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L.D. 1629

DATE: 6/13/03

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TAXATION

Majority

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

COMMITTEE AMENDMENT "A" to H.P. 1209, L.D. 1629, "RESOLUTION, Proposing a Competing Measure under the Constitution of Maine To Create Municipal Service Districts To Reduce the Cost of Local Government, To Provide Property Tax Relief and To Increase Economic Competitiveness"

Amend the resolution by striking out the title and substituting the following:

'RESOLUTION, Proposing a Competing Measure under the Constitution of Maine To Create Regional Service Districts To Reduce the Cost of Local Government, To Provide Property Tax Relief and To Increase Economic Competitiveness'

Further amend the resolution by striking out Part A and Part B and inserting in their place the following:

PART A

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

CHAPTER 112

REGIONAL SERVICE DISTRICTS

§2111. Purpose

The purpose of this chapter is to enhance the ability of municipalities to cooperate and consolidate on a basis of mutual advantage in the efficient and effective exercise of municipal obligations and home-rule authority pursuant to this Part through voluntary creation of and delegation to regional service districts or through other cooperative agreements that achieve

COMMITTEE AMENDMENT

similar cost savings, including, but not limited to, cooperative agreements with county governments. The goal and results of cooperation and consolidation are to achieve significant property tax relief and to increase municipalities' ability to fund public education.

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

PART B

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

SUBCHAPTER 1-A

PROPERTY TAX CONTRIBUTION TO PUBLIC EDUCATION

§521. Definitions

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

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

2. Funding public education from kindergarten to grade 12. "Funding public education from kindergarten to grade 12" means the cost of funding essential programs and services as described in Title 20-A, chapter 606-B.

§522. Maximum mill rates established

1. Maximum full value mill rate expectation. Notwithstanding Title 20-A, chapter 606-B, with respect to the assessment of any property taxes for property tax years beginning on or after April 1, 2005, this section establishes the full value mill rate expectations that may be applied to the value of property for the purpose of funding public education from kindergarten to grade 12. For a municipality that assesses property at a percentage other than 100% of just value, the maximum mill rate calculated under subsection 2 must be adjusted, in the process of assessment and prior to commitment, to the mill rate that generates the equivalent revenue that would be

collected if the municipality were assessing property at 100% of just value.

2. Calculation of full value mill rate expectation. For property tax years beginning on or after April 1, 2005, the Commissioner of Education shall calculate the full value mill rate expectation that is required to fund the local share of funding public education from kindergarten to grade 12 according to the following schedule.

A. For the 2005 property tax year, the full value mill rate expectation is the amount necessary to result in a 51% local share in fiscal year 2005-06.

B. For the 2006 property tax year, the full value mill rate expectation is the amount necessary to result in a 49.5% local share in fiscal year 2006-07.

C. For the 2007 property tax year, the full value mill rate expectation is the amount necessary to result in a 48% local share in fiscal year 2007-08.

D. For the 2008 property tax year, the full value mill rate expectation is the amount necessary to result in a 46.5% local share in fiscal year 2008-09.

E. For the 2009 property tax year and subsequent years, the full value mill rate expectation is the amount necessary to result in a 45% local share in fiscal year 2009-10.

§523. Exceeding mill rate expectations; referendum process

The legislative body of a school administrative unit, as defined in Title 20-A, section 1, subsection 26, may adopt property tax rates that exceed the adjusted full value mill rate expectation established by section 522.

Sec. B-2. Basis for funding costs of education from kindergarten to grade 12. Notwithstanding any other provision of law, beginning in fiscal year 2005-06, funding public education from kindergarten to grade 12, as defined in the Maine Revised Statutes, Title 36, section 521, must be based on the cost of providing essential programs and services as described in the Maine Revised Statutes, Title 20-A, chapter 606-B.

Sec. B-3. Savings from school construction bond refinancing and unexpended balance. Notwithstanding any other provision of law, at the close of fiscal year 2003-04 and fiscal year 2004-05 the Commissioner of Education shall allocate any unexpended funds from General Purpose Aid for Local Schools,

including those funds resulting from the refinancing of school construction bonds, to the General Purpose Aid for Local Schools in subsequent years. These funds may not be expended in fiscal year 2003-04 or fiscal year 2004-05 but must be carried forward. These funds may be allotted in fiscal year 2005-06 by financial order upon the recommendation of the State Budget Officer and approval of the Governor.'

