

MAINE STATE LEGISLATURE

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121st MAINE LEGISLATURE

FIRST REGULAR SESSION-2003

Legislative Document

No. 1394

H.P. 1020

House of Representatives, March 19, 2003

An Act To Modernize the State's Tax System

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative DUDLEY of Portland.
Cosponsored by Senator DOUGLASS of Androscoggin and
Representatives: DUPLESSIE of Westbrook, FAIRCLOTH of Bangor, PINGREE of North
Haven, RICHARDSON of Brunswick, SIMPSON of Auburn, Senators: BRENNAN of
Cumberland, STRIMLING of Cumberland.

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

4 PART A

6 Sec. A-1. 36 MRSA §5219-W is enacted to read:

8 **§5219-W. Maine Residents Property Tax Program credit**

10 A refundable credit is allowed against the taxes imposed by
12 this Part in the amount of benefits allowed under chapter 907.
This credit is not available if the taxpayer has filed a separate
application for benefits under chapter 907.

14 Sec. A-2. 36 MRSA §6201, sub-§11-A, as amended by PL 1999, c.
16 401, Pt. R, §1 and affected by §2, is further amended to read:

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

26 Sec. A-3. 36 MRSA §6207, sub-§1, as amended by PL 1997, c.
28 557, Pt. A, §3 and affected by Pt. G, §1, is repealed.

30 Sec. A-4. 36 MRSA §6207, sub-§1-A is enacted to read:

32 **1-A. Benefit calculation.** For claimants representing a
nonelderly household, the benefit is 100% of that portion of the
benefit base that exceeds:

34 A. Beginning January 1, 2004 and ending December 31, 2004,
36 3% of income;

38 B. Beginning January 1, 2005 and ending December 31, 2005,
40 2.85% of income;

42 C. Beginning January 1, 2006 and ending December 31, 2006,
2.7% of income; and

44 D. Beginning January 1, 2007, 2.5% of income.

46 Sec. A-5. 36 MRSA §6207, sub-§2, as amended by PL 1997, c.
48 557, Pt. A, §3 and affected by Pt. G, §1, is further amended to
read:

50 **2. Income eligibility.** Single-member households with

household incomes in excess of ~~\$25,700~~ \$45,000 and households with 2 or more members with a household income in excess of ~~\$40,000~~ \$75,000 are not eligible for a benefit.

Sec. A-6. 36 MRSA §6207, sub-§5 is enacted to read:

5. Maximum benefit. The maximum benefit available under this section is \$6,000.

Sec. A-7. 36 MRSA §6221 is enacted to read:

§6221. Income tax credit option

A person eligible for benefits under this chapter may elect to receive those benefits as a credit against income tax as provided in section 5219-W if the credit is claimed on the claimant's annual income tax return.

PART B

Sec. B-1. 30-A MRSA §5681, sub-§5, ¶¶A and B, as amended by PL 2001, c. 714, Pt. Y, §1, are further amended to read:

A. For months beginning before July 1, 2003, 5.1%; and

B. For months beginning on or after July 1, 2003, but before October 1, 2003, 5.2%; and

Sec. B-2. 30-A MRSA §5681, sub-§5, ¶C is enacted to read:

C. For months beginning on or after October 1, 2003, 8.5%.

PART C

Sec. C-1. 36 MRSA §5111, sub-§1-B, as enacted by PL 1999, c. 731, Pt. T, §3, is amended to read:

1-B. Single individuals and married persons filing separate returns; tax years beginning 2003. For tax years beginning on or after January 1, ~~2002~~ 2003, for single individuals and married persons filing separate returns:

If Maine ~~Taxable~~ taxable income is:

Less than \$4,200

The tax is:

2% of the Maine taxable income

2	At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
4		
6	At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
8		
10	<u>At least \$16,700 or more but less than \$100,000</u>	\$856 plus 8.5% of the excess over \$16,700
12		
14	<u>\$100,000 or more</u>	<u>\$7,937 plus 10% of the excess over \$100,000</u>

