are not eligible for a benefit.

**Sec. C-3. Application.** This Part applies to claims for reimbursement filed after July 31, 2004.

## PART D

**Sec. D-1. 36 MRSA §662** is enacted to read:

### §662. Business equipment

1. Eligible business equipment exempt. Eligible business equipment is exempt from all taxation under this Part, except chapters 111 and 112.

2. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Eligible business equipment" means qualified business property that, in the absence of this section, would first be subject to taxation under this Part after April 1, 2003. "Eligible business equipment" includes, without limitation, repair parts, replacement parts, additions, accessions and accessories to other qualified business property that first became taxable under this Part on or before April 1, 2003 if the part, addition, accession or accessory would, in the absence of this section, first be subject to taxation under this Part after April 1, 2003. "Eligible business equipment" also includes inventory parts for qualified business property that, in the absence of this section, would first be subject to taxation under this Part after April 1, 2003.

"Eligible business equipment" does not include:

(1) Office furniture, including, without limitation, tables, chairs, desks, bookcases, filing cabinets and modular office partitions;

(2) Lamps and lighting fixtures; and

(3) Property owned or used by an excluded person.

B. "Excluded person" means:

(1) A public utility as defined in Title 35-A, section 102, subsection 13;

2           (2) A person that provides radio paging services as  
defined in Title 35-A, section 102, subsection 15;

4           (3) A person that provides mobile telecommunications  
services as defined in Title 35-A, section 102,  
6           subsection 9-A;

8           (4) A cable television company as defined in Title  
30-A, section 2001, subsection 2;

10           (5) A person that provides satellite-based direct  
12           television broadcast services; or

14           (6) A person that provides multichannel, multipoint  
16           television distribution services.

18           C. "Inventory parts" includes repair parts, replacement  
parts, replacement equipment, additions, accessions and  
accessories on hand but not in service and stocks or  
20           inventories of repair parts, replacement parts, replacement  
equipment, additions, accessions and accessories on hand but  
22           not in service and other machinery and equipment on hand for  
future use but not in service if acquired after April 1,  
24           2003, regardless of when placed in service.

26           D. "Qualified business property" means tangible personal  
28           property that:

30           (1) Is used or held for use exclusively for a business  
purpose by the person in possession of it or, in the  
case of construction in progress or inventory parts, is  
32           intended to be used exclusively for a business purpose  
by the person who will possess that property; and

34           (2) Either:

36           (a) Was subject to an allowance for depreciation  
38           under the Code on April 1st of the property tax  
year for which a claim for exemption under  
40           subsection 4 is filed, or would have been subject  
to an allowance for depreciation under the Code as  
42           of that date but for the fact that the property  
has been fully depreciated; or

44           (b) In the case of construction in progress or  
46           inventory parts, would be subject under the Code  
to an allowance for depreciation when placed in  
48           service or would have been subject to an allowance  
for depreciation under the Code as of that date  
50           but for the fact that the property has been fully

depreciated.

2  
3 "Qualified business property" also includes all property  
4 that is affixed or attached to a building or other real  
5 estate if it is used primarily to further a particular trade  
6 or business activity taking place in that building or on  
7 that real estate. "Qualified business property" does not  
8 include components or attachments to a building if used  
9 primarily to serve the building as a building, regardless of  
10 the particular trade or activity taking place in or on the  
11 building. "Qualified business property" also does not  
12 include land improvements if used primarily to further the  
13 use of the land as land, regardless of the particular trade  
14 or business activities taking place in or on the land. In  
15 the case of construction in progress or inventory parts, the  
16 term "used" means intended to be used. "Qualified business  
17 property" also does not include any vehicle registered for  
18 on-road use on which a tax assessed pursuant to chapter 111  
19 has been paid or any watercraft registered for use on state  
20 waters on which a tax assessed pursuant to chapter 112 has  
21 been paid.

22  
23 3. Additional limitations. The exemptions provided  
24 pursuant to this section are limited as follows.

25  
26 A. Exemption for certain energy facilities under this  
27 section is limited as follows.

28  
29 (1) The exemption provided by this section does not  
30 apply to a natural gas pipeline, including pumping or  
31 compression stations, storage depots and appurtenant  
32 facilities used in the transportation, delivery or sale  
33 of natural gas but not including a pipeline that is  
34 less than a mile in length and is owned by a consumer  
35 of natural gas delivered through the pipeline.

36  
37 (2) The exemption provided in this section does not  
38 apply to property used to produce or transmit energy  
39 primarily for sale. Energy is primarily for sale if  
40 during the immediately preceding property tax year 2/3  
41 or more of the useful energy is directly or indirectly  
42 sold and transmitted through the facilities of a  
43 transmission and distribution utility.

44  
45 (3) For purposes of this paragraph, unless the context  
46 otherwise indicates, the following terms have the  
47 following meanings.

48  
49 (a) "Transmission and distribution utility" has  
50 the same meaning as defined in Title 35-A, section

102, subsection 20-B.

(b) "Useful energy" is energy in any form that does not include waste heat, efficiency losses, line losses or other energy dissipation.

B. Pollution control facilities that are entitled to exemption pursuant to section 656, subsection 1, paragraph E are not entitled to an exemption under this section, except that such property is entitled to exemption under this section if:

(1) The property is entitled to an exemption under section 656, subsection 1, paragraph E but has not yet been certified for exemption under that paragraph;

(2) The property has been placed in service after the December 1st immediately preceding April 1st of the tax year for which the exemption is sought but prior to April 1st of the property tax year for which the exemption is sought; and

(3) The taxpayer has submitted the required application for certification to the Commissioner of Environmental Protection prior to April 1st.

The exemption under this section continues for property that meets the requirements of subparagraphs (1), (2) and (3) only until the certification for exemption under section 656, subsection 1, paragraph E has been granted. If the assessor denies an exemption on the ground that the property in question is entitled to exemption under section 656, subsection 1, paragraph E and the taxpayer appeals the denial, the assessor shall, at the taxpayer's request, allow the taxpayer up to one year to obtain a statement from the Commissioner of Environmental Protection that the property at issue is not exempt under section 656, subsection 1, paragraph E. If the taxpayer timely produces such a statement or otherwise demonstrates that the property is not exempt under section 656, subsection 1, paragraph E, the assessor shall allow the exemption under this section.