Further amend the resolution in Part C by striking out all of sections 1 to 13 and inserting in their place the following:

'Sec. C-1. 36 MRSA §662 is enacted to read:

§662. Business equipment

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

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

A. "BETR-expired property" means property that was eligible for property tax reimbursement under chapter 915, but is no longer eligible for such reimbursement due to the fact that reimbursements have been made for the entire length of time for which reimbursements were allowed under section 6652, subsection 1.

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

"Eligible business equipment" does not include:

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

2 (2) Lamps and lighting fixtures; and

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

6 C. "Excluded person" means:

8 (1) A public utility as defined in Title 35-A, section
10 102, subsection 13;

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

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

22 (4) A cable television company as defined in Title
24 30-A, section 2001, subsection 2;

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

30 (6) A person that provides multichannel, multipoint
32 television distribution services.

34 D. "Inventory parts" includes repair parts, replacement
36 parts, replacement equipment, additions, accessions and
38 accessories on hand but not in service and stocks or
40 inventories of repair parts, replacement parts, replacement
42 equipment, additions, accessions and accessories on hand but
44 not in service and other machinery and equipment on hand for
46 future use but not in service if acquired after April 1,
48 2003, regardless of when placed in service.

50 E. "Qualified business property" means tangible personal
52 property that:

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

64 (2) Either:

66 (a) Was subject to an allowance for depreciation
68 under the Code on April 1st of the property tax
70 year for which a claim for exemption under
72 subsection 4 is filed, or would have been subject

2 to an allowance for depreciation under the Code as
3 of that date but for the fact that the property
4 has been fully depreciated; or

5 (b) In the case of construction in progress or
6 inventory parts, would be subject under the Code
7 to an allowance for depreciation when placed in
8 service or would have been subject to an allowance
9 for depreciation under the Code as of that date
10 but for the fact that the property has been fully
11 depreciated.

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

31 3. Additional limitations. The exemptions provided
32 pursuant to this section are limited as follows.

33 A. Exemption for certain energy facilities under this
34 section is limited as follows.

35 (1) The exemption provided by this section does not
36 apply to a natural gas pipeline, including pumping or
37 compression stations, storage depots and appurtenant
38 facilities used in the transportation, delivery or sale
39 of natural gas but not including a pipeline that is
40 less than a mile in length and is owned by a consumer
41 of natural gas delivered through the pipeline.

42 (2) The exemption provided in this section does not
43 apply to property used to produce or transmit energy
44 primarily for sale. Energy is primarily for sale if
45 during the immediately preceding property tax year 2/3
46

2 or more of the useful energy is directly or indirectly
3 sold and transmitted through the facilities of a
4 transmission and distribution utility.

6 (3) For purposes of this paragraph, unless the context
7 otherwise indicates, the following terms have the
8 following meanings.

10 (a) "Transmission and distribution utility" has
11 the same meaning as defined in Title 35-A, section
12 102, subsection 20-B.

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

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

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

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

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

38 The exemption under this section continues for property that
39 meets the requirements of subparagraphs (1), (2) and (3)
40 only until the certification for exemption under section
41 656, subsection 1, paragraph E has been granted. If the
42 assessor denies an exemption on the ground that the property
43 in question is entitled to exemption under section 656,
44 subsection 1, paragraph E and the taxpayer appeals the
45 denial, the assessor shall, at the taxpayer's request, allow
46 the taxpayer up to one year to obtain a statement from the
47 Commissioner of Environmental Protection that the property
48 at issue is not exempt under section 656, subsection 1,
49 paragraph E. If the taxpayer timely produces such a
50 statement or otherwise demonstrates that the property is not
exempt under section 656, subsection 1, paragraph E, the
assessor shall allow the exemption under this section.

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COMMITTEE AMENDMENT "A" to H.P. 1209, L.D. 1629

2 4. Reporting. On or before June 1st of each year, a
4 taxpayer claiming an exemption under this section shall file a
6 report with the assessor of the taxing jurisdiction in which the
8 property would otherwise be subject to taxation. The report must
10 identify the property for which exemption is claimed and must be
12 made on a form prescribed by the State Tax Assessor or substitute
 form approved by the State Tax Assessor. The State Tax Assessor
 shall furnish copies of the form to each municipality in the
 State and the form must be made available to taxpayers prior to
 April 1st. The assessor may require the taxpayer to sign the
 form and make oath to its truth.