16 **Sec. C-2. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c.
18 731, Pt. T, §5, is amended to read:

20 **2-B. Heads of households; tax years beginning 2003.** For
22 tax years beginning on or after January 1, ~~2002~~ 2003, for
unmarried individuals or legally separated individuals who
qualify as heads of households:

24	If Maine Taxable <u>taxable</u> income is:	The tax is:
26		
28	Less than \$6,300	2% of the Maine taxable income
30		
32	At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
34		
36	At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
38		
40	<u>At least \$25,050 or more but less than \$150,000</u>	\$1,284 plus 8.5% of the excess over \$25,050
42		
44	<u>\$150,000 or more</u>	<u>\$11,905 plus 10% of the excess over \$150,000</u>

46 **Sec. C-3. 36 MRSA §5111, sub-§3-B**, as enacted by PL 1999, c.
48 731, Pt. T, §7, is amended to read:

2 **3-B. Individuals filing married joint return or surviving**
3 **spouses; tax years beginning 2003.** For tax years beginning on or
4 after January 1, 2002 2003, for individuals filing married joint
returns or surviving spouses permitted to file a joint return:

6	If Maine Taxable <u>taxable</u> income is:	The tax is:
8	Less than \$8,400	2% of the Maine taxable income
10		
12	At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
14		
16	At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
18		
20	<u>At least \$33,400 or more</u> <u>but less than \$200,000</u>	\$1,711 plus 8.5% of the excess over \$33,400
22		
24	<u>\$200,000 or more</u>	<u>\$15,872 plus 10%</u> <u>of the excess</u> <u>over \$200,000</u>
26		

28 **Sec. C-4. 36 MRSA §5126**, as amended by PL 2001, c. 583, §16,
is repealed and the following enacted in its place:

30 **§5126. Personal exemptions**

32 For tax years beginning on or after January 1, 2003, a
34 resident individual is allowed an amount for each exemption that
36 is equal to the amount allowed for an exemption under the Code.

38 **Sec. C-5. 36 MRSA §5219-S**, as enacted by PL 1999, c. 731, Pt.
V, §1 and affected by §2, is amended to read:

40 **§5219-S. Earned income credit**

42 A taxpayer is allowed a refundable credit against the taxes
44 otherwise due under this Part equal to ~~5%~~ 30% of the federal
46 ~~earned income credit for the same taxable year. The credit may~~
~~net-reduce-the-state-income-tax-to-less-than-zero.~~

48 **Sec. C-6. Application.** This Part applies to tax years
beginning on or after January 1, 2003.

50

PART D

2
4 **Sec. D-1. 36 MRSA §1752, sub-§1-H** is enacted to read:

6 **1-H. Construction services.** "Construction services" means
8 services provided in this State to the general public by a person
10 engaged in the activity of building. The activity of building
12 pertains to any building, highway, road, railroad, excavation,
14 manufactured building or other structure and involves any act of
16 construction, alteration, repair, substantial maintenance,
18 addition to, subtraction from, improvement, movement or
20 demolition, or the construction of scaffolding or other
22 structures or work related to the activity of building.
24 "Construction services" includes, but is not limited to, the
26 services typically provided by building contractors, road and
28 driveway contractors, concrete contractors, excavators,
30 carpenters, masons, electricians, plumbers, roofers, siding
32 applicators and house painters.

34 **Sec. D-2. 36 MRSA §1752, sub-§5-C** is enacted to read:

36 **5-C. Legal services.** "Legal services" means professional
38 services provided by an attorney-at-law and that attorney's
40 support staff.

42 **Sec. D-3. 36 MRSA §1752, sub-§11, ¶A,** as enacted by PL 1989,
44 c. 871, §5, is amended to read:

46 A. "Retail sale" includes:

48 (1) Conditional sales, installment lease sales and any
50 other transfer of tangible personal property when the
52 title is retained as security for the payment of the
54 purchase price and is intended to be transferred later;
56 and

58 (2) Sale of products for internal human consumption to
60 a person for resale through coin-operated vending
62 machines when sold to a retailer whose gross receipts
64 from the retail sale of tangible personal property
66 derived through sales from vending machines are more
68 than 50% of the retailer's gross receipts. The tax
70 must be paid by the retailer to the State; and

72 (3) The provision of a taxable service defined under
74 subsection 17-A to the extent the taxable service is
76 provided in this State and only if the relationship
78 between the provider and the recipient of the taxable
80 service is not an employment relationship with respect
82 to the provision of the service.