4. Reporting. On or before June 1st of each year, a taxpayer claiming an exemption under this section shall file a report with the assessor of the taxing jurisdiction in which the property would otherwise be subject to taxation. The report must identify the property for which exemption is claimed and must be made on a form prescribed by the State Tax Assessor or substitute form approved by the State Tax Assessor. The State Tax Assessor shall furnish copies of the form to each municipality in the



2 State and the form must be made available to taxpayers prior to  
3 April 1st. The assessor may require the taxpayer to sign the  
4 form and make oath to its truth.

6 The assessor may request in writing that taxpayers answer in  
7 writing all reasonable inquiries as to the nature, situation and  
8 value of the property for which exemption is requested. A  
9 taxpayer has 60 days from receipt of such inquiries to respond.

10 The assessor may at any time grant an extension of the time  
11 periods for action provided for in this subsection. Upon written  
12 request, a taxpayer is entitled to a 30-day extension of time as  
13 a matter of right and additional extensions for good cause, it  
14 being the intent that extensions be granted liberally to avoid  
15 forfeiture of the exemption.

16 Failure to comply with the provisions of this subsection on a  
17 timely basis, including any extensions of time, results in a  
18 penalty equal to the lesser of \$5,000 or 10% of the taxes that  
19 would be imposed on the exempt property in the absence of the  
20 exemption as long as the taxpayer complies with the provisions of  
21 this subsection before October 1st following the April 1st  
22 exemption date. The penalty amount is treated as property taxes  
23 and must be paid to the municipality as such. The penalty may be  
24 waived by the assessor for good cause. A failure to comply with  
25 the provisions of this subsection by October 1st following the  
26 April 1st exemption date disqualifies the property involved from  
27 exemption for that tax year. All notices and requests provided  
28 pursuant to this subsection must conspicuously state the  
29 consequences of the taxpayer's failure to respond to the notice  
30 or request in a timely manner.

31 If an exemption has already been granted and the State Tax  
32 Assessor then determines that the property is not entitled to  
33 exemption, a supplemental assessment must be made within 3 years  
34 of the original assessment date with respect to the property in  
35 compliance with section 713, without regard to the limitations  
36 contained in that section regarding the justification necessary  
37 for a supplemental assessment.

38 5. Local review. Reports properly filed pursuant to  
39 subsection 4 must be reviewed by the assessor with whom they are  
40 filed. A taxing jurisdiction is not entitled to state  
41 reimbursement pursuant to section 661 with respect to property  
42 entitled to exemption under this section unless the assessor  
43 certifies to the State Tax Assessor that the property qualifies  
44 for such exemption. The local taxing jurisdiction shall file an  
45 annual certification for business equipment exemptions by  
46 November 1st following the April 1st exemption date or 30 days  
47 after commitment of taxes, whichever is later, but in no event  
48 50

2 later than 120 days following November 1st following the April  
3 1st exemption date. All exemptions certified by the local  
4 taxing jurisdiction must be applied in calculating the taxable  
5 valuation of property in that jurisdiction, unless the  
6 jurisdiction determines that the property is not entitled to  
7 exemption and provides a corrected certification to the State Tax  
8 Assessor.

9  
10 6. State valuation. The State Tax Assessor shall annually  
11 determine the value of property that is exempt pursuant to this  
12 section based upon the business equipment exemption  
13 certifications filed by local taxing jurisdictions under  
14 subsection 5. The State Tax Assessor shall use the valuation of  
15 exempt property so determined to compute the reimbursement  
16 required by section 661 arising from property tax exemptions.  
17 The State Tax Assessor shall establish a uniform methodology to  
18 be used in determining the just value of certified exempt  
19 property. The valuations of certified exempt property as  
20 determined by the State Tax Assessor must be reported to local  
21 taxing jurisdictions no later than July 1st following receipt of  
22 the certified reports. The valuations determined may be appealed  
23 in the same fashion as provided for the state valuation  
24 determined in accordance with section 305, subsection 1, with the  
25 exception that the State Board of Property Tax Review, as  
26 established by Title 5, section 12004-B, subsection 6, must  
27 render its decision no later than November 15th following the  
28 date on which the appeal is taken. The board must certify its  
29 decisions on these exemption appeals to the State Tax Assessor by  
30 December 1st of the year following the application of the  
31 exemption. The valuations of exempt property must be filed with  
32 the Secretary of State by December 10th following the year of  
33 exemption.

34 7. State review. The State Tax Assessor may review  
35 exemption claims made under this section and may disqualify any  
36 exemption certified under subsection 5 within a 2-year period  
37 from the date of the local tax jurisdiction certification. In a  
38 case in which a local taxing jurisdiction has already received  
39 reimbursement, the excess reimbursement may be offset against the  
40 next reimbursement payment. A local taxing jurisdiction  
41 aggrieved by a decision of the State Tax Assessor to disqualify a  
42 certified exemption after the exemption amount has been filed  
43 with the Secretary of State may seek review as provided by  
44 section 151. The assessor shall send notice to the taxpayer, in  
45 the manner and of the type provided for in section 151 in the  
46 case of a reconsideration decision, of any decision to disqualify  
47 an exemption. The taxpayer may seek reconsideration pursuant to  
48 section 151 of the State Tax Assessor's decision to disqualify  
49 any exemption claimed by the taxpayer.  
50

2       8. Legislative findings. The Legislature finds that  
3       encouragement of the growth of capital investment in this State  
4       is in the public interest and promotes the general welfare of the  
5       people of the State. The Legislature further finds that the high  
6       cost of owning qualified business property in this State is a  
7       disincentive to the growth of capital investment in this State.  
8       The Legislature further finds that the tax exemption set forth in  
9       this section is a reasonable means of overcoming this  
10       disincentive and will encourage capital investment in this State.

11               **Sec. D-2. 36 MRSA §6651, sub-§1**, as amended by PL 2001, c.  
12       396, §43, is further amended to read:

13               **1. Eligible property.** "Eligible property" means qualified  
14       business property first placed in service in the State, or  
15       constituting construction in progress commenced in the State,  
16       after April 1, 1995, but does not include any property that is  
17       exempt from property tax under section 662. "Eligible property"  
18       includes, without limitation, repair parts, replacement parts,  
19       additions, accessions and accessories to other qualified business  
20       property placed in service on or before April 1, 1995 if the  
21       part, addition, accession or accessory is first placed in  
22       service, or constitutes construction in progress, in the State  
23       after April 1, 1995, but does not include any property that is  
24       exempt from property tax under section 662. "Eligible property"  
25       also includes inventory parts.

