

# MAINE STATE LEGISLATURE

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# 121st MAINE LEGISLATURE

## FIRST REGULAR SESSION-2003

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Legislative Document

No. 1395

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H.P. 1021

House of Representatives, March 19, 2003

### An Act for Comprehensive Reform of Maine's Tax Structure

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative MILLS of Cornville.  
Cosponsored by Representative KOFFMAN of Bar Harbor and  
Representative: McLAUGHLIN of Cape Elizabeth.

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

4 **PART A**

6 **Sec. A-1. 36 MRSA c. 105, sub-c. 4-B**, as enacted by PL 1997, c. 643, Pt. HHH, §3 and affected by §10, is repealed.

8 **Sec. A-2. 36 MRSA §6201, sub-§11-A**, as amended by PL 1999, c. 10 401, Pt. R, §1 and affected by §2, is further amended to read:

12 **11-A. Rent constituting property taxes accrued for**  
14 **nonelderly household.** "Rent constituting property taxes accrued  
16 for nonelderly household" means ~~18%~~ 20% of the gross rent  
18 actually paid in cash or its equivalent in any tax year by a  
20 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.

22 **Sec. A-3. 36 MRSA §6207**, as amended by PL 1999, c. 494, §1,  
is further amended to read:

24 **§6207. Benefits for nonelderly households**

26 A claimant representing a nonelderly household qualifies for  
28 the following benefits subject to the following income  
limitations.

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

34 A-1. ~~Fifty~~ Eighty percent of that portion of the benefit  
base that exceeds 4% ~~but does not exceed 8% of income plus~~  
36 ~~100% of that portion of the benefit base that exceeds 8%~~ of  
income to a maximum payment of \$1,000 \$3,000.

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

42 **3. Subsidized housing; special needs payment.** A claim may  
44 not be granted under this section to claimants:

46 A. Whose housing costs for the year for which relief is  
48 requested were subsidized by government programs that limit  
housing costs to a percentage of household income, except  
that the exclusion provided by this paragraph does not apply

2 to persons receiving social security disability or  
supplemental security income disability benefits.

4 **4. Minimum benefit.** A claim of less than \$10 may not be  
granted.

6  
8 **PART B**

10 **Sec. B-1. 20-A MRSA §1, sub-§37-A,** as enacted by PL 1985, c.  
650, §1, is amended to read:

12 **37-A. State valuation.** "State valuation" means the value  
certified to the Secretary of State as provided in Title 36,  
14 section 305, subsection 1 as adjusted under Title 36, sections  
1491-A, 1507 and 1876.

16 **Sec. B-2. 30-A MRSA §5681, sub-§2, ¶B,** as enacted by PL 1987,  
18 c. 737, Pt. A, §2 and Pt. C, §106 and amended by PL 1989, c. 6,  
c. 9, §2 and c. 104, Pt. C, §§8 and 10, is further amended to  
20 read:

22 B. "Property tax burden" means the total real and personal  
property taxes assessed in the most recently completed  
24 municipal fiscal year, except the taxes assessed on captured  
value within a tax increment financing district, divided by  
26 the latest state valuation certified to the Secretary of  
State as adjusted under Title 36, sections 1491-A, 1507 and  
28 1876.

30 **Sec. B-3. 36 MRSA §1491-A** is enacted to read:

32 **§1491-A. Adjustment of state valuation**

34 For each municipality collecting a tax under this chapter,  
the State Tax Assessor shall compute a property tax base  
36 equivalent. The property tax base equivalent is computed by  
dividing the revenue collected by the municipality under this  
38 chapter by the full value mill rate for the municipality. The  
property tax base equivalent for the municipality must be added  
40 to its state valuation for purposes of distributing state school  
aid under Title 20-A, Part 7, for state-municipal revenue sharing  
42 under Title 30-A, section 5681 and for assessment of county taxes  
under Title 30-A, chapter 3.

44 **Sec. B-4. 36 MRSA §1507** is enacted to read:

46 **§1507. Adjustment of state valuation**

48 For each municipality collecting a tax under this chapter,  
50 the State Tax Assessor shall compute a property tax base

2 equivalent. The property tax base equivalent is computed by  
4 dividing the revenue collected by the municipality under this  
6 chapter by the full value mill rate for the municipality. The  
8 property tax base equivalent for the municipality must be added  
to its state valuation for purposes of distributing state school  
aid under Title 20-A, Part 7, for state-municipal revenue sharing  
under Title 30-A, section 5681 and for assessment of county taxes  
under Title 30-A, chapter 3.

10 **Sec. B-5. 36 MRSA c. 216** is enacted to read:

12 **CHAPTER 216**

14 **LIMITED LOCAL OPTION SALES TAX**

16 **§1871. Local option sales tax authority**

18 1. Authority. Beginning January 1, 2004, the legislative  
20 body of a municipality, subject to the requirements of this  
22 chapter, may elect to adopt within the municipality a limited  
sales tax of 1% or 2% of the value of prepared food and lodging  
sold in the municipality.

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

28 A. "Lodging" means the rental of living quarters in any  
30 hotel, rooming house or tourist or trailer camp.

32 B. "Prepared food" has the same meaning as in section 1752,  
subsection 8-A.

34 **§1872. Referendum required**

36 1. Adoption. The adoption of a limited sales tax in a  
38 municipality must be approved by the legal voters of a  
40 municipality that seeks to adopt the tax. The petition process  
and the voting at elections held in towns and plantations must be  
42 held and conducted in accordance with Title 30-A, sections 2528,  
2529 and 2532 even if the town or plantation has not accepted the  
44 provisions of Title 30-A, section 2528. The voting at elections  
held in municipalities must be held and conducted in accordance  
46 with Title 21-A, and the referendum must take place at a  
municipal general election with a turnout equal to or greater  
48 than 30% of the votes cast in the municipality in the last  
gubernatorial election or at the last general election. The  
50 municipal clerk shall make a return of the results, certify the  
results and send them to the Secretary of State. The Secretary  
of State shall forward the results to the State Tax Assessor.

2 The municipal clerk shall prepare the required ballots, which  
3 must contain the following question:

4 "Do you favor a [insert 1% or 2%] sales tax to be imposed  
5 on the sale of prepared food and lodging in [insert name of  
6 municipality]?"

8 2. Repeal. A limited sales tax adopted under this chapter  
9 may be repealed in the same manner as provided for adoption of  
10 the tax in subsection 1. The ballot question must read:

12 "Do you favor repealing the [insert 1% or 2%] sales tax on  
13 the sale of prepared food and lodging in [insert name of  
14 municipality]?"