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

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

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

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

2 5. Local review. Reports properly filed pursuant to
3 subsubsection 4 must be reviewed by the assessor with whom they are
4 filed. A taxing jurisdiction is not entitled to state
5 reimbursement pursuant to section 661 with respect to property
6 entitled to exemption under this section unless the assessor
7 certifies to the State Tax Assessor that the property qualifies
8 for such exemption. The local taxing jurisdiction shall file an
9 annual certification for business equipment exemptions by
10 November 1st following the April 1st exemption date or 30 days
11 after commitment of taxes, whichever is later, but in no event
12 later than 120 days following November 1st following the April
13 1st exemption date. All exemptions certified by the local
14 taxing jurisdiction must be applied in calculating the taxable
15 valuation of property in that jurisdiction, unless the
16 jurisdiction determines that the property is not entitled to
17 exemption and provides a corrected certification to the State Tax
18 Assessor.

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

43 7. State review. The State Tax Assessor may review
44 exemption claims made under this section and may disqualify any
45 exemption certified under subsection 5 within a 2-year period
46 from the date of the local tax jurisdiction certification. In a
47 case in which a local taxing jurisdiction has already received
48 reimbursement, the excess reimbursement may be offset against the
49 next reimbursement payment. A local taxing jurisdiction
50 shall file a certification with the State Tax Assessor by the date

aggrieved by a decision of the State Tax Assessor to disqualify a certified exemption after the exemption amount has been filed with the Secretary of State may seek review as provided by section 151. The assessor shall send notice to the taxpayer, in the manner and of the type provided for in section 151 in the case of a reconsideration decision, of any decision to disqualify an exemption. The taxpayer may seek reconsideration pursuant to section 151 of the State Tax Assessor's decision to disqualify any exemption claimed by the taxpayer.

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

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

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

Further amend the resolution in Part C by striking out all of section 17 and inserting in its place the following:

'Sec. C-17. Application. Those sections of this Part that amend the Maine Revised Statutes, Title 36, section 6207, subsection 1, paragraph A-1 and subsection 2 apply to Maine Residents Property Tax Program applications filed after July 31, 2004.'

Further amend the resolution in Part D by striking out all of sections 1 and 2 and inserting in their place the following:

'Sec. D-1. 36 MRSA c. 216 is enacted to read:

CHAPTER 216

LIMITED LOCAL OPTION SALES TAX

§1871. Definitions

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

1. Eligible municipality. "Eligible municipality" means:

A. A regional service district established pursuant to Title 30-A, chapter 112; or

B. A municipality that is a service center community as defined in Title 30-A, section 4301.

2. Municipal clerk. "Municipal clerk" means the clerk or comparable official of an eligible municipality.

3. Municipal referendum. "Municipal referendum" means a referendum conducted pursuant to this chapter by an eligible municipality.

4. Municipal treasurer. "Municipal treasurer" means the treasurer of an eligible municipality.

§1872. Authority to impose local tax; administration

1. Generally. The legislative body of an eligible municipality may, if the legal voters of the eligible municipality give their approval in a referendum vote conducted pursuant to section 1874, and subject to the other requirements of this chapter, impose an additional 1% local option sales tax on one or more of the following categories of retail sales that are otherwise subject to the tax imposed by section 1811:

A. Rental for a period of less than one year of an automobile;

B. Rental of living quarters in any hotel, rooming house or tourist or trailer camp;

C. Sales of prepared food; and

D. All other retail sales.

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

3. Effective date of tax. A local option sales tax

2 approved by the voters of an eligible municipality pursuant to
4 section 1874 is effective on the first day of the first full
6 calendar quarter that begins more than 60 days after the date on
8 which the assessor receives notification from the municipal clerk
10 that the voters have approved a local limited sales tax and
12 identifying the categories of retail sales to which the tax
applies. If the effective date provided by this subsection does
not allow the assessor to provide retailers with at least 60
days' notice of the imposition of the tax, the effective date is
the beginning of the next succeeding calendar quarter. A tax
imposed pursuant to this chapter may not take effect prior to
July 1, 2004.

