

MAINE STATE LEGISLATURE

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R.O.S.

L.D. 1394

DATE: 3-9-04

(Filing No. H-745)

REPORT B TAXATION

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STATE OF MAINE HOUSE OF REPRESENTATIVES 121ST LEGISLATURE SECOND SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1020, L.D. 1394, Bill, "An Act To Modernize the State's Tax System"

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 A-1. 36 MRSA §683, sub-§1, as repealed and replaced by PL 2003, c. 20, Pt. BB, §1 and affected by §3, is repealed.

Sec. A-2. 36 MRSA §683, sub-§1-A, as enacted by PL 2003, c. 20, Pt. BB, §2 and affected by §3, is repealed.

Sec. A-3. 36 MRSA §683, sub-§1-B is enacted to read:

1-B. Exemption amount. The estate up to the just value of \$7,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation except for assessments for special benefits. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to a homestead is held by the applicant jointly or in common with others, the exemption may not exceed \$7,000 of the just value of the homestead but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to

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create separate accounts for each partial interest in a homestead owned jointly or in common.

Sec. A-4. Application. This Part applies to property tax valuations based on the status of property on or after April 1, 2005.

PART B

Sec. B-1. 36 MRSA c. 907, as amended, is amended by repealing the chapter headnote and enacting the following in its place:

CHAPTER 907

HOMESTEAD TAX CAP PROGRAM

Sec. B-2. 36 MRSA §6201-A, as enacted by PL 1989, c. 534, Pt. A, §4, is amended to read:

§6201-A. Short title

This chapter shall be known and may be cited as the "Maine-Residents-Property Homestead Tax Cap Program."

Sec. B-3. 36 MRSA §6207, sub-§1, as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1 is further amended to read:

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

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

A-2. For a single-member household with household income of \$30,300 or less and for a household with 2 or more members with household income of \$46,900 or less, the benefit is equal to 100% of the portion of the benefit base that exceeds 4% of household income; and

A-3. For all claimants other than those described in paragraph A-2, the benefit is equal to 100% of the portion of the benefit base that exceeds 5% of household income.

The maximum benefit that may be paid to a claimant under this chapter is \$5,000.

Sec. B-4. 36 MRSA §6207, sub-§2, as amended by PL 1997, c. 557, Pt. A, §3 and affected by Pt. G, §1, is repealed.

Sec. B-5. 36 MRSA §6209, as amended by PL 1989, c. 508, §25, is further amended to read:

§6209. Annual adjustment

1. **Household income adjustment; elderly households.**
Beginning March 1, 1989, and annually thereafter, the State Tax Assessor shall determine the household income eligibility adjustment factor. That factor shall must be multiplied by the income limitations in section 6206, applicable for the year prior to that for which relief is requested. The result shall must be rounded to the nearest \$100 and shall-apply applies to the year for which relief is requested corresponding to the year on which the annualized cost of living adjustments were based. ~~Beginning March 1, 1991, the same procedure shall be employed to adjust the income limitation in section 6207, subsection 2.~~

2. **Household income adjustment; nonelderly households.**
Beginning March 1, 2005, and annually thereafter, the State Tax Assessor shall determine the household income eligibility adjustment factor. That factor must be multiplied by the income factors in section 6207, subsection 1, paragraph A-2, applicable for the year prior to that for which relief is requested. The result must be rounded to the nearest \$100 and applies to the year for which relief is requested corresponding to the year on which the annualized cost-of-living adjustments were based.

Sec. B-6. 36 MRSA §6210, as amended by PL 1997, c. 557, Pt. A, §4 and affected by Pt. G, §1, is further amended to read:

§6210. Administration

The State Tax Assessor shall make available suitable forms with instructions for claimants. The claim shall must be in the form the State Tax Assessor may-prescribe prescribes and shall must be signed by the claimant.

The State Tax Assessor shall include a checkoff to request an application for the ~~Maine-Residents-Property~~ Homestead Tax Cap Program on the individual income tax form. The assessor shall also provide for the option of filing an application for the ~~Maine-Residents-Property~~ Homestead Tax Cap Program using the telefile system established by the assessor.

Sec. B-7. 36 MRSA §6218, as enacted by PL 1989, c. 534, Pt. A, §10, is amended to read:

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§6218. Readability; application; instructions

The application form and instructions used by applicants for assistance under the ~~Maine-Residents-Property~~ Homestead Tax Cap Program and its successor, if any, shall must have a readability score, as determined by a recognized instrument for measuring adult literacy levels, equivalent to no higher than a 6th grade reading level.

Sec. B-8. 36 MRSA §6219, as amended by PL 1997, c. 526, §14, is further amended to read:

§6219. Outreach plan required

The Bureau of Revenue Services shall develop and implement a plan of outreach to ensure that all eligible households are made aware of assistance available under the ~~Maine-Residents-Property~~ Homestead Tax Cap Program and its successor, if any.

Sec. B-9. 36 MRSA §6220, as amended by PL 1995, c. 418, Pt. A, §39 and by PL 1997, c. 526, §14 and c. 668, §40, is further amended to read:

§6220. Coordination required

The bureau shall seek the advice and cooperation of the Bureau of Elder and Adult Services; the Bureau of Family Independence; the Bureau of Child and Family Services; advocates for elderly and low-income individuals; and other interested agencies and organizations in developing the application form and instruction booklet for the ~~Maine-Residents-Property~~ Homestead Tax Cap Program and the outreach plan required by section 6219.