16 **§1873. Rate; collection**

18 1. Rate. A limited sales tax adopted under this chapter is  
19 equal to 1% or 2% of the value of prepared food and lodging sold  
20 at retail in the municipality adopting the tax and subject to tax  
21 under chapter 213.

22 2. Collection. A limited sales tax adopted under this  
23 chapter must be added to the tax imposed under chapter 213 and  
24 must be collected and administered in the same manner as taxes  
25 imposed under that chapter.

28 **§1874. Implementation of tax**

30 1. Effective date. The imposition or repeal of a limited  
31 tax under section 1872 takes effect on the first day of the next  
32 succeeding calendar quarter that begins more than 90 days after  
33 the date of the election at which the tax was approved or  
34 repealed by the voters. The municipality adopting or repealing  
35 the tax shall notify the State Tax Assessor at least 90 days  
36 before the tax or repeal is effective and shall state the  
37 effective date of the tax.

38 2. Distribution of the tax. The proceeds of a limited  
39 sales tax imposed under this chapter must, on or about the 20th  
40 day of each month, be remitted to the State and distributed as  
41 follows:

44 A. Two percent of the amount remitted to the State must be  
45 retained by the State to defray its costs of administration;

46 B. Five and two-tenths percent of the amount remitted to  
47 the State must be paid to the Local Government Fund  
48 established in Title 30-A, section 5681; and

50

2 C. Ninety-two and eight-tenths percent of the amount  
3 remitted to the State must be paid to the municipality that  
4 adopted the tax.

6 **§1875. Multimunicipal limited sales tax district authorized**

8 Two or more municipalities may join together for the  
9 purpose of creating a multimunicipal limited sales tax  
10 district. Before the municipal officers prepare the warrant for  
11 any referendum vote authorizing the adoption of a multimunicipal  
12 limited sales tax, the participating municipalities must execute  
13 an interlocal agreement pursuant to Title 30-A, chapter 115 that  
14 details the financial rights and responsibilities of each  
15 participating municipality with respect to the limited sales tax  
16 and the procedures for the referendum. The interlocal agreement  
17 must detail the respective municipal financial obligations in the  
18 circumstance of any participating municipality voting at  
19 referendum to adopt or repeal the tax and in the circumstance of  
20 any participating municipality voting at referendum not to adopt  
21 or repeal the tax. For the purposes of complying with Title  
22 30-A, section 2205, an interlocal agreement executed for the  
23 purpose of this chapter must be submitted to the Director of the  
24 State Planning Office within the Executive Department for  
25 approval.

26 **§1876. Adjustment of state valuation**

28 For each municipality imposing a tax under this chapter, the  
29 State Tax Assessor shall compute a property tax base equivalent.  
30 The property tax base equivalent is computed by dividing the  
31 revenue distributed to the municipality under this chapter by the  
32 full value mill rate for the municipality. The property tax base  
33 equivalent for the municipality must be added to its state  
34 valuation for purposes of distributing state school aid under  
35 Title 20-A, Part 7, for state-municipal revenue sharing under  
36 Title 30-A, section 5681 and for assessment of county taxes under  
37 Title 30-A, chapter 3.

38 **PART C**

40 **Sec. C-1. 30-A MRSA §5681, sub-§2, ¶¶C and D,** as enacted by PL  
42 1999, c. 731, Pt. U, §1, are repealed.

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

48 E. "Disproportionate tax burden" means the total real and  
personal property taxes assessed in the most recently  
completed municipal fiscal year, except the taxes assessed

on captured value within a tax increment financing district,  
divided by the latest state valuation certified to the  
Secretary of State and reduced by ~~.01~~ .15.

**Sec. C-3. 30-A MRSA §5681, sub-§5**, as amended by PL 2001, c.  
559, Pt. G, §1 and c. 714, Pt. Y, §1, is repealed.

**Sec. C-4. 30-A MRSA §5681, sub-§5-B** is enacted to read:

**5-B. Transfers to funds.** On the last day of each month, the Treasurer of State shall make the following transfers from the receipts from the taxes imposed under Title 36, Parts 3 and 8 and credited to the General Fund:

A. To the Local Government Fund, 2.6% of receipts; and

B. To the Disproportionate Tax Burden Fund, 2.6% of receipts.

**Sec. C-5. Effective date.** This Part takes effect January 1, 2004.

#### PART D

**Sec. D-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; 2002 tax year.** For tax years beginning ~~on or after~~ January 1, in 2002, for single individuals and married persons filing separate returns:

If Maine <del>Taxable</del> <u>taxable</u> income is:	The tax is:
Less than \$4,200	2% of the Maine taxable income
At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
\$16,700 or more	\$856 plus 8.5% of the excess over \$16,700



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**Sec. D-2. 36 MRSA §5111, sub-§1-C** is enacted to read:

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

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$5,000</u>	<u>2% of the Maine taxable income</u>
<u>At least \$5,000 but less than \$20,000</u>	<u>\$100 plus 5% of the excess over \$5,000</u>
<u>\$20,000 or more</u>	<u>\$850 plus 8% of the excess over \$20,000</u>

**Sec. D-3. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c. 731, Pt. T, §5, is amended to read:

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

<u>If Maine Taxable <del>taxable</del> income is:</u>	<u>The tax is:</u>
<u>Less than \$6,300</u>	<u>2% of the Maine taxable income</u>
<u>At least \$6,300 but less than \$12,500</u>	<u>\$126 plus 4.5% of the excess over \$6,300</u>
<u>At least \$12,500 but less than \$25,050</u>	<u>\$405 plus 7% of the excess over \$12,500</u>
<u>\$25,050 or more</u>	<u>\$1,284 plus 8.5% of the excess over \$25,050</u>

**Sec. D-4. 36 MRSA §5111, sub-§2-C** is enacted to read:

2 2-C. Heads of households; tax years beginning 2003. For  
3 tax years beginning on or after January 1, 2003, for unmarried  
4 individuals or legally separated individuals who qualify as heads  
5 of households:

6 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
8 <u>Less than \$7,500</u>	<u>2% of the Maine</u> <u>taxable income</u>
12 <u>At least \$7,500 but</u> 14 <u>less than \$30,000</u>	<u>\$150 plus 5%</u> <u>of the excess</u> <u>over \$7,500</u>
16 <u>\$30,000 or more</u>	<u>\$1,275 plus 8%</u> <u>of the excess</u> <u>over \$30,000</u>

20 **Sec. D-5. 36 MRSA §5111, sub-§3-B**, as enacted by PL 1999, c.  
21 731, Pt. T, §7, is amended to read:

22 **3-B. Individuals filing married joint return or surviving**  
23 **spouses; 2002 tax year.** For tax years beginning ~~on or after~~  
24 ~~January 1,~~ in 2002, for individuals filing married joint returns  
25 or surviving spouses permitted to file a joint return:

28 <u>If Maine Taxable taxable income is:</u>	<u>The tax is:</u>
30 <u>Less than \$8,400</u>	<u>2% of the Maine</u> <u>taxable income</u>
34 <u>At least \$8,400 but</u> 36 <u>less than \$16,700</u>	<u>\$168 plus 4.5%</u> <u>of the excess</u> <u>over \$8,400</u>
38 <u>At least \$16,700 but</u> 40 <u>less than \$33,400</u>	<u>\$542 plus 7% of</u> <u>the excess over</u> <u>\$16,700</u>
42 <u>\$33,400 or more</u>	<u>\$1,711 plus 8.5%</u> <u>of the excess</u> <u>over \$33,400</u>

46 **Sec. D-6. 36 MRSA §5111, sub-§3-C** is enacted to read:

48 **3-C. Individuals filing married joint return or surviving**  
**spouses; tax years beginning 2003.** For tax years beginning on or

2 after January 1, 2003, for individuals filing married joint  
3 returns or surviving spouses permitted to file a joint return:

4 <u>If Maine taxable income is:</u>	<u>The tax is:</u>
6 <u>Less than \$10,000</u>	<u>2% of the Maine</u> <u>taxable income</u>
8	
10 <u>At least \$10,000 but</u> 12 <u>less than \$40,000</u>	<u>\$200 plus 5%</u> <u>of the excess</u> <u>over \$10,000</u>
14 <u>\$40,000 or more</u>	<u>\$1,700 plus 8%</u> <u>of the excess</u> <u>over \$40,000</u>
16	

18 **Sec. D-7. 36 MRSA §5126**, as amended by PL 2001, c. 583, §16,  
19 is repealed and the following enacted in its place:

20 **§5126. Personal exemptions**

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

26 **Sec. D-8. 36 MRSA §5403**, as repealed and replaced by PL 1999,  
27 c. 731, Pt. T, §10 and affected by §11, is amended to read:

30 **§5403. Annual adjustments for inflation**

32 Beginning in 2002 2003, and each subsequent calendar year  
33 thereafter, on or about September 15th, the State Tax Assessor  
34 shall multiply the cost-of-living adjustment for taxable years  
35 beginning in the succeeding calendar year by the dollar amounts  
36 of the tax rate tables specified in section 5111, subsections  
37 1-B, 2-B and 3-B 1-C, 2-C and 3-C. If the dollar amounts of each  
38 rate bracket, adjusted by application of the cost-of-living  
39 adjustment, are not multiples of \$50, any increase must be  
40 rounded to the next lowest multiple of \$50. If the  
41 cost-of-living adjustment for any taxable year is 1.000 or less,  
42 no adjustment may be made for that taxable year in the dollar  
43 bracket amounts of the tax rate tables. The assessor shall  
44 incorporate such changes into the income tax forms, instructions  
45 and withholding tables for the taxable year.

46 **Sec. D-9. Application.** This Part applies to tax years  
47 beginning on or after January 1, 2003.

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**PART E**

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

**§5219-S. Earned income credit**

A taxpayer is allowed a refundable credit against the taxes otherwise due under this Part equal to 5% 20% of the federal earned income credit for the same taxable year. ~~The credit may not reduce the state income tax to less than zero.~~

**PART F**

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

**1. Excise tax on malt liquor and wine.** An excise tax is imposed on the privilege of manufacturing and selling malt liquor, wine and low-alcohol spirits products in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~25¢ per gallon on all malt liquor sold in the State~~ 1¢ for each 10th of an ounce of 100% alcohol sold in the State in malt beverages, hard cider, wine, sparkling wine, fortified wine and low-alcohol spirits products.

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

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

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

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

A-1. Two tenths of one cent for each 10th of an ounce of 100% alcohol sold in the State in malt beverages, hard cider, wine, sparkling wine, fortified wine and low alcohol spirits products; and

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

~~C. Twenty four cents per gallon on all sparkling wine and all fortified wine sold in the State and all low alcohol~~

~~spirits-products-sold-by-a-person-licensed-to-sell-wine-for  
consumption-on-or-off-the-premises, and~~

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

## PART G

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

### **§662. Certain business personal property**

**1. Exemption.** An exemption is provided under this Part for 70% of the just value of property described in section 6651, subsection 3 that is first placed in service in the State after April 1, 2003.

**2. Reimbursement to municipalities.** The State shall reimburse municipalities for 50% of the property tax revenue loss suffered as a result of this section using the procedure specified in section 661. The State may not reimburse municipalities to the extent that the property taxes paid after March 31, 2002 are returned to a taxpayer by a municipality due to the taxpayer's participation in a municipal development district pursuant to Title 30-A.

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

**1. Eligible property.** "Eligible property" means qualified business property first placed in service in the State, or constituting construction in progress commenced in the State, after April 1, 1995 and on or before April 1, 2003. "Eligible property" includes, without limitation, repair parts, replacement parts, additions, accessions and accessories to other qualified business property placed in service on or before April 1, 1995 if the part, addition, accession or accessory is first placed in service, or constitutes construction in progress, in the State after April 1, 1995 and on or before April 1, 2003. "Eligible property" also includes inventory parts.

**Sec. G-3. 36 MRSA §6651, sub-§2**, as enacted by PL 1995, c. 368, Pt. FFF, §2, is amended to read:

**2. Inventory parts.** "Inventory parts" includes repair parts, replacement parts, replacement equipment, additions, accessions and accessories on hand but not in service and stocks or inventories of repair parts, replacement parts, replacement

2 equipment, additions, accessions and accessories on hand but not  
in service if acquired after April 1, 1995 and on or before April  
4 1, 2003, regardless of when placed in service.

6 **Sec. G-4. 36 MRSA §6652, sub-§1-D** is enacted to read:

8 **1-D. Limitation on certain property.** Reimbursement may not  
be made pursuant to this chapter to the extent that the property  
10 taxes paid after March 31, 2002 are returned to a taxpayer by a  
municipality due to the taxpayer's participation in a municipal  
development district pursuant to Title 30-A.