2 **Sec. D-4. 36 MRSA §1752, sub-§14, ¶A**, as enacted by PL 1987,
c. 497, §24, is amended to read:

4 A. "Sale price" includes:

6 (1) Services ~~which~~ that are a part of a retail sale;
8 and

10 (2) All receipts, cash, credits and property of any
12 kind or nature and any amount for which credit is
14 allowed by the seller to the purchaser, without any
deduction on account of the cost of the property sold,
the cost of the materials used, labor or service cost,
interest paid, losses or any other expenses.

16 When a taxable service is provided for a fee that is
18 contingent on an ultimate award, settlement or similar
20 financial result and the fee is a certain percentage of that
22 ultimate award or settlement, the fee that is ultimately
provided is deemed to include both the sale price and the
applicable tax.

24 **Sec. D-5. 36 MRSA §1752, sub-§14, ¶B**, as amended by PL 1989,
c. 871, §6, is further amended to read:

26 B. "Sale price" does not include:

28 (1) Discounts allowed and taken on sales;

30 (2) Allowances in cash or by credit made upon the
32 return of merchandise or with respect to fabrication
services pursuant to warranty;

34 (3) The price of property returned or fabrication
36 services rejected by customers, when the full price is
refunded either in cash or by credit;

38 (4) The price received for labor or services used in
40 installing or applying or repairing the property sold
or fabricated, if separately charged or stated;

42 (5) Any amount charged or collected, in lieu of a
44 gratuity or tip, as a specifically stated service
46 charge, when that amount is to be disbursed by a hotel,
motel, restaurant or other eating establishment to its
employees as wages;

48 (6) The amount of any tax imposed by the United States
50 on or with respect to retail sales, whether imposed

2 upon the retailer or the consumer, except any
manufacturers', importers', alcohol or tobacco excise
tax;

4
6 (7) The cost of transportation from the retailer's
place of business or other point from which shipment is
8 made directly to the purchaser, provided that those
charges are separately stated and the transportation
10 occurs by means of common carrier, contract carrier or
the United States mail;

12 (8) The fee imposed by Title 10, section 1169,
subsection 11;

14 (9) The fee imposed by section 4832, subsection 1; or

16 (10) The lead-acid battery deposit imposed by Title
18 38, section 1604, subsection 2-B; or

20 (11) With respect to any fee for a taxable service,
22 any portion of that fee representing direct
24 reimbursement charged to the recipient of the taxable
26 service for commodities or services previously paid by
the person providing the service, as long as any tax on
those commodities or services, if any tax applies, has
been previously paid.

28 **Sec. D-6. 36 MRSA §1752, sub-§17-A, ¶J,** as enacted by PL 1999,
c. 790, Pt. A, §46, is amended to read:

30 J. Prepaid calling arrangements; and

32 **Sec. D-7. 36 MRSA §1752, sub-§17-A, ¶K,** as amended by PL 2001,
34 c. 396, §22, is further amended to read:

36 K. Rental of furniture, audio tapes and audio equipment
pursuant to a rental-purchase agreement as defined in Title
38 9-A, section 11-105; and

40 **Sec. D-8. 36 MRSA §1752, sub-§17-A, ¶¶L to O** are enacted to
read:

42 L. Amusement and recreational services. For the purposes
44 of this paragraph, "amusement and recreational services"
46 includes all services provided in this State to the general
48 public or through private clubs that involve exchanging a
right of access to any amusement, recreational, exhibitve,
cultural or athletic activity for any user fee, price of
admission, gate fee or equivalent form of remuneration;