14 4. Expiration of tax. A local option sales tax imposed
16 pursuant to this chapter expires on the first day of the calendar
18 quarter that begins 5 years after the date the tax is first
20 imposed unless renewed by the municipality for an additional 5
22 years in the same manner as required under this chapter for
adoption of the tax.

24 **§1873. Application of revenues**

26 The 1% sales tax authorized by this chapter must be applied
28 to fund the portion of the budget of the eligible municipality
30 that is not spent to fund public education from kindergarten to
32 grade 12 as defined in chapter 105, subchapter 1-A.

34 **§1874. Referendum process**

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

2 2. Concurrent levies prohibited. Only one local option
3 sales tax may be levied in an eligible municipality at one time.

4 3. Form of ballots. Ballots for questions of local option
5 sales taxes must be as provided in this subsection.

6 A. Ballots on the question of whether to impose or renew
7 the local option sales tax must read substantially as
8 follows:

9 "Do you favor the (enactment of) (renewal of) a 1% local
10 option sales tax to be imposed on (categories of sales to be
11 taxed) in (name of eligible municipality) for 5 years in
12 order to fund the portion of the budget of (name of eligible
13 municipality) that is not spent to fund public education?"

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

16 B. Ballots on the question of whether to discontinue the
17 tax must read substantially as follows:

18 "Do you favor discontinuing by (target date of repeal) the
19 1% local option sales tax that has been in place in (name of
20 eligible municipality) since (original effective date of
21 tax)?"

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

24 **§1875. Distribution of revenues**

25 1. Reservation of revenues; fund. Beginning on the 15th
26 day of the 2nd month following the month in which a tax adopted
27 pursuant to this chapter first becomes effective, and on the 15th
28 day of each month thereafter, the assessor shall identify the
29 amount of revenues that have been collected pursuant to local
30 option sales taxes adopted pursuant to this chapter, including
31 tax, interest and penalties, net of refunds, credits and other
32 appropriate adjustments. The assessor shall deposit 17% of the
33 amount collected into the Local Option Sales Tax Fund, referred
34 to in this section as "the fund," established in the Department
35 of Administrative and Financial Services, Bureau of Revenue
36 Services.

37 2. Use of revenue. Revenue in the fund must be used for
38 the following purposes.

2 A. Two percent of the revenues collected under this chapter
3 must be applied to offset the cost of administering this
4 chapter.

5 B. Fifteen percent of the revenues collected under this
6 chapter and deposited in the fund must be used to fund
7 expansions of benefits under the Maine Residents Property
8 Tax Program as established in chapter 907. The assessor
9 shall, by January 15th annually, certify to the joint
10 standing committee of the Legislature having jurisdiction
11 over taxation matters the amount available in the fund to
12 increase benefits under the Maine Residents Property Tax
13 Program. The committee may report out legislation designed
14 to expand the Maine Residents Property Tax Program within
15 the amounts that are available in the fund.

16 3. Payments to eligible municipalities. The remaining 83%
17 of revenue collected under this chapter must be returned to the
18 eligible municipality where the revenue was collected. The
19 assessor shall certify to the Treasurer of State the net amount
20 due each eligible municipality. The Treasurer of State shall
21 make monthly payments to municipal treasurers of the net amounts
22 certified by the assessor under this subsection.

23 4. No transfer to the Local Government Fund. Revenues
24 collected pursuant to taxes imposed under this chapter do not
25 constitute receipts from the taxes imposed under this Part for
26 purposes of transfers to the Local Government Fund under Title
27 30-A, section 5681.

28 **§1877. Use of proceeds by eligible municipality**

29 The revenue raised by the adoption of a local option sales
30 tax under this chapter must be held by the eligible municipality
31 in a segregated account. Revenue in that account may be expended
32 only for the purpose of funding costs of the eligible
33 municipality other than funding public education from
34 kindergarten to grade 12.