26               **Sec. D-3. 36 MRSA §6654**, as amended by PL 2001, c. 714, Pt.  
27       BB, §1 and affected by §4, is further amended to read:

28               **§6654. Claim for reimbursement**

29               A person entitled to reimbursement of property taxes paid  
30       with respect to eligible property pursuant to section 6652 may  
31       file a claim for reimbursement with the State Tax Assessor. The  
32       reimbursement claim must be filed with the State Tax Assessor on  
33       or after August 1st and on or before the following December 31st  
34       for property taxes paid during the preceding calendar year for  
35       which no previous reimbursement pursuant to this chapter has been  
36       made. For good cause, the State Tax Assessor may at any time  
37       extend the time for filing a claim for reimbursement for a period  
38       not exceeding 60 days from the original due date. An application  
39       for reimbursement may not be filed after February 29, 2016.  
40       Except as otherwise provided, the claim must be accompanied by  
41       the statement obtained by the claimant pursuant to section 6653.  
42       If the claimant requests reimbursement of an amount of tax that  
43       differs from the amount of tax specified for the eligible  
44       property in the statement provided by the assessor or assessors  
45       of the taxing jurisdiction, the claimant must attach to the claim  
46       form an explanation of the reasons for that difference and the  
47

2 State Tax Assessor shall determine the correct amount of  
reimbursement to which the claimant is entitled, taking into  
4 consideration both the statement from the assessor or assessors  
and the taxpayer's explanation. If, for any reason, the claimant  
6 is unable to obtain the statement specified in section 6653 from  
the assessor or assessors within the time specified in section  
8 6653, the claimant must attach to the claim form an explanation  
of the amount of reimbursement requested and the State Tax  
Assessor shall process the claim without that statement.

10

12 **PART E**

14 **Sec. E-1. 30-A MRSA §5681, sub-§2, ¶E,** as enacted by PL 1999,  
c. 731, Pt. U, §1, is amended to read:

16

18 E. "Disproportionate tax burden" means the total real and  
personal property taxes assessed in the most recently  
20 completed municipal fiscal year for the purpose of funding  
the portion of the municipal budget that does not include  
the cost of funding public education from kindergarten to  
22 grade 12, except the taxes assessed on captured value within  
a tax increment financing district, divided by the latest  
24 state valuation certified to the Secretary of State and  
reduced by .01.

26

28 **Sec. E-2. Application.** This Part applies to distributions  
from the Disproportionate Tax Burden Fund made after June 30,  
2004.

30

32 **PART F**

34 **Sec. F-1. 36 MRSA c. 216** is enacted to read:

36 **CHAPTER 216**

38 **LIMITED LOCAL OPTION SALES AND USE TAX**

40 **§1871. Definitions**

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

44

46 1. Capital project. "Capital project" means a major,  
permanent or long-lived improvement, including, but not limited  
to, the acquisition or development of land and structures and  
48 related equipment, that would be properly chargeable to a capital  
asset account, as distinguished from current expenditures and  
50 ordinary maintenance expenses.

2           **2. Eligible municipality.** "Eligible municipality" means:

4           **A. A regional service district established pursuant to**  
6           **Title 30-A, chapter 112; and**

8           **B. A municipality that has demonstrated to the satisfaction**  
10           **of the assessor that it has adopted administrative and other**  
12           **service-delivery practices that achieve cost savings in**  
14           **operating funds related to administrative services and that**  
16           **the money saved has been directed for property tax relief.**

18           **3. Municipal clerk.** "Municipal clerk" means the clerk of  
20           **an eligible municipality.**

22           **4. Municipal referendum.** "Municipal referendum" means a  
24           **referendum conducted pursuant to this chapter by an eligible**  
26           **municipality.**

28           **5. Municipal treasurer.** "Municipal treasurer" means the  
30           **treasurer of an eligible municipality.**

32           **§1872. Authority to impose local tax; administration**

34           **1. Generally.** The legislative body of an eligible  
36           **municipality may, if the legal voters of the eligible**  
38           **municipality give their approval in a referendum vote conducted**  
40           **pursuant to section 1874, and subject to the other requirements**  
42           **of this chapter, impose an additional 1% local option sales tax**  
44           **on transactions that are otherwise subject to the tax imposed by**  
46           **this Part, together with a local option use tax of an additional**  
48           **1% on storage, use or other consumption that is otherwise subject**  
50           **to the tax imposed by this Part. Any tax imposed under this**  
          **chapter must receive certification by the Commissioner of**  
          **Economic and Community Development pursuant to section 1875.**

**2. Collection and remittance; administration by State.**  
          **Retailers that collect the 1% sales and use tax adopted by an**  
          **eligible municipality pursuant to this chapter shall transfer the**  
          **revenue from that tax at the time and in the manner required by**  
          **chapter 219. Taxes imposed pursuant to this chapter are**  
          **administered by the assessor and are subject to the interest,**  
          **penalty and administrative provisions of Parts 1 and 3.**

**3. Effective date of tax.** A local option sales and use tax  
          **approved by the voters of an eligible municipality pursuant to**  
          **section 1874 is effective on the first day of the first full**  
          **calendar quarter that begins more than 60 days after the date on**  
          **which the assessor receives from the Commissioner of Economic and**  
          **Community Development certification of the local option sales and**

2 use tax pursuant to section 1875. If the effective date provided  
3 by this subsection does not allow the assessor to provide  
4 retailers with at least 60 days' notice of the imposition of the  
5 tax, the effective date is the beginning of the next succeeding  
6 calendar quarter; however, a tax imposed pursuant to this chapter  
7 may not take effect prior to July 1, 2004.

8 4. Expiration of tax. A local option sales and use tax  
9 imposed pursuant to this chapter expires on the first day of the  
10 calendar quarter that begins after the earliest of the following  
11 dates:

12  
13 A. The end of the month during which the time period for  
14 the tax specified in the municipal referendum expires;

15  
16 B. The end of the 3rd month following the month during  
17 which the revenue limit specified in the municipal  
18 referendum is reached;

19  
20 C. The end of the 3rd month after the municipal clerk  
21 forwards to the assessor certification of the discontinuance  
22 of the local option sales and use tax as a result of a  
23 referendum vote conducted in accordance with the provisions  
24 of this chapter; and

25  
26 D. Five years from the effective date of the tax.