50

2 M. Personal services. For the purposes of this paragraph,
3 "personal services" means services provided in this State to
4 the general public by a person of specialized skill, talent
5 or experience. Personal services characteristically provide
6 attendant care to the recipient of the service; or care,
7 maintenance or repair services to the recipient's real or
8 personal property. "Personal services" includes, without
9 limitation, such services as:

10 (1) Personal attendant services, including, but not
11 limited to, barbering, beautician, manicure, tattooing,
12 body piercing, massage, reflexology, tanning and
13 exercise or fitness services;

14 (2) Laundering and dry cleaning services;

15 (3) Painting, papering and interior decoration
16 services;

17 (4) Jewelry, camera, watch and gun cleaning and repair
18 services;

19 (5) Pet grooming and kennel services;

20 (6) Musical instrument tuning and repair services;

21 (7) Swimming pool installation, repair, cleaning and
22 maintenance services;

23 (8) Radio, television and sound system repair services;

24 (9) Furniture, rug and upholstery cleaning and repair
25 services;

26 (10) Locksmith services;

27 (11) Personal property and self-storage services,
28 including storage and mooring services for
29 noncommercial watercraft;

30 (12) Services related to the washing, cleaning,
31 polishing, lubrication, painting or detailing of motor
32 vehicles;

33 (13) Disinfection and pest extermination or control
34 services;

35 (14) Landscaping, lawn care, grounds maintenance and
36 tree removal services;

2 (15) Photography and photographic studio services;

4 (16) Printing, imprinting, painting or lettering
6 tangible personal property for persons who furnish
8 tangible personal property for that service;

10 (17) Any fabrication, printing or production of
12 tangible personal property by special order when
14 tangible personal property is not intended for resale;

16 (18) Repair services for noncommercial watercraft;

18 (19) Dance instruction and dance studio services;

20 (20) Dating, escort and personal introduction services;

22 (21) Flower or balloon delivery services and services
24 similarly provided as a demonstration of personal
26 appreciation;

28 (22) Limousine services;

30 (23) Taxidermy services;

32 (24) Flight instruction services; and

34 (25) Antique or art auctioning or dealership services.

36 "Personal services" does not include construction services;

38 N. Business services. For the purposes of this paragraph,
40 "business services" means any services provided in this
42 State to business consumers except those services that
44 constitute an integral or inseparable component of any
46 activity of the business consumer involving the
48 manufacturing, fabrication, processing or manipulation of
 tangible personal property such that the business service is
 targeted to the unique needs of the business consumer and is
 not transferable across a range of business activities.
 "Business services" includes, without limitation, such
 services as:

(1) Motor vehicle parking, other than metered space,
 in a lot or garage having 30 or more spaces;

(2) The service of leasing or renting tangible
 personal property;

2 (3) Employment agency services of any kind, except
4 when the services are provided to an employer whose
 place of business is located in another state;

6 (4) Credit collection or credit reporting services;

8 (5) Secretarial, stenographic or editing services;

10 (6) Building maintenance, janitorial or cleaning
 services, including window cleaning services;

12 (7) Office moving and installation services;

14 (8) Document and record preservation and storage
 services;

16 (9) Telephone answering services;

18 (10) Private investigation, patrol, building alarm and
20 security and armored car services;

22 (11) Management consulting, advertising, information
24 and public relations services;

26 (12) Tax preparation services;

28 (13) Financial accounting, financial management and
 investment counseling services;

30 (14) Office and business machine repair services;

32 (15) Sign construction and installation services;

34 (16) Food catering and institutional food preparation
36 and delivery services; and

38 (17) Photocopying and document preparation and
 delivery services.