12 **PARTH**

14 **Sec. H-1. 5 MRSA §1513, sub-§1**, as corrected by RR 1999, c. 2,  
16 §1, is amended to read:

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

42 **Sec. H-2. 5 MRSA §1519, sub-§2**, as enacted by PL 1999, c. 731,  
44 Pt. DD, §1 and affected by §2, is amended to read:

46 **2. Funding.** At the close of each fiscal year, the State  
Controller shall transfer from the unappropriated surplus of the  
48 General Fund to the Retiree Health Insurance Internal Service  
Fund an amount equal to the balance remaining of the excess of

2 total General Fund revenues received over accepted estimates in  
that fiscal year that would have been transferred to the Maine  
4 Rainy Day Fund had the Maine Rainy Day Fund not been at its  
statutory limit of 6% 10% of total General Fund revenues received  
6 in the immediately preceding fiscal year. Funds may also include  
appropriations and allocations of the Legislature and direct  
8 billing rates charged to state departments and agencies and other  
participating jurisdictions.

10 **PART I**

12 **Sec. I-1. 36 MRSA §1752, sub-§11, ¶A,** as enacted by PL 1989, c.  
14 871, §5, is amended to read:

16 A. "Retail sale" includes:

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

24 (2) Sale of products for internal human consumption to  
a person for resale through coin-operated vending  
26 machines when sold to a retailer whose gross receipts  
derived through sales from vending machines are more  
28 than 50% of the retailer's gross receipts. The tax  
must be paid by the retailer to the State; and

30 (3) The value of any taxable service defined under  
32 subsection 17-A to the extent the taxable service is  
34 provided in this State and only if the relationship  
36 between the provider and the recipient of the taxable  
service is not an employment relationship with respect  
to the provision of the service.

38 **Sec. I-2. 36 MRSA §1752, sub-§14, ¶A,** as enacted by PL 1987, c.  
40 497, §24, is amended to read:

42 A. "Sale price" includes:

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

46 (2) All receipts, cash, credits and property of any  
48 kind or nature and any amount for which credit is  
allowed by the seller to the purchaser, without any

2 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.

4  
6 When a taxable service is provided for a fee that is  
7 contingent on an ultimate award, settlement or similar  
8 financial result and the fee is a certain percentage of that  
9 ultimate award or settlement, is deemed to include both the  
10 sale price and the applicable tax.

11 **Sec. I-3. 36 MRSA §1752, sub-§14, ¶B,** as amended by PL 1989, c.  
12 871, §6, is further amended to read:

13 B. "Sale price" does not include:

- 14 (1) Discounts allowed and taken on sales;
- 15
- 16 (2) Allowances in cash or by credit made upon the
- 17 return of merchandise or with respect to fabrication
- 18 services pursuant to warranty;
- 19
- 20 (3) The price of property returned or fabrication
- 21 services rejected by customers, when the full price is
- 22 refunded either in cash or by credit;
- 23
- 24 (4) The price received for labor or services used in
- 25 installing or applying or repairing the property sold
- 26 or fabricated, if separately charged or stated;
- 27
- 28 (5) Any amount charged or collected, in lieu of a
- 29 gratuity or tip, as a specifically stated service
- 30 charge, when that amount is to be disbursed by a hotel,
- 31 motel, restaurant or other eating establishment to its
- 32 employees as wages;
- 33
- 34 (6) The amount of any tax imposed by the United States
- 35 on or with respect to retail sales, whether imposed
- 36 upon the retailer or the consumer, except any
- 37 manufacturers', importers', alcohol or tobacco excise
- 38 tax;
- 39
- 40 (7) The cost of transportation from the retailer's
- 41 place of business or other point from which shipment is
- 42 made directly to the purchaser, provided that those
- 43 charges are separately stated and the transportation
- 44 occurs by means of common carrier, contract carrier or
- 45 the United States mail;
- 46
- 47 (8) The fee imposed by Title 10, section 1169,
- 48 subsection 11;
- 49
- 50



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

4 (10) The lead-acid battery deposit imposed by Title  
6 38, section 1604, subsection 2-B; or

8 (11) With respect to any fee for a taxable service,  
10 any portion of that fee representing direct  
12 reimbursement charged to the recipient of the taxable  
14 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.

16 **Sec. I-4. 36 MRSA §1752, sub-§17-A, ¶J,** as enacted by PL 1999,  
c. 790, Pt. A, §46, is amended to read:

18 J. Prepaid calling arrangements; and

20 **Sec. I-5. 36 MRSA §1752, sub-§17-A, ¶K,** as amended by PL 2001,  
c. 396, §22, is further amended to read:

22 K. Rental of furniture, audio tapes and audio equipment  
24 pursuant to a rental-purchase agreement as defined in Title  
26 9-A, section 11-105; and

28 **Sec. I-6. 36 MRSA §1752, sub-§17-A, ¶¶L and M** are enacted to  
read:

30 L. Amusement and recreation services. All services  
32 provided as retail sale in this State to the public or  
34 through private clubs that include exchanging a membership  
36 or right of access to an amusement, recreational,  
38 exhibitive, cultural or athletic activity for a fee or other  
remuneration; all rentals of personal property for amusement  
or recreation; and all purchases of memberships in social  
organizations. Donations to charity and dues to labor  
unions are not taxable.

40 M. Personal services. The following personal services  
42 provided at retail sale in this State are subject to sales  
tax:

44 (1) Personal care services, provided by barbers,  
46 beauticians, manicurists, tattoo artists, body  
48 piercers, massage therapists, reflexologists, tanning  
salons and exercise or fitness centers;

50 (2) Laundering and dry cleaning;

2           (3) Painting, papering and interior decorating;

4           (4) Cleaning, repair, storage, maintenance and  
6           improvement of personal property including, but not  
8           limited to, motorized vehicles of all types,  
10           watercraft, snowmobiles, bicycles, jewelry, cameras,  
12           timepieces, firearms, musical instruments, electronic  
14           and electrical goods, furniture, rugs, upholstery and  
16           antiques;

18           (5) Rental of personal property;

20           (6) Pet grooming and kennel services;

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

26           (8) Locksmith, alarm and security services;

28           (9) Disinfection and pest extermination or control;

30           (10) Printing, imprinting, painting or lettering;

32           (11) Fabrication, printing or production of tangible  
34           personal property that is not intended for resale;

36           (12) Dance instruction and dance studio services;

38           (13) Dating, escort and personal introduction services;

40           (14) Flower or balloon delivery and similar services  
42           performed as a demonstration of personal appreciation;

44           (15) Taxidermy;

46           (16) Flight and driving instruction;

48           (17) Auctioning and dealing in antiques and art; and

(18) Moving and storage of personal property.

"Personal services" does not include construction services.