27  
28 If the expiration date provided by this subsection does not allow  
29 the assessor to provide retailers with at least 60 days' notice  
30 of the expiration of the tax, the expiration date is the  
31 beginning of the next succeeding calendar quarter.

32  
33 **§1873. Eligible capital projects**

34  
35 The 1% sales and use tax authorized by this chapter may be  
36 adopted only for the purpose of financing one or more eligible  
37 capital projects that have a regional impact. Property acquired  
38 pursuant to an eligible capital project must be owned by a  
39 governmental body or regional nonprofit organization. Only the  
40 following types of projects are eligible for financing under this  
41 chapter:

42  
43 1. Visitor facilities. A capital project that will  
44 generate regional economic activity or attract and support  
45 visitors to a region, including, but not limited to, a convention  
46 and conference center, an industrial park for regional employers,  
47 an aquarium, the repair and replacement of downtown facilities, a  
48 regional land conservation or recreation project and a sports  
49 arena;

50

2 2. Educational facilities. A capital project involving  
3 construction or renovation that will enhance regional educational  
4 opportunities, including, but not limited to, a regional  
5 vocational center and a high school serving a regional service  
6 district established pursuant to Title 30-A, chapter 112. An  
7 educational facility project may not be financed unless the  
8 school administrative unit establishes and complies with a  
9 maintenance and capital improvement program as required under  
10 Title 20-A, section 4001 and a facility maintenance plan as  
11 required under Title 20-A, section 15905, subsection 6;

12 3. Public infrastructure. A capital project that will  
13 provide utility or transportation services to more than one  
14 municipality, including, but not limited to, a regional  
15 wastewater treatment system, a regional solid waste facility, a  
16 transit facility, a bikeway, a parking garage and an arterial or  
17 collector road;

18 4. Environmental projects. A capital project that will  
19 restore or protect a natural environmental system including, but  
20 not limited to, the restoration or preservation of a beach,  
21 wetland or river system and the acquisition of land with regional  
22 environmental significance; and

23 5. Affordable housing. A capital project for the  
24 construction of affordable housing, as defined by the Maine State  
25 Housing Authority.

26 **§1874. Referendum process**

27 1. Generally. The question of whether to impose or  
28 discontinue a limited local option sales and use tax must be  
29 submitted in a referendum to the legal voters of the eligible  
30 municipality and approved by a majority of those voting. The  
31 petition process and the voting at an election held by a town or  
32 plantation that is not part of a regional service district under  
33 Title 30-A, chapter 112 must be conducted in accordance with  
34 Title 30-A, sections 2528, 2529 and 2532 even if the town or  
35 plantation in question has not accepted the provisions of Title  
36 30-A, section 2528. The voting at elections held by  
37 municipalities, other than towns and plantations that are not  
38 part of a regional service district, must be conducted in  
39 accordance with the provisions of Title 21-A. The voting at  
40 elections held by a regional service district must be conducted  
41 in accordance with the provisions of Title 30-A, chapter 112. A  
42 referendum conducted pursuant to this section must take place at  
43 a general election with a turnout equal to or greater than 30% of  
44 the votes cast in that municipality in the last gubernatorial  
45 election. The municipal clerk shall prepare the required  
46 ballots, make a return of the results, certify those results and  
47  
48  
49  
50

2 send them to the Secretary of State, the Commissioner of Economic  
3 and Community Development and the assessor.

4 2. Concurrent levies prohibited. Only one local option  
5 sales and use tax may be levied in an eligible municipality at  
6 one time.

8 3. Form of ballots. Ballots for questions of local option  
9 sales and use taxes must be as provided in this subsection.

10 A. Ballots on the question of whether to impose the local  
11 option sales and use tax must read substantially as follows:

14 "Do you favor the (enactment of) (extension of) a 1% local  
15 option sales and use tax to be imposed in (name of eligible  
16 municipality) for a period of time not to exceed (time  
17 period) in order to raise \$ \_\_\_\_\_ for the  
18 purpose[s] of (purpose)?"

20 The voters shall indicate their opinion by a cross or check  
21 mark placed against the word "Yes" or "No."

22 B. If an eligible municipality is to issue a debt in  
23 conjunction with the purpose for which the tax is to be  
24 imposed, the term of the debt may not exceed 10 years, and  
25 the debt is a general obligation of the eligible  
26 municipality that proposes to impose the tax. In such cases  
27 the ballot must also have written or printed thereon the  
28 following:

30 "If imposition of the tax is approved by the voters, this  
31 vote also constitutes approval of the issuance of general  
32 obligation debt of (name of eligible municipality) in a  
33 principal amount not to exceed \$ \_\_\_\_\_ for  
34 the purpose stated above."

35 C. Ballots on the question of whether to discontinue the  
36 tax must read substantially as follows:

40 "Do you favor discontinuing by (target date of repeal) the  
41 1% local option sales and use tax that has been in place in  
42 (name of eligible municipality) since (original effective  
43 date of tax) even if the sum of \$ \_\_\_\_\_ originally  
44 authorized by referendum vote dated (date of original  
45 referendum vote approving adoption of the tax) has not been  
46 raised?"

48 The voters shall indicate their opinion by a cross or check  
49 mark placed against the word "Yes" or "No."

50



**§1875. Certification of Commissioner of Economic and Community Development**

2  
4       **1. Commissioner of Economic and Community Development to**  
6       **certify local option sales and use tax. An eligible municipality**  
8       **must obtain from the Commissioner of Economic and Community**  
10       **Development a certification that the capital project or projects**  
12       **to be financed by the proposed local option sales and use tax has**  
14       **a regional impact and is an eligible project under section 1873.**  
16       **The commissioner may not certify a local option sales and use tax**  
18       **unless the commissioner finds that the project or projects for**  
20       **which the tax was proposed will directly serve residents of the**  
22       **eligible municipality and visitors and workers from communities**  
24       **other than the eligible municipality in which the improvement is**  
       **located. A project does not provide a regional benefit if it is**  
       **primarily local in nature and serves a single municipality, with**  
       **only incidental or indirect benefit to residents of that**  
       **municipality and visitors and workers from other communities, or**  
       **is a type of project that is routinely funded out of the local**  
       **property tax. The Department of Economic and Community**  
       **Development may adopt rules to implement this section. Rules**  
       **adopted under this section are routine technical rules pursuant**  
       **to Title 5, chapter 375, subchapter 2-A.**