40 "Business services" does not include construction services;
42 and

44 O. Licensed professional services. For the purposes of
46 this paragraph, "licensed professional services" means
48 services provided in this State to the general public by
50 persons holding a certificate, license, registration or
 other formal permission to perform, provide or practice the
 service in this State, and that certificate, license,
 registration or other formal permission is
 characteristically granted only when the practitioner has

2 obtained advanced education or specialized training.
3 "Professional services" includes, without limitation, such
4 services as:

5 (1) Lobbying services;

6 (2) Architectural and design consulting services;

7 (3) Legal services;

8 (4) Surveying and professional engineering services,
9 including geological and hydrogeological consulting
10 services and consulting services related to the science
11 of soil analysis and subsurface engineering;

12 (5) Arbitration services;

13 (6) Appraisal services; and

14 (7) Accounting, financial investment and financial
15 management services.

16 "Licensed professional services" does not include those
17 services provided by health care practitioners.

18 **Sec. D-9. 36 MRS §1760, sub-§14** is repealed.

19 **Sec. D-10. 36 MRS §1760, sub-§24** is amended to read:

20 **24. Funeral services.** Sales of basic funeral services, not
21 exceeding \$2,500 in value, that are provided for the disposition
22 or interment of a deceased human body.

23 **Sec. D-11. 36 MRS §1760, sub-§34,** as repealed and replaced by
24 PL 1981, c. 163, §4, is repealed.

25 **Sec. D-12. 36 MRS §1760, sub-§86** is enacted to read:

26 **86. Certain legal services.** Legal services provided on a
27 pro bono basis, all legal services provided by court appointment
28 and all legal services provided to a client without substantial
29 assets of any kind whose household income from all sources is
30 less than 200% of the federal poverty level during the period 6
31 months prior to the initiation of the legal service or during the
32 period 6 months subsequent to the initiation of the legal service
33 as such a determination can be reasonably calculated, whichever
34 analysis yields the lesser income.

35 **Sec. D-13. Annual review.** The joint standing committee of the
36 Legislature having jurisdiction over taxation matters shall

2 annually monitor all additional sales tax revenues collected, as
well as the total annual cost of reimbursing the municipalities
4 of the State, as provided for in this Part. By January 1, 2005
and every year thereafter, the committee shall report to the full
6 Legislature on the amount collected and the full amount of
reimbursement for the last fiscal year. Any such revenue
8 collections in excess of the reimbursement obligation must be
used to reduce the tax burden on citizens of the State and the
10 joint standing committee having jurisdiction over taxation
matters is authorized to report out legislation to accomplish the
reduction in the tax burden.

14 PART E

16 **Sec. E-1. 36 MRSA §1811, first ¶**, as amended by PL 2001, c.
439, Pt. TTTT, §2 and affected by §3, is further amended to read:

18 A tax is imposed on the value of all tangible personal
20 property and taxable services sold at retail in this State. The
rate of tax is 7% on the value of liquor sold in licensed
22 establishments as defined in Title 28-A, section 2, subsection
15, in accordance with Title 28-A, chapter 43; 7% ~~10%~~ on the
24 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
26 of less than one year of an automobile; 7% on the value of
prepared food; and 5% on the value of all other tangible
28 personal property and taxable services. Value is measured by the
sale price, except as otherwise provided.

32 PART F

34 **Sec. F-1. 36 MRSA §6652, sub-§1**, as amended by PL 2001, c.
396, §45, is further amended to read:

36 **1. Generally.** A person against whom taxes have been
38 assessed pursuant to Part 2, except for chapters 111 and 112,
with respect to eligible property and who has paid those taxes is
40 entitled to reimbursement of those taxes from the State as
provided in this chapter. The amount of reimbursement is limited
42 to 70% of the amount by which the taxes paid with respect to the
eligible property exceeds the amount that has been or will be
44 returned to the taxpayer by a municipality due to the taxpayer's
participation in a municipal development district under Title
46 30-A, chapter 206. For purposes of this chapter, a tax applied
as a credit against a tax assessed pursuant to chapter 111 or 112
48 is a tax assessed pursuant to chapter 111 or 112. Eligible
property is subject to reimbursement pursuant to this chapter for
50 up to 12 property tax years, but the 12 years must be reduced by

2 one year for each year during which a taxpayer included the same
3 property in its investment credit base under section 5219-D,
4 5219-E or 5219-M and claimed the credit provided in one or more
5 of those sections on its income tax return, and reimbursement may
6 not be made for taxes assessed in a year in which one or more of
7 those credits is taken.