**Sec. I-7. 36 MRSA §1752, sub-§18-D, ¶¶A and B**, as amended by PL  
2001, c. 584, §8 and affected by §10, are further amended to read:

A. "Telecommunications services" includes:

2 (1) The provision of 2-way interactive communications  
through the use of telecommunications equipment,  
4 exclusive of mobile telecommunications services;

6 (2) The installation, maintenance or repair of  
telecommunications equipment; and

8 (3) Two-way interactive mobile telecommunications  
10 services provided by a home service provider to a  
customer whose place of primary use is within this  
12 State, to the extent those services are associated with  
transmissions that originate and terminate within this  
14 State or within any other state. For purposes of this  
paragraph, the term "state" includes the District of  
16 Columbia and any territory or possession of the United  
States; and

18 (4) Except as otherwise provided by this subsection,  
20 telecommunications services originating or terminating  
outside this State.

22 B. "Telecommunications services" does not include:

24 ~~(1) -- Except as otherwise provided by this subsection,~~  
26 ~~service originating or terminating outside this State;~~

28 (2) Access services;

30 (3) Directory advertising services;

32 (4) The sale of unbundled network elements for use in  
the provision of telecommunications services;

34 (5) For leases entered into on or after October 1,  
36 1996, the lease of telecommunications equipment;

38 (6) A prepaid calling arrangement; or

40 (7) Mobile telecommunications services provided by a  
home service provider to a customer whose place of  
42 primary use is not within this State.

44 **Sec. I-8. 36 MRSA §1760, sub-§14** is repealed.

46 **Sec. I-9. 36 MRSA §1760, sub-§16**, as amended by PL 1999, c.  
708, §25, is further amended to read:

48 **16. Hospitals and nonprofit educational broadcast**  
corporations and literacy organizations. Sales to incorporated  
50 hospitals, incorporated nonprofit nursing homes licensed by the

2 Department of Human Services, incorporated nonprofit residential  
care facilities licensed by the Department of Human Services,  
4 incorporated nonprofit home health agencies certified under the  
United States Social Security Act of 1965, Title XVIII, as  
6 amended, incorporated nonprofit rural community health centers  
engaged in, or providing facilities for, the delivery of  
8 comprehensive primary health care, incorporated nonprofit dental  
health centers, institutions incorporated as nonprofit  
10 corporations for the sole purpose of ~~conducting medical research  
or for the purpose of establishing and maintaining laboratories  
for scientific study and investigation in the field of biology or  
ecology or operating educational television or radio stations,  
12 schools, and~~ incorporated nonprofit organizations or their  
14 affiliates whose purpose is to provide literacy assistance or  
free clinical assistance to children with dyslexia and regularly  
16 organized ~~churches or houses of religious worship, excepting  
sales, storage or use in activities that are mainly commercial  
enterprises. "Schools" means incorporated nonstock educational  
18 institutions, including institutions empowered to confer  
educational, literary or academic degrees, that have a regular  
20 faculty, curriculum and organized body of pupils or students in  
attendance throughout the usual school year and that keep and  
22 furnish to students and others records required and accepted for  
entrance to schools of secondary, collegiate or graduate rank, no  
24 part of the net earnings of which inures to the benefit of any  
26 individual.~~

28 **Sec. I-10. 36 MRSA §1760, sub-§17** is repealed.

30 **Sec. I-11. 36 MRSA §1760, sub-§24** is repealed.

32 **Sec. I-12. 36 MRSA §1760, sub-§34,** as repealed and replaced by  
PL 1981, c. 163, §4, is repealed.

34 **Sec. I-13. 36 MRSA §1760, sub-§49,** as repealed and replaced by  
36 PL 1999, c. 499, §1, is repealed.

38 **Sec. I-14. 36 MRSA §1760, sub-§65,** as amended by PL 1993, c.  
670, §6, is repealed.

40 **Sec. I-15. 36 MRSA §1760, sub-§71,** as enacted by PL 1989, c.  
42 533, §8, is repealed.

44 **Sec. I-16. 36 MRSA §1760, sub-§75,** as enacted by PL 1989, c.  
46 871, §15, is repealed.

## 48 PART J

2           **Sec. J-1. 36 MRSA §652**, as amended by PL 2001, c. 596, Pt. B,  
§§23 and 24 and affected by §25, is further amended to read:

4           **§652. Property of institutions and organizations**

6           ~~The following property of institutions and organizations is~~  
exempt from taxation;

8  
10           **1. Property of institutions and organizations.** The  
following property of institutions and organizations is exempt  
from taxation:

12  
14           A. The real estate and personal property owned and occupied  
or used solely for their own purposes by benevolent and  
16 charitable institutions incorporated by this State. Such an  
institution may not be deprived of the right of exemption by  
18 reason of the source from which its funds are derived ~~or by~~  
~~reason of limitation in the classes of persons for whose~~  
benefit such funds are applied.

20  
22           For the purposes of this paragraph, "benevolent and  
charitable institution" means an institution that advances a  
charitable purpose, donates or renders gratuitously a  
24 substantial portion of its services, benefits a substantial  
and indefinite class of persons who are legitimate subjects  
26 of charity, relieves the government of some of its burden  
and operates entirely free from private profit motive.  
28 "Benevolent and charitable institutions" may include, but  
are is not limited to, nonprofit nursing homes and nonprofit  
30 boarding homes and boarding care facilities licensed by the  
Department of Human Services pursuant to Title 22, chapter  
32 1664 or its successor, nonprofit community mental health  
service facilities licensed by the Commissioner of  
34 Behavioral and Developmental Services pursuant to Title  
34-B, chapter 3 and nonprofit child care centers  
36 incorporated by this State as benevolent and charitable  
institutions. For the purposes of this paragraph,  
38 "nonprofit" means a facility exempt from taxation under  
Section 501(c)(3) of the Code;

40  
42           B. The real estate and personal property owned and occupied  
or used solely for their own purposes by literary and  
44 scientific institutions. If any building or part of a  
building is used primarily for employee housing, that  
46 building, or that part of the building used for employee  
housing, shall is not be exempt from taxation;

48           C. Further conditions to the right of exemption under  
paragraphs A and B are that:

50

2 (1) Any corporation claiming exemption under paragraph  
A must be organized and conducted exclusively for  
benevolent and charitable purposes;

4  
6 (2) A director, trustee, officer or employee of an  
organization claiming exemption is not entitled to  
receive directly or indirectly any pecuniary profit  
8 from the operation of that organization, excepting  
reasonable compensation for services in effecting its  
10 purposes or as a proper beneficiary of its strictly  
benevolent or charitable purposes;

12  
14 (3) All profits derived from the operation of an  
organization claiming exemption and the proceeds from  
the sale of its property are devoted exclusively to the  
16 purposes for which it is organized;

18 (4) The institution, organization or corporation  
claiming exemption under this subsection shall file  
20 with the tax assessors upon their request a report for  
its preceding fiscal year in such detail as the tax  
22 assessors may reasonably require;

24 (5) An exemption is not allowed under this subsection  
in favor of an agricultural fair association holding  
26 pari-mutuel racing meets unless it has qualified the  
next preceding year as a recipient of the "Stipend  
28 Fund" provided in Title 7, section 62;

30 (6) An exemption allowed under paragraph A or B for  
real or personal property owned and occupied or used to  
32 provide federally subsidized residential rental housing  
is limited as follows: Federally subsidized  
34 residential rental housing placed in service prior to  
September 1, 1993 by other than a nonprofit housing  
36 corporation that is acquired on or after September 1,  
1993 by a nonprofit housing corporation and the  
38 operation of which is not an unrelated trade or  
business to that nonprofit housing corporation is  
40 eligible for an exemption limited to 50% of the  
municipal assessed value of that property.