26       **2. Commissioner to notify assessor. The Commissioner of**  
28       **Economic and Community Development shall notify the assessor**  
       **whenever the commissioner certifies a local option sales and use**  
       **tax pursuant to this section.**

30       **§1876. Distribution of revenues**

32       **Beginning on the 15th day of the 2nd month following the**  
34       **month in which a tax adopted pursuant to this chapter first**  
36       **becomes effective, and on the 15th day of each month thereafter,**  
38       **the assessor shall identify the amount of revenues that have been**  
40       **collected pursuant to local option sales and use taxes adopted**  
42       **pursuant to this chapter, including tax, interest and penalties,**  
44       **net of refunds, credits and other appropriate adjustments. The**  
46       **assessor shall determine the amount of such revenues attributable**  
48       **to each eligible municipality and subtract 2%, which must be**  
50       **credited to the Local Option Sales Tax Fund, established in the**  
       **Department of Administrative and Financial Services, Bureau of**  
       **Revenue Services. The assessor shall certify to the Treasurer of**  
       **State the net amount due each eligible municipality. The**  
       **Treasurer of State shall make monthly payments to municipal**  
       **treasurers of the net amounts certified by the assessor under**  
       **this subsection. Revenues collected pursuant to taxes imposed**  
       **under this chapter do not constitute receipts from the taxes**  
       **imposed under this Part for purposes of transfers to the Local**  
       **Government Fund under Title 30-A, section 5681.**

**§1877. Use of proceeds by eligible municipality**

2  
4     The revenue raised by the adoption of a local option sales  
6     and use tax must be held by the eligible municipality in a  
8     segregated account. Revenue from that account may be expended  
10     only for the purpose or purposes specified in the referendum on  
12     the adoption of the tax, or to pay general obligation debt issued  
14     for the approved purpose or purposes. If the proceeds exceed the  
16     maximum amount specified in the referendum for the financing of  
18     the capital project or projects, they must be placed in a  
20     designated fund that may be used only for the purpose of  
22     maintaining the project or projects once completed.

**PART G**

16     **Sec. G-1. 36 MRSA §5219-S,** as amended by PL 2003, c. 20, Pt.  
18     GG, §1, is further amended to read:

20     **§5219-S. Earned income credit**

22     A taxpayer is allowed a refundable credit against the taxes  
24     otherwise due under this Part equal to 5% 30% of the federal  
26     earned income credit for the same taxable year, except that for  
28     tax years beginning in 2003, 2004 and 2005, the applicable  
percentage is 4.92% instead of 5%. ~~The credit may not reduce the~~  
~~state income tax to less than zero.~~

30     **Sec. G-2. Application.** This Part applies to tax years  
beginning on or after January 1, 2005.

**PART H**

34     **Sec. H-1. 5 MRSA §13090-K, sub-§2,** as amended by PL 2001, c.  
36     439, Pt. UUUU, §1, is further amended to read:

38     **2. Source of fund.** Beginning July 1, 2003 and every July  
40     1st thereafter, the State Controller shall transfer to the  
42     Tourism Marketing Promotion Fund an amount, as certified by the  
44     State Tax Assessor, that is equivalent to 5% of the 7% tax and  
46     15% taxes imposed on tangible personal property and taxable  
48     services pursuant to Title 36, section 1811, for the first 6  
50     months of the prior fiscal year after the reduction for the  
transfer to the Local Government Fund as described by Title 30-A,  
section 5681, subsection 5. Beginning on October 1, 2003 and  
every October 1st thereafter, the State Controller shall transfer  
to the Tourism Marketing Promotion Fund an amount, as certified  
by the State Tax Assessor, that is equivalent to 5% of the 7% tax  
and 15% taxes imposed on tangible personal property and taxable

services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

**Sec. H-2. 36 MRSA §1811, first ¶,** as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% except, effective July 1, 2004, 10% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% except, effective July 1, 2004, 20% on the value of rental for a period of less than one year of an automobile; 7% on the value of prepared food; and 5% 6% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

**Sec. H-3. Effective date.** This Part takes effect May 1, 2004.

## PART I

**Sec. I-1. 36 MRSA §1752, sub-§1-H** is enacted to read:

1-H. Amusement and recreation services. "Amusement and recreation services" means the following services provided through a retail sale in this State to a member of the public or through a private club that charges a fee for membership or right of access: an amusement, recreational, exhibitivive, cultural or athletic activity; a rental of personal property for amusement or recreation; and a purchase of membership in a social organization. Donations to charity and dues to labor unions are not amusement and recreation services.

**Sec. I-2. 36 MRSA §1752, sub-§17-A, ¶J,** as enacted by PL 1999, c. 790, Pt. A, §46, is amended to read:

J. Prepaid calling arrangements; and

**Sec. I-3. 36 MRSA §1752, sub-§17-A, ¶K,** as amended by PL 2003, c. 390, §8, is further amended to read:

2 K. Rental of furniture, audio media and audio equipment  
pursuant to a rental-purchase agreement as defined in Title  
4 9-A, section 11-105; and

6 **Sec. I-4. 36 MRSA §1752, sub-§17-A, ¶L** is enacted to read:

8 L. Amusement and recreation services.

10 **Sec. I-5. Effective date.** This Part takes effect July 1, 2004.

12 **PART J**

14 **Sec. J-1. 30-A MRSA c. 112** is enacted to read:

16 **CHAPTER 112**

18 **REGIONAL SERVICE DISTRICTS**

20 **§2111. Purpose**

22 The purpose of this chapter is to enhance the ability of  
24 municipalities to cooperate and consolidate on a basis of mutual  
advantage in the efficient and effective exercise of municipal  
26 obligations and home-rule authority pursuant to this Part through  
voluntary creation of and delegation to regional service  
28 districts or through other cooperative agreements that achieve  
similar cost savings, including, but not limited to, cooperative  
30 agreements with county governments. The goal and results of  
cooperation and consolidation are to achieve significant property  
32 tax relief and to increase municipalities' ability to fund public  
education.

34 **Sec. J-2. Legislation and review.** By January 2, 2004, the  
Executive Department shall present legislation to the Joint  
36 Standing Committee on State and Local Government to carry out the  
purpose of the Maine Revised Statutes, Title 30-A, chapter 112.  
38 The Joint Standing Committee on State and Local Government shall  
review this legislation.