8
9 **PART G**

10 **Sec. G-1. 36 MRSA §6651, sub-§2-A** is enacted to read:

11 **2-A. Nonqualified service.** "Nonqualified service" means
12 any service engaged in in this State for another person or
13 persons for a fee, retainer, commission or other consideration,
14 exclusive of activities engaged in for an employer by an
15 employee, including but not limited to business services,
16 professional services, personal services and recreational
17 services. "Nonqualified service" does not include any qualified
18 service and does not include any of the following services, or
19 any
20 activity by a person engaged in any of the following services
21 that is conducted predominantly in support of either the
22 following services or business activity related to those services:

23 A. Production as defined in section 1752, subsection 9-B;

24 B. Fabrication services as defined in section 1752,
25 subsection 2-C;

26 C. Wood harvesting operations and the severance of sand,
27 gravel, oil, gas or other natural resources produced or
28 severed from the soil or water; or

29 D. Commercial agricultural production, commercial
30 aquacultural production and commercial fishing as defined in
31 section 2013, subsection 1.

32 Activities conducted by a person in support of any of the
33 services listed in paragraphs A to D or any qualified service
34 engaged in by that person include, without limitation,
35 management, administration, marketing, purchasing, design,
36 engineering, repair, maintenance, operation of support and
37 auxiliary equipment, distribution, accounting, finance, billing,
38 payroll, workers' compensation, accounts payable, accounts
39 receivable, medical services, risk management, labor relations,
40 training, human resources, legal services, packaging, storage,
41 research and development, quality control and environmental,
42 security, safety and fire protection.

2 **Sec. G-2. 36 MRSA §6651, sub-§§4 and 5** are enacted to read:

4 **4. Qualified service.** "Qualified service" means any of the
6 following when provided by one person to another for a fee,
8 retainer, commission or other consideration; construction
10 services; printing; retail or wholesale services exclusive of
12 those performed at or in support of retail facilities;
14 modification of real or tangible personal property; development
16 of computer software; leasing by a lessor of property that would
18 be eligible for reimbursement under this chapter had the property
20 been owned by the lessee rather than the lessor; services
22 provided by a financial institution as defined in section 5206-D,
24 subsection 8; services provided by credit unions authorized to do
26 business in this State pursuant to Title 9-B, section 131,
28 subsection 12-A; services provided by insurance companies subject
30 to taxation under chapter 357; Internet access services; computer
system services, including but not limited to maintenance,
support, development, management, operation, communication,
training, help desk, data processing, research, analysis,
troubleshooting and similar services involving computer systems;
repair, maintenance, refitting, refurbishing or upgrading
commercial or military watercraft and all machinery, equipment
and other property attached to or located on such watercraft and
related to the use of such watercraft; and transportation
services. "Qualified service" also includes any activity by a
person engaged in a qualified service that is conducted
predominantly in support of either the qualified service engaged
in by that person or the business activity of that person related
to that qualified service.

32 **5. Retail sales facility.** "Retail sales facility" means a
34 physical structure or portion thereof located in the State and
36 predominantly utilized as a facility to serve customers who are
physically present at the facility for the purpose of selecting
and purchasing goods or a nonqualified service at retail.

38 **Sec. G-3. 36 MRSA §6652, sub-§1-B,** as amended by PL 2001, c.
40 396, §46, is further amended to read:

42 **1-B. Certain property excluded.** Notwithstanding any other
44 provision of law, reimbursement pursuant to this chapter may not
46 be made with respect to the following property:

48 A. Office furniture, including without limitation tables,
 chairs, desks, bookcases, filing cabinets and modular office
 partitions; and

 B. Lamps and lighting fixtures;

2 C. Property predominantly employed by the person in
3 possession of that property either in the provision of a
4 nonqualified service or in support of the provision of a
5 nonqualified service being provided by that person,
6 exclusive of property used by a person in providing a
7 nonqualified service to an affiliate when that property
8 would be eligible for reimbursement if it were owned by that
9 affiliate; and

10 D. Property employed by the person in possession of that
11 property either in a retail sales facility or employed
12 predominantly in the support of such a facility. Property
13 employed in support of a retail sales facility does not
14 include property employed predominantly in one or more
15 qualified services or in one or more of the services listed
16 in section 6651, subsection 6, paragraphs A to D by any
17 person, or in any activity in support of or the business
18 activity of that person related to such qualified services
19 or listed services.