42  
44 An exemption granted under this subparagraph must be  
revoked for any year in which the owner of the property  
46 is no longer a nonprofit housing corporation or the  
operation of the residential rental housing is an  
unrelated trade or business to that nonprofit housing  
48 corporation.

2 (a) For the purposes of this subparagraph, the  
following terms have the following meanings.

4 (i) "Federally subsidized residential rental  
6 housing" means residential rental housing  
that is subsidized through project-based  
8 rental assistance, operating assistance or  
interest rate subsidies paid or provided by  
10 or on behalf of an agency or department of  
the Federal Government.

12 (ii) "Nonprofit housing corporation" means a  
14 nonprofit corporation organized in the State  
that is exempt from tax under Section  
16 501(c)(3) of the Code and has among its  
corporate purposes the provision of services  
18 to people of low income or the construction,  
rehabilitation, ownership or operation of  
20 housing.

22 (iii) "Residential rental housing" means one  
or more buildings, together with any  
24 facilities functionally related and  
subordinate to the building or buildings,  
located on one parcel of land and held in  
26 common ownership prior to the conversion to  
nonprofit status and containing 9 or more  
28 similarly constructed residential units  
offered for rental to the general public for  
30 use on other than a transient basis, each of  
which contains separate and complete  
32 facilities for living, sleeping, eating,  
cooking and sanitation.

34 (iv) "Unrelated trade or business" means any  
36 trade or business whose conduct is not  
substantially related to the exercise or  
38 performance by a nonprofit corporation of the  
purposes or functions constituting the basis  
40 for exemption under Section 501(c)(3) of the  
Code.

42 (b) Eligibility of the following property for  
44 exemption is not affected by the provisions of  
this subparagraph:

46 (i) Property used as a nonprofit nursing  
48 home, residential care facility licensed by  
the Department of Human Services pursuant to  
50 Title 22, chapter 1663 or a community living

2 arrangement as defined in Title 30-A, section  
4 4357-A or any property owned by a nonprofit  
6 organization licensed or funded by the  
8 Department of Behavioral and Development  
Services to provide services to or for the  
benefit of persons with mental illness or  
mental retardation;

10 (ii) Property used for student housing;

12 (iii) Property used for parsonages;

14 (iv) Property that was owned and occupied or  
used to provide residential rental housing  
that qualified for exemption under paragraph  
16 A or B prior to September 1, 1993; or

18 (v) Property exempt from taxation under  
20 other provisions of law; and

22 (7) In addition to the requirements of subparagraphs  
24 (1) to (4), an exemption is not allowed under paragraph  
A or B for real or personal property owned and occupied  
or used to provide residential rental housing that is  
26 transferred or placed in service on or after September  
1, 1993, unless the property is owned by a nonprofit  
28 housing corporation and the operation of the  
residential rental housing is not an unrelated trade or  
business to the nonprofit housing corporation.

30 For the purposes of this subparagraph, the following  
32 terms have the following meanings.

34 (a) "Nonprofit housing corporation" means a  
36 nonprofit corporation organized in the State that  
is exempt from tax under Section 501(c)(3) of the  
Code and has among its corporate purposes the  
38 provision of services to people of low income or  
the construction, rehabilitation, ownership or  
40 operation of housing.

42 (b) "Residential rental housing" means one or  
44 more buildings, together with any facilities  
functionally related and subordinate to the  
building or buildings, containing one or more  
46 similarly constructed residential units offered  
for rental to the general public for use on other  
48 than a transient basis, each of which contains  
separate and complete facilities for living,  
50 sleeping, eating, cooking and sanitation.



2 (c) "Unrelated trade or business" means any trade  
3 or business whose conduct is not substantially  
4 related to the exercise or performance by a  
5 nonprofit organization of the purposes  
6 constituting the basis for exemption under Section  
7 501(c)(3) of the Code+;

8  
9 E. The real estate and personal property owned and occupied  
10 by posts of the American Legion, Veterans of Foreign Wars,  
11 American Veterans of World War II, Grand Army of the  
12 Republic, Spanish War Veterans, Disabled American Veterans  
13 and Navy Clubs of the U.S.A., which shall ~~be~~ are used solely  
14 by those organizations for meetings, ceremonials or  
15 instruction, including all facilities appurtenant to such  
16 use and used in connection therewith. If any building shall  
17 is not be used in its entirety for those purposes, but shall  
18 be is used in part for those purposes and in part for any  
19 other purpose, exemption shall is only be of the part used  
20 for those purposes.

21 ~~Further conditions to the right of exemption are that:~~

22 Further conditions to the right of exemption are that:

23 (1) No director, trustee, officer or employee of any  
24 organization claiming exemption shall may receive  
25 directly or indirectly any pecuniary profit from the  
26 operation thereof, excepting reasonable compensation  
27 for services in effecting its purposes or as a proper  
28 beneficiary of its purposes;

29 (2) All profits derived from the operation thereof and  
30 the proceeds from the sale of its property are devoted  
31 exclusively to the purposes for which it is organized;  
32 and

33 (3) The institution, organization or corporation  
34 claiming exemption under this subsection shall file  
35 with the tax assessors upon their request a report for  
36 its preceding fiscal year in such detail as the tax  
37 assessors may reasonably require+;

38 F. The real estate and personal property owned and occupied  
39 or used solely for their own purposes by chambers of  
40 commerce or boards of trade in this State.