42 **PART K**

44 **Sec. K-1. 28-A MRSA §1652, sub-§1,** as repealed and replaced by  
PL 1987, c. 342, §116, is amended to read:

46 **1. Excise tax on malt liquor.** An excise tax is imposed on  
48 the privilege of manufacturing and selling malt liquor, wine and  
low-alcohol spirits products in the State. The Maine manufacturer  
50 or importing wholesale licensee shall pay an excise tax of 25¢

2 ~~per-gallon-on-all-malt-liquor-sold-in-the-State 1.5¢ for each~~  
3 ~~10th of an ounce of 100% alcohol sold in the State in malt~~  
4 ~~beverages, hard cider, wine, sparkling wine, fortified wine and~~  
5 ~~low-alcohol spirits products.~~

6 **Sec. K-2. 28-A MRSA §1652, sub-§2,** as amended by PL 1997, c.  
7 767, §4, is repealed.

8 **Sec. K-3. 28-A MRSA §1703, sub-§3,** as amended by PL 1997, c.  
9 767, §6, is further amended to read:

10 **3. Amount of premium.** The premium imposed by subsections 1  
11 and 2 is:

12 ~~A. Ten cents per gallon on all malt beverages and hard~~  
13 ~~cider sold in the State;~~

14 A-1. Two cents for each ounce of 100% alcohol sold in the  
15 State in malt beverages, hard cider, wine, sparkling wine,  
16 fortified wine and low-alcohol spirits products; and

17 ~~B. Thirty cents per gallon on all wine, other than~~  
18 ~~sparkling wine, sold in the State;~~

19 ~~C. Twenty-four cents per gallon on all sparkling wine and~~  
20 ~~all fortified wine sold in the State and all low-alcohol~~  
21 ~~spirits products sold by a person licensed to sell wine for~~  
22 ~~consumption on or off the premises; and~~

23 **D.** One dollar and twenty-five cents per proof gallon as the  
24 term proof gallon is defined in the United States Code,  
25 Title 26, Section 5002, on all spirits sold in the State.

26 **Sec. K-4. Effective date.** This Part takes effect July 1, 2004.

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## PART L

**Sec. L-1. 36 MRSA §4365,** as amended by PL 2001, c. 439, Pt.  
SSSS, §1 and affected by §4, is further amended to read:

**§4365. Rate of tax**

A tax is imposed on all cigarettes imported into this State  
or held in this State by any person for sale at the rate of ~~47~~  
65 mills for each cigarette. Payment of the tax is evidenced by  
the affixing of stamps to the packages containing the  
cigarettes. If an individual purchases in any one month  
unstamped packages containing cigarettes in a quantity greater

2 than 2 cartons from a person other than a licensed distributor or  
dealer, the tax may be assessed directly against the purchaser by  
4 the State Tax Assessor within 3 years from the date of the  
purchase.

6 **Sec. L-2. 36 MRSA §4365-E**, as enacted by PL 2001, c. 439, Pt.  
SSSS, §2, is repealed.

8  
10 **Sec. L-3. 36 MRSA §4365-F** is enacted to read:

12 **§4365-F. Application of cigarette tax rate increase effective**  
**July 1, 2004**

14 The following provisions apply to cigarettes held for resale  
on July 1, 2004.

16 1. **Stamped rate.** Cigarettes stamped at the rate of 50  
18 mills per cigarette and held for resale after June 30, 2004 are  
subject to tax at the rate of 75 mills per cigarette.

20 2. **Liability.** A person possessing cigarettes for resale is  
22 liable for the difference between the tax rate of 75 mills per  
cigarette and the tax rate of 50 mills per cigarette in effect  
24 before July 1, 2004. Stamps indicating payment of the tax  
26 imposed by this section must be affixed to all packages of  
cigarettes held for resale as of July 1, 2004, except that  
28 cigarettes held in vending machines as of that date do not  
require that stamp.

30 3. **Vending machines.** Notwithstanding any other provision  
32 of this chapter, it is presumed that all cigarette vending  
machines are filled to capacity on July 1, 2004 and that the tax  
34 imposed by this section must be reported on that basis. A credit  
against this inventory tax must be allowed for cigarettes stamped  
36 at the rate of 75 mills per cigarette placed in vending machines  
before July 1, 2004.

38 4. **Payment.** Payment of the tax imposed by this section  
40 must be made to the State Tax Assessor by October 1, 2005,  
accompanied by forms prescribed by the assessor.

42 **Sec. L-4. 36 MRSA §4366-A, sub-§2, ¶¶B and C**, as enacted by PL  
2001, c. 439, Pt. SSSS, §3, are amended to read:

44  
46 B. For stamps at the face value of 47 mills sold prior to  
July 1, 2002, 2.16%; and

48 C. For stamps at the face value of 47 mills sold on or  
50 after July 1, 2002, 2.03%;



2 grade 12 that does not exceed the mill rate for those purposes in  
3 the previous year.

4

**PART N**

6

7 **Sec. N-1. Contracting for sheriff services.** By February 3, 2004,  
8 the Joint Standing Committee on State and Local Government shall  
9 report to the Second Regular Session of the 121st Legislature a  
10 bill that requires municipalities without full-time law  
11 enforcement services to contract with the county sheriff for law  
12 enforcement services on a fee basis that approximates the cost of  
13 the sheriff services provided to the municipality.

14

16

**PART O**

18

**Sec. O-1. Appropriations and allocations.** The following  
19 appropriations and allocations are made.

20

**ADMINISTRATIVE AND FINANCIAL SERVICES,  
21 DEPARTMENT OF**

22

24

**Homestead Property Tax Exemption  
23 Reimbursement 0886**

26

27 Initiative: Deappropriates funds due to a reduction in homestead  
28 exemption reimbursement.

28

30

<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
All Other	\$0	(\$34,931,664)
General Fund Total	\$0	(\$34,931,664)

32

34

36

**Maine Residents Property Tax  
35 Program 0648**

38

39 Initiative: Appropriates funds required due to the expansion of  
40 the Maine Residents Property Tax Program.

40

42

<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
All Other	\$0	\$51,520,000
General Fund Total	\$0	\$51,520,000

44

46

**Revenue Services - Bureau of 0002**

46

48

49 Initiative: Provides funds for 2 Tax Examiner positions  
50 effective July 1, 2004 and other related costs associated with an



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increase in the number of applications for the Maine Residents Property Tax Program.