Sec. B-10. Application. This Part applies to applications for benefits on or after August 1, 2004.

Sec. B-11. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Maine Residents Property Tax Program 0648

Initiative: Provides funds to expand the Maine Residents Property Tax Program to create the Homestead Tax Cap Program.

General Fund	2003-04	2004-05
All Other	\$0	\$65,600,000
General Fund Total	\$0	\$65,600,000

PART C

Sec. C-1. 36 MRSA §1811, as amended by PL 2003, c. 510, Pt. C, §12 and affected by §13, is further amended to read:

§1811. Sales tax

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% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% 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% 5 1/2% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

The tax imposed upon the sale and distribution of gas, water or electricity, or telecommunications services, by any public utility, the rates for which sale and distribution are established by the Public Utilities Commission, must be added to the rates so established. No A tax may not be imposed upon the sale or use of electrical energy, or water stored for the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary by or to its parent corporation, except for electrical energy or water purchased for resale to or by such wholly owned subsidiary.

Rental or lease of an automobile for one year or more must be taxed at the time of the lease or rental transaction at 5% 5 1/2% of the following: the total monthly lease payment multiplied by the number of payments in the lease or rental, the amount of equity involved in any trade-in and the value of any cash down payment. Collection and remittance of the tax is the responsibility of the person that negotiates the lease transaction with the lessee.

Sec. C-2. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Maine Residents Property Tax Program 0648

Initiative: Provides funds to expand the Maine Residents Property Tax Program to create the Homestead Tax Cap Program.

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	General Fund	2003-04	2004-05
2	All Other	\$0	\$65,600,000
4	General Fund Total	<hr/> \$0	<hr/> \$65,600,000

Maine Revenue Services 0002

Initiative: Provides funds for the administrative costs associated with the changes to the homestead exemption, the circuit breaker program and the general increase in the sales and use tax, including funds for one Tax Examiner position.

	General Fund	2003-04	2004-05
	Positions - Legislative Count	(0.000)	(1.000)
16	Personal Services	\$0	\$53,037
	All Other	0	167,401
18	General Fund Total	<hr/> \$0	<hr/> \$220,438

Homestead Property Tax Exemption - Mandate Reimbursement 0887

Initiative: Provides funds to reimburse municipalities for 90% of the estimated local costs incurred to revise the Homestead Property Tax Exemption.

	General Fund	2003-04	2004-05
	All Other	\$0	\$110,000
30	General Fund Total	<hr/> \$0	<hr/> \$110,000

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

		2003-04	2004-05
38	General Fund	\$0	\$65,930,438
40	DEPARTMENT TOTAL - ALL FUNDS	<hr/> \$0	<hr/> \$65,930,438

Sec. C-3. Effective date. This Part takes effect August 1, 2004.'

SUMMARY

This amendment is a minority report of the committee. The amendment replaces the bill and proposes the following changes.

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2 Part A restores the homestead property tax exemption to the
original exempt amount of \$7,000 regardless of the value of the
homestead.

4

6 Part B changes the name of the Maine Residents Property Tax
Program to the Homestead Tax Cap Program. It expands the program
to include all homeowners, regardless of income, and provides
8 reimbursement for the amount of property taxes, or rent
constituting property taxes, that exceeds 5% of household income,
10 or 4% of household income for those persons who qualified under
the former program. The maximum benefit is increased from \$1,000
12 to \$5,000.

14 Part C increases the general sales tax rate from 5% to 5
16 1/2%.

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FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



121st Maine Legislature
Office of Fiscal and Program Review

LD 1394

An Act to Modernize the State's Tax System

LR 1697(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
Net Cost (Savings)				
General Fund	\$0	\$6,665,293	\$11,571,143	\$25,909,971
Appropriations/Allocations				
General Fund	\$0	\$65,930,438	\$80,196,863	\$97,805,343
Revenue				
General Fund	\$0	\$59,265,145	\$68,625,720	\$71,895,372
Other Special Revenue Funds	\$0	\$3,184,955	\$3,764,280	\$3,943,628

State Mandate

New or Expanded Activity

	Unit Affected	Costs
Administrative responsibilities for municipalities to revise the Homestead Property Tax Exemption	Municipality	\$110,000

Fiscal Detail and Notes

Increasing the sales tax to 5 1/2 % beginning August 1, 2004 will generate an additional \$62,450,100 in fiscal year 2004-05. The General Fund cost of expanding the Maine Residents Property Tax Program to create the Homestead Tax Cap Program is estimated to be \$65,600,000 in fiscal year 2004-05. Additional General Fund appropriations will also be required beginning in fiscal year 2005-06 to eliminate the tiered portion of the Homestead Property Tax Exemption. This bill provides \$110,000 in fiscal year 2004-05 to reimburse local municipalities for 90% of the estimated local cost of changes to the homestead exemption program. Maine Revenue Services will also require \$220,438 in fiscal year 2004-05 for the administrative costs associated with these changes.

General Fund Detail

	2004-05	2005-06	2006-07
Increase Sales Tax Rate to 5.5%	\$59,265,145	\$68,625,720	\$71,895,372
Expand Maine Resident Property Tax Program	\$65,600,000	\$74,800,000	\$92,400,000
Restore \$7,000 Homestead Exemption	\$0	\$5,259,475	\$5,264,520
Mandate Reimbursement - Homestead Exemption	\$110,000	\$0	\$0
Administrative Costs	\$220,438	\$137,388	\$140,823