41 Further conditions to the right of exemption are that:

2 (1) No director, trustee, officer or employee of any  
organization claiming exemption shall may receive  
4 directly or indirectly any pecuniary profit from the  
operation thereof, excepting reasonable compensation  
6 for services in effecting its purposes or as a proper  
beneficiary of its purposes;

8 (2) All profits derived from the operation thereof and  
the proceeds from the sale of its property are devoted  
10 exclusively to the purposes for which it is organized;  
and

12 (3) The institution, organization or corporation  
14 claiming exemption under this subsection shall file  
with the tax assessors upon their request a report for  
16 its preceding fiscal year in such detail as the tax  
assessors may reasonably require-;

18 G. Houses of religious worship, including vestries, and the  
20 pews and furniture within the same; tombs and rights of  
burial; and property owned and used by a religious society  
22 as a parsonage to the value of \$20,000, and personal  
property not exceeding \$6,000 in value, but so much of any  
24 parsonage as is rented is liable to taxation. For purposes  
of the tax exemption provided by this paragraph a parsonage  
26 shall--~~mean~~ is the principal residence provided by a  
religious society for its clergyman whether or not located  
28 within the same municipality or place as the house of  
religious worship where the clergyman regularly conducts  
30 religious services-;

32 H. Real estate and personal property owned by or held in  
trust for fraternal organizations, except college  
34 fraternities, operating under the lodge system ~~which shall~~  
that must be used solely by fraternal organizations for  
36 meetings, ceremonials, religious or moralistic instruction,  
including all facilities appurtenant to such use and used in  
38 connection therewith. If any building shall is not be used  
in its entirety for such purposes, but shall-be is used in  
40 part for such those purposes and in part for any other  
purpose, exemption shall-be is of the part used for such  
42 those purposes.

44 Further conditions to the right of exemption are that:

46 (1) No director, trustee, officer or employee of any  
organization claiming exemption shall may receive  
48 directly or indirectly any pecuniary profit from the  
operation thereof, excepting reasonable compensation

2 for services in effecting its purposes or as a proper  
beneficiary of its purposes;

4 (2) All profits derived from the operation thereof and  
6 the proceeds from the sale of its property are devoted  
exclusively to the purposes for which it is organized;  
and

8 (3) The institution, organization or corporation  
10 claiming exemption under this subsection shall file  
12 with the tax assessors upon their request a report for  
its preceding fiscal year in such detail as the tax  
14 assessors may reasonably require.;

16 J. The real and personal property owned by one or more of  
the ~~foregoing~~ organizations listed in paragraphs A to I and  
18 occupied or used solely for their own purposes by one or  
more other such organizations.;

20 K. The real and personal property leased by and occupied or  
used solely for its own purposes by an incorporated  
22 benevolent and charitable organization ~~which~~ that is exempt  
from taxation under ~~section~~ Section 501 of the Internal  
24 Revenue Code of 1954, as amended, and the primary purpose of  
which is the operation of a hospital licensed by the  
26 Department of Human Services, health maintenance  
organization or blood bank.;

28 L. Service charges.

30 (1) The owners of certain institutional and  
32 organizational real and personal property, which is  
otherwise exempt from state or municipal taxation under  
34 this section, except those properties described in  
paragraph G, may-be are subject to service charges when  
36 these--charges that are calculated according to the  
actual cost of providing municipal services to that  
38 real property and to the persons who use that  
property. Service charges must also be applied to any  
40 improved property owned by the State that is exempt  
from taxation under section 651. These services shall  
42 include, without limitation:

- 44 (a) Fire protection;
- 46 (b) Police protection;
- 48 (c) Road maintenance and construction, traffic  
50 control, snow and ice removal;

2 (d) Water and sewer service provided to the  
3 tax-exempt entity and not otherwise recovered  
4 through user fees or other charges;

5 (e) Sanitation services provided to the  
6 tax-exempt entity and not otherwise recovered  
7 through user fees or other charges; and

8 (f) Any services other than education and welfare  
9 provided to the tax-exempt entity and not  
10 otherwise recovered through user fees or other  
11 charges.

12  
13  
14 ~~(2)---The-- establishment-- of-- service-- charges-- is-- not~~  
15 ~~mandatory,-- but-- rather-- is-- at-- the-- discretion-- of-- the~~  
16 ~~municipality-- in-- which-- the-- exempt-- property-- is-- located.~~  
17 ~~The-- municipal-- legislative-- body-- shall-- determine-- those~~  
18 ~~institutions-- and-- organizations-- on-- which-- service-- charges~~  
19 ~~are-- to-- be-- levied-- by-- charging-- for-- services-- on-- any-- or-- all~~  
20 ~~of-- the-- following-- classifications-- of-- tax-- exempt-- real~~  
21 ~~property;~~

22  
23  
24 ~~(a)---Residential-- properties-- currently-- totally~~  
25 ~~exempt-- from-- property-- taxation,-- yet-- used-- to-- provide~~  
26 ~~rental-- income,-- This-- classification-- shall-- not~~  
27 ~~include-- student-- housing-- or-- parsonages.~~

28 ~~If-- a-- municipality-- levies-- service-- charges-- in-- any-- of-- the~~  
29 ~~classifications-- of-- this-- subparagraph,-- that-- municipality~~  
30 ~~shall-- levy-- these-- service-- charges-- to-- all-- institutions~~  
31 ~~and-- organizations-- owning-- property-- in-- that~~  
32 ~~classification.~~

33  
34 (3) With respect to the determination of service  
35 charges, appeals shall must be made in accordance with  
36 an appeals process to be provided for by municipal  
37 ordinance. Appeals concerning the assessed value of  
38 any property against which a service charge is levied  
39 must be undertaken in accordance with subchapter 8.

40  
41 (4) The collection of unpaid service charges shall  
42 must be carried out in the same manner as provided in  
43 Title 38, section 1208.

44  
45 (5) Municipalities shall use the revenues accrued from  
46 service charges to fund, ~~as much as possible,~~ the costs  
47 of-- those-- services reduce the municipality's tax  
48 commitment as provided in section 709-C.

2 (6) The total service charges levied by a municipality  
3 on any institution and organization under this section  
4 shall not exceed 2% of the gross annual revenues of the  
5 organization. To qualify for this limitation the  
6 institution or organization shall file with the  
7 municipality an audit of the revenues of the  
8 organization for the year immediately prior to the year  
9 which the service charge is levied. The municipal  
10 officers shall abate the service charge amount that is  
11 in excess of 2% of the gross annual revenues a  
12 tax-exempt entity under this section may not exceed the  
13 lesser of 1.5% of the tax-exempt entity's annual  
14 receipts and 20% of the amount that would have been  
15 assessed as taxes on the property concerned if it were  
16 not exempt from taxation. To qualify for this  
17 limitation, the tax-exempt entity must file with the  
18 municipality a report of the annual receipts of the  
19 entity for the year immediately prior to the year for  
20 which the service charge is levied. The municipal  
21 officers shall abate the service charge amount that is  
22 in excess of the applicable limitation. For the  
23 purposes of this subparagraph, "annual receipts" means  
24 all streams of income received in the most recent  
25 fiscal year by the tax-exempt entity from any source,  
26 including receipts of goods and services provided at  
27 the exempt property. "Annual receipts" does not  
28 include amounts received by a tax-exempt entity in the  
29 form of governmental or corporate grants, private  
30 charitable donations, or trust or endowment earnings to  
31 the extent that receipts in those categories are  
32 actually spent to provide tangible and direct services  
33 to people benefiting from the services provided by the  
34 organization.