4	<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
	Positions - Legislative Count	(0.000)	(2.000)
6	Personal Services	\$0	\$92,270
	All Other	0	182,913
8			
	General Fund Total	<u>\$0</u>	<u>\$275,183</u>

**Revenue Services - Bureau of 0002**

Initiative: Provides funds for 3 Claims Administration positions and related costs associated with property valuation and property tax exemption reimbursement.

16	<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
18	Positions - Legislative Count	(0.000)	(3.000)
	Personal Services	\$0	\$165,786
20	All Other	0	88,500
22			
	General Fund Total	<u>\$0</u>	<u>\$254,286</u>

**Revenue Services - Bureau of 0002**

Initiative: Appropriates one-time funds to be deposited in the Maine Revenue Services' Other Special Revenue program to support the start-up costs associated with a limited local option sales and use tax.

30	<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
32	All Other	\$0	\$956,561
34			
	General Fund Total	<u>\$0</u>	<u>\$956,561</u>

**Revenue Services - Bureau of 0002**

Initiative: Allocates funds for the additional costs associated with administering a limited local option sales and use tax, including funds for computer programming and software development. Position count is authorized to establish one Senior Tax Examiner position, one Taxpayer Assistance Specialist position and one Clerk II position.

44	<b>Other Special Revenue Funds</b>	<b>2003-04</b>	<b>2004-05</b>
46	Positions - Legislative Count	(0.000)	(3.000)
	Personal Services	\$0	\$134,696
48	All Other	0	821,865
50			
	Other Special Revenue Funds Total	<u>\$0</u>	<u>\$956,561</u>

2	<b>ADMINISTRATIVE AND FINANCIAL SERVICES,</b>		
	<b>DEPARTMENT OF</b>		
4	<b>DEPARTMENT TOTALS</b>	<b>2003-04</b>	<b>2004-05</b>
6	<b>GENERAL FUND</b>	\$0	\$18,074,366
	<b>OTHER SPECIAL REVENUE FUNDS</b>	\$0	\$956,561
8			
	<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>\$19,030,927</b>
10	 		
	<b>EDUCATION, DEPARTMENT OF</b>		
12	 		
14	<b>General Purpose Aid for Local Schools 0308</b>		
16	Initiative: Provides funds for the additional cost for the State		
18	to fund 55% of K-12 public education utilizing the Essential		
	Programs and Services model.		
20	<b>General Fund</b>	<b>2003-04</b>	<b>2004-05</b>
	All Other	\$0	\$233,943,102
22			
	<b>General Fund Total</b>	<b>\$0</b>	<b>\$233,943,102</b>
24	 		
	<b>EDUCATION, DEPARTMENT OF</b>		
26	<b>DEPARTMENT TOTALS</b>	<b>2003-04</b>	<b>2004-05</b>
28	<b>GENERAL FUND</b>	\$0	\$233,943,102
30	<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>\$233,943,102</b>
32	 		
	<b>SECTION TOTALS</b>	<b>2003-04</b>	<b>2004-05</b>
34	<b>GENERAL FUND</b>	\$0	\$252,017,468
	<b>OTHER SPECIAL REVENUE FUNDS</b>	0	956,561
36			
	<b>SECTION TOTAL - ALL FUNDS</b>	<b>\$0</b>	<b>\$252,974,029</b>
38	 		

**PART P**

42           **Sec. P-1. Intent of the Legislature; competing measure.** It is the  
44 intent of the Legislature that this Act be interpreted as a  
46 competing measure within the meaning of the Constitution of  
48 Maine, Article IV, Part Third, Section 18 with Initiated Bill 3,  
Legislative Document 1372 of the 121st Legislature, "An Act To  
Enact the School Finance Act of 2003."

50           **Sec. P-2. Statutory referendum procedure; submission at statewide**  
election; form of question; effective date. This Act

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2 must be submitted to the legal voters of the State at a statewide  
election held on the Tuesday following the first Monday of  
4 November following passage of this Act as a competing measure  
with Initiated Bill 3, Legislative Document 1372 of the 121st  
6 Legislature, "An Act To Enact the School Finance Act of 2003."  
The municipal officers of this State shall notify the inhabitants  
8 of their respective cities, towns and plantations to meet, in the  
manner prescribed by law for holding a statewide election, to  
10 vote on the acceptance or rejection of this Act by voting on the  
following question:

12 "Do you want the State to pay 55% of the cost of public  
education, lower property taxes and promote economic  
14 development through comprehensive tax reform and increased  
government efficiency?"

16 The legal voters of each city, town and plantation shall  
18 vote by ballot on this question and designate their choice by a  
cross or check mark placed within a corresponding square below  
20 the word "Yes" or "No." The ballots must be received, sorted,  
counted and declared in open ward, town and plantation meetings  
22 and returns made to the Secretary of State in the same manner as  
votes for members of the Legislature. The Governor shall review  
24 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  
26 fact without delay, and the Act takes effect in accordance with  
the Constitution of Maine, Article IV, Part Third, Section 19.

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

32  
34 **SUMMARY**

36 This amendment replaces the bill and is intended to be a  
competing measure to be submitted with the initiated bill to the  
38 voters in November 2004.

40 Part A establishes the essential programs and services model  
as the basis for funding public education from kindergarten to  
42 grade 12 and requires that the State provide 55% of the full  
costs of essential programs and services beginning in fiscal year  
44 2004-05.

46 Part B repeals the homestead property tax exemption after  
the April 1, 2004 property tax year.

48 Part C expands the Maine Residents Property Tax Program by  
50 increasing benefits available to renters, raising the income

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2 eligibility levels and lowering the tax-to-income ratio factor in  
the formula calculating benefits. It also raises the maximum  
benefit from \$1,000 to \$3,000.

4  
6 Part D establishes a property tax exemption for eligible  
business equipment first placed in service after April 1, 2003  
and requires the State to reimburse municipalities for 50% of the  
8 revenue lost as a result of the exemption as required by the  
Constitution of Maine, Article IV, Part Third, Section 23.

10  
12 Part E amends the formula for distribution of the portion of  
revenue sharing that constitutes the Disproportionate Tax Burden  
Fund by providing that the distribution will be made to  
14 municipalities based upon their relative share of the portion of  
the noneducation municipal budget that exceeds 10 mills.

16  
18 Part F establishes a 1% limited option local sales tax that  
may be adopted by local referendum for 5 years to fund or  
maintain certain capital projects.