20 This subsection applies Paragraphs A and B apply to property tax
21 years beginning after April 1, 1996. Property affected by this
22 subsection paragraphs A and B that was eligible for reimbursement
23 pursuant to chapter 915 of property taxes paid for the 1996
24 property tax year is grandfathered into the program and continues
25 to be eligible for reimbursements for up to 12 property tax
26 years, unless it subsequently becomes ineligible. Paragraphs C
27 and D apply to property tax years beginning after April 1, 2003.
28 Property affected by paragraphs C and D that was eligible for
29 reimbursement under this chapter for property taxes paid for the
30 2003 property tax year is grandfathered into the program and
31 continues to be eligible for reimbursement to the extent
32 permitted by this chapter as that property existed on April 1,
33 2003, unless it subsequently becomes ineligible. Property used
34 in the provision of a nonqualified service or in support of the
35 provision of a nonqualified service, and property used in a
36 retail sales facility or in support of a retail sales facility,
37 includes, without limitation, property used in management,
38 marketing, purchasing, distribution, accounting and research and
39 development.

42 SUMMARY

43 Part A affects the Maine Residents Property Tax Program, the
44 so-called "circuit breaker program," by:

- 45 1. Reducing the tax-to-income threshold initially to 3%,
46 phasing in an additional decrease of .5% over a 4-year period;

- 2 2. Increasing the maximum rebate to \$6,000;
- 4 3. Increasing the income limits for single-member
households and households with 2 or more members to \$45,000 and
\$75,000, respectively;
- 6 4. Increasing the renter rebate to 25%; and
- 8 5. Allowing persons to use the income tax form to file for
10 a refundable credit.

12 Part B increases from 5.1% to 8.5% the percentage of sales
and income tax revenues transferred to the Local Government Fund
14 for revenue sharing.

16 Part C reforms the income tax by increasing the personal
exemption amount to equal the federal amount, increasing the
18 earned income credit and making it refundable and creating a 10%
income tax bracket for income of \$100,000 or more for single
20 filers, \$150,000 or more for persons filing as heads of household
and \$200,000 for persons filing married joint returns.

22 Part D does the following:

24 1. It expands the definition of "taxable services" for
26 purposes of the imposition of sales tax to include amusement and
recreational, business, personal and professional services.
28 Under this bill, the provision of those services is subject to
the 5% sales tax. The term "construction services" is also
30 defined for the purpose of distinguishing nontaxable construction
services from taxable personal or business services;

32 2. It eliminates the sales tax exemption for sales of
34 short-term publications. It also limits the exemption on funeral
services and repeals the exemption on coin-operated vending
36 machine sales. It also amends the law by creating an exemption
for certain legal services provided to low-income clients; and

38 3. It requires the joint standing committee of the
40 Legislature having jurisdiction over taxation matters to annually
review the additional sales tax revenue collected,
42 as well as the annual cost of reimbursing municipalities as
required. Any such revenue collected in excess of the
44 reimbursement obligation must be used to reduce the tax burden on
Maine citizens.

46 Part E increases the sales tax on lodging from 7% to 10%.

48

2 Part F reforms the business equipment tax reimbursement
program (BETR) by limiting state reimbursement to 70% of the
4 taxes paid on eligible property reduced by the amount of tax
reimbursement received for the property through a tax increment
financing agreement.

6
8 Part G provides that, for property first placed in service
in property tax years beginning after April 1, 2003, property
used in, or in support of, the provision of a nonqualified
10 service or a retail sales facility is not eligible for BETR
reimbursement.

12