35 (6-A) A municipality may establish a payment schedule  
36 that is annual, semi-annual or quarterly.

37 (7) Municipalities shall adopt any necessary  
38 ordinances to carry out the provisions of this  
39 paragraph regarding service charges.

40 Service charges levied pursuant to this paragraph may be  
41 applied only to improved tax-exempt property, which is any  
42 parcel of land containing a building or other principal use  
43 structure that is exempt from taxation pursuant to this  
44 section.

45 An organization or institution that desires to secure  
46 exemption under this section shall make written application and  
47 file written proof of entitlement for each parcel to be

2 considered on or before the first day of April in the year in  
which the exemption is first requested with the assessors of the  
4 municipality in which the property would otherwise be taxable.  
If granted, the exemption continues in effect until the assessors  
6 determine that the organization or institution is no longer  
qualified. Proof of entitlement must indicate the specific basis  
upon which exemption is claimed.

8  
9 **Sec. J-2. 36 MRSA §652-A** is enacted to read:

10 **§652-A. Application schedules**

12  
13 An organization or institution claiming exemption under  
14 section 652 must file a written application containing proof of  
15 entitlement to the exemption for each parcel claimed. The  
16 application must be filed on or before April 1st in the year for  
17 which the exemption is first claimed. If granted, the exemption  
18 continues in effect until the basis for entitlement changes. The  
19 organization or institution holding the exemption must report any  
20 change in status that would materially affect its continuing  
21 entitlement to the exemption. Assessors may require submission  
22 of a new application as often as every 3 years or whenever it  
23 comes to their attention that the basis for the entitlement may  
24 have changed.

26  
27 **Sec. J-3. 36 MRSA §709-C** is enacted to read:

28 **§709-C. Service charges**

30 The assessors shall deduct from the total amount required to  
31 be assessed under this subchapter an amount equal to the amount  
32 of service charges to be levied under section 652 for the  
33 municipal fiscal year.

34  
35 **SUMMARY**

36  
37 **38** This bill provides for comprehensive reform of the State's  
tax structure.

39  
40 Part A repeals the homestead property tax exemption and  
41 provides property tax relief for the homestead property of  
42 persons with a high property tax burden by expanding the Maine  
43 Residents Property Tax Program to provide benefits equal to 80%  
44 of the property taxes for a homestead that exceed 4% of the  
45 taxpayer's income. The amount of rent constituting property  
46 taxes accrued for a nonelderly household is increased from 18% to  
47 20% of gross rent. The income eligibility requirements are  
48 repealed.

2 Part B permits municipalities to approve by referendum a  
3 local option sales tax of either 1% or 2% on prepared food and  
4 lodging to be collected by the State in conjunction with the  
5 existing tax on these products and services. The added revenue  
6 will be counted as though it were derived from an increase in the  
7 municipality's property valuation. The effect of this adjustment  
8 is to diminish slightly the municipality's revenue sharing and  
9 school funding and increase its proportion of county taxes. Two  
10 percent of the added revenue is kept by the State to offset its  
11 costs of collection and 5.2% is allocated to municipal revenue  
12 sharing.

13 Part B also converts excise taxes on motor vehicles and  
14 watercraft to an equivalent of the local property tax with  
15 resulting adjustments to revenue sharing, school funding and  
16 county taxes in the fashion outlined above.

17 Part C divides state-municipal revenue sharing funds equally  
18 between the Local Government Fund and the Disproportionate Tax  
19 Burden Fund and changes the threshold for receipt of funds from  
20 the Disproportionate Tax Burden Fund from 10 mills to 15 mills.  
21

22 Part D replaces the current income tax brackets with 3  
23 brackets. For persons filing as single individuals, the 2%  
24 bracket would cover income from \$0 to \$4,999; the 5% bracket  
25 would cover income from \$5,000 to \$19,999; and the 8% bracket  
26 would cover income of \$20,000 and above. The income amounts for  
27 heads of households are 1.5 times the amounts for single  
28 individuals and the amounts for joint returns are 2 times the  
29 amounts for single individuals. Part D also increases the  
30 personal exemption to equal the federal personal exemption.  
31

32 Part E increases the earned income tax credit from 5% to 20%  
33 of the federal credit and makes it refundable.

34 Current taxes on beer and wine are imposed in 2 components,  
35 an excise tax and a premium tax. The excise tax goes to the  
36 General Fund; the premium tax, added in 1981, supports a fund for  
37 the prevention of alcoholism.  
38

39 Part F imposes a tax on beer and wine at the uniform rate of  
40 12¢ per ounce of the pure alcohol that each contains. The tax is  
41 broken down as 10¢ for the excise tax to the General Fund and 2¢  
42 as the premium tax for the alcoholism prevention fund. This will  
43 roughly double the revenue to the General Fund and produce a  
44 slight increase for the prevention fund.  
45

46 Overall, this Part doubles the tax on beer and triples the  
47 tax on wine, while the tax on sparkling wine is increased by  
48 about 50%.  
49  
50

2           Taxes on distilled spirits are unaffected by this Part.  
4           Taxes on the alcohol in distilled spirits are higher than those  
          on the alcohol in beer and wine and would remain so despite the  
          increases for beer and wine proposed in this Part.

6  
8           Part G creates a property tax exemption for 70% of the just  
          value of certain business property placed in service in the State  
10           after April 1, 2003 and eliminates eligibility of that property  
          for tax reimbursement under the business equipment tax  
12           reimbursement program. The State will reimburse municipalities  
          for 50% of the revenue lost as a result of the exemption.

14           Part H increases the ceiling on the Maine Rainy Day Fund  
          from 6% to 10% of total General Fund Revenues.

16  
18           Part I broadens the sales tax base by repealing certain  
          sales tax exemptions and by expanding the number of taxable  
20           consumer services.

22           Part J allows a municipality to impose service charges on  
          institutions and organizations that are exempt from paying  
          property taxes.