20  
22 Part G increases the earned income credit to 30% of the  
federal credit and makes it refundable.

24  
26 Part H increases the sales tax to 15% on lodging, 20% on  
automobile rentals and 6% on all sales currently taxed at 5%.

28  
30 Part I extends the sales tax to amusements and recreation  
services.

32  
34 Part J expresses the legislative purpose for the adoption  
of regional service districts and directs the Executive  
Department to submit legislation to carry out this purpose.

36  
38 Part K increases taxes on beer and wine and changes the  
method of calculating the tax.

40  
42 Part L increases cigarette taxes to \$1.30 per pack and  
tobacco products taxes to 77.5% for smokeless tobacco and 20% for  
other tobacco.

44  
46 Part M establishes a budget limitation for municipalities  
that limits growth to the increase in average real personal  
income and average forecasted inflation; however, those limits  
may be exceeded if the limitation does not result in a mill rate  
that is higher than the previous year.

48  
Part N requires the joint standing committee of the  
Legislature having jurisdiction over state and local government  
matters to report out a bill that requires municipalities

COMMITTEE AMENDMENT "A" to I.B. 3, L.D. 1372

2 without full-time law enforcement services to contract with the  
county sheriff for law enforcement services.

4 Part O makes appropriations to carry out the purposes of the  
Act.

6 Part P establishes the procedure for submitting the Act as a  
8 competing measure to the bill.

FISCAL NOTE REQUIRED  
(See attached)



**121st Maine Legislature  
Office of Fiscal and Program Review**

**LD 1372**

**An Act to Enact the School Finance Act of 2003**

**LR 2021(02)**

**Fiscal Note for Bill as Amended by Committee Amendment " "**

**Committee: Taxation**

**Fiscal Note Required: Yes**

**Fiscal Note**

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
<b>Net Cost (Savings)</b>				
General Fund	(\$22,924,981)	\$22,625,916	(\$6,047,435)	(\$19,296,314)
<b>Appropriations/Allocations</b>				
General Fund	\$0	\$252,017,468	\$205,022,280	\$197,880,468
Other Special Revenue Funds	\$0	\$956,561	\$269,389	\$282,859
<b>Revenue</b>				
General Fund	\$22,924,981	\$229,391,552	\$211,069,715	\$217,176,781
Other Special Revenue Funds	\$1,169,174	\$8,653,035	\$8,885,927	\$9,262,558

**Fiscal Detail and Notes**

Referendum Costs	Month/Year	Election Type	Question	Length
	Nov-03	General	Initiated Bill	Standard

The Secretary of State's budget includes sufficient funds to accommodate one ballot of average length for the general election in November 2003. If the number or size of the referendum questions increases the ballot length, an additional appropriation of \$8,000 or more may be required.

The implementation of this amended bill is contingent upon voter approval as a competing measure to the original initiated bill. If approved by the voters, this bill would result in net General Fund savings in the 2004-2005 biennium of \$299,065.

<b>General Fund Summary - Costs (Savings)</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Increase Sales Tax to \$.06 (eff. 5/1/04)	(22,924,981)	(129,130,000)	(135,099,000)	(141,601,000)
Sales Tax on Amusements (eff. 7/1/04)	0	(28,256,546)	(29,021,367)	(29,868,814)
Sales Tax on Lodging to 10% (eff. 7/1/04)	0	(14,543,805)	(15,286,784)	(16,090,000)
Sales Tax on Auto Rental to 20% (7/1/04)	0	(4,002,882)	(4,240,404)	(4,489,728)
Individual Income Tax - Homestead Repeal		191,318	954,636	957,290
Earned Income Tax Credit				
- Non-refundable portion	0	772,296	3,864,806	3,921,118
- Refundable portion	0	5,397,153	27,347,714	29,352,166
Sales Tax on Cigarette Tax		(94,885)	(95,116)	(95,492)
Cigarette Tax to \$1.50 (Eff. 7/1/04)	0	(39,412,000)	(39,182,000)	(38,950,000)
Liquor Excise and Premium Tax	0	(20,312,201)	(20,312,201)	(20,312,201)
Repeal Homestead Exemption	0	(34,931,664)	(35,384,300)	(36,105,037)
Expand Circuit Breaker Program	0	51,520,000	55,900,000	60,350,000
Business Equipment Tax Reimbursement	0	0	(8,763,692)	(21,064,966)
Municipal Property Tax Exemption Reimb.	0	0	5,842,000	12,095,000
Maine Revenue Services Admin. Costs	0	1,486,030	442,542	464,670
Net Approp/Deapprop to fund EPS @ 55%	0	233,943,102	186,985,730	182,140,801
(See below for additional detail of EPS or Essential Program and Services)				
Net General Fund Cost (Savings)	(22,924,981)	22,625,916	(6,047,435)	(19,296,314)
Net Biennium General Fund Cost (Savings)		(\$299,065)		
Increase (Decrease) of Transfers to Other Special Revenue Funds:				
Local Government Fund	\$1,169,174	\$8,653,035	\$7,881,927	\$8,211,558
Tourism Marketing Promotion Fund	\$0	\$0	\$1,004,000	\$1,050,000
			<b>Projections</b>	<b>Projections</b>
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Total Appropriation Needed to Fund 55% of total state and local cost of K-12 public education based on Essential Programs and Services model		\$959,761,043	\$957,231,042	\$975,240,940
Estimated General Fund appropriation needed to fund K-12 education based on current funding model (assumes 6% growth per year)		\$725,817,941	\$770,245,312	\$793,100,139
Additional appropriation required to fund 55% of total state and local cost of K-12 public education based on Essential Programs and Services model		\$233,943,102	\$186,985,730	\$182,140,801

This bill provides for a new method of determining the state and local share of funding the cost of K-12 public education beginning in fiscal year 2004-05. This bill utilizes the Essential Programs and Services model, as proposed in LD 1623, An Act to Implement School Funding Based on Essential Programs and Services, as the basis for determining the total cost of K-12 public education. However, this bill differs from LD 1623 in two ways: first, it requires funding for 100% of the total state and local operating cost allocation based on the EPS model rather than applying the transition percentages provided in LD 1623. Second, it requires the state to contribute 55% of the total state and local cost of K-12 public education beginning in fiscal year 2004-05 rather than increasing its contribution to 50% by fiscal year 2009-10.