35 **PART E**

36 **Sec. E-1. 36 MRSA §685, sub-§2, as enacted by PL 1997, c. 643,**
37 **Pt. HHH, §3 and affected by §10, is amended to read:**

38 **2. Entitlement to reimbursement by the State; calculation.**
39 A municipality that has approved homestead exemptions under this
40 subchapter may recover from the State ~~100%~~ 50% of the taxes lost
41 by reason of the exemptions upon proof in a form satisfactory to
42 the bureau. The bureau shall reimburse the Unorganized Territory
43 Education and Services Fund for ~~100%~~ 50% of taxes lost by reason
44 of the exemption.'

2 Further amend the resolution in Part E in section 2 by
striking out all of the question (page 50, lines 21 to 23 in
4 L.D.) and inserting in its place the following:

6 ' "Do you want the State to pay 55% of the annual cost of
public education and lower property taxes through government
8 spending reform?" '

10 Further amend the resolution in Part E by inserting after
section 2 the following:

12 'Sec. E-3. Transfer of funds. Notwithstanding any other
14 provision of law, the State Controller shall transfer \$1,167,341
16 from the General Purpose Aid for Local Schools account in the
Department of Education to the General Fund unappropriated
surplus no later than June 30, 2005.

18 Sec. E-4. Appropriations and allocations. The following
20 appropriations and allocations are made.

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

24 **Homestead Property Tax Exemption Reimbursement 0886**

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

28	General Fund	2003-04	2004-05
30	All Other	\$0	(\$17,465,832)
32	General Fund Total	<hr/>	<hr/>
		\$0	(\$17,465,832)

34 **Maine Residents Property Tax Program 0648**

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

38	General Fund	2003-04	2004-05
40	All Other	\$0	\$17,157,143
42	General Fund Total	<hr/>	<hr/>
		\$0	\$17,157,143

44 **Revenue Services - Bureau of 0002**

46 Initiative: Provides funds for 2 Tax Examiner positions
effective July 1, 2004 and other related costs associated with an
48 increase in the number of applications for the Maine Residents
Property Tax Program.

50

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	General Fund	2003-04	2004-05
2	Positions - Legislative Count	(0.000)	(2.000)
	Personal Services	\$0	\$92,270
4	All Other	0	172,913
		<hr/>	<hr/>
6	General Fund Total	\$0	\$265,183
8	Revenue Services - Bureau of 0002		
10	Initiative: Provides funds for 3 Claims Administration positions		
12	and related costs associated with property valuation and property		
	tax exemption reimbursement.		
14	General Fund	2003-04	2004-05
	Positions - Legislative Count	(0.000)	(3.000)
16	Personal Services	\$0	\$165,786
	All Other	0	88,500
18		<hr/>	<hr/>
	General Fund Total	\$0	\$254,286
20			
22	Revenue Services - Bureau of 0002		
24	Initiative: Appropriates one-time funds to be deposited in Maine		
	Revenue Services' Other Special Revenue program to support the		
26	start-up costs associated with a limited local option sales tax.		
28	General Fund	2003-04	2004-05
	All Other	\$0	\$956,561
30		<hr/>	<hr/>
	General Fund Total	\$0	\$956,561
32	Revenue Services - Bureau of 0002		
34	Initiative: Allocates funds for the additional costs associated		
36	with administering a limited local option sales tax, including		
	funds for computer programming and software development.		
38	Position count is authorized to establish one Senior Tax Examiner		
	position, one Taxpayer Assistance Specialist position and one		
40	Clerk II position.		
42	Other Special Revenue Funds	2003-04	2004-05
	Positions - Legislative Count	(0.000)	(3.000)
	Personal Services	\$0	\$134,696
44	All Other	0	821,865
		<hr/>	<hr/>
46	Other Special Revenue Funds Total	\$0	\$956,561
48			
50	ADMINISTRATIVE AND FINANCIAL SERVICES,		
	DEPARTMENT OF		
	DEPARTMENT TOTALS	2003-04	2004-05

COMMITTEE AMENDMENT "A" to H.P. 1209, L.D. 1629

2	GENERAL FUND	\$0	\$1,167,341
	OTHER SPECIAL REVENUE FUNDS	0	\$56,561
4			
	DEPARTMENT TOTAL - ALL FUNDS	\$0	\$2,123,902'
6			

8 Further amend the resolution by relettering or renumbering
any nonconsecutive Part letter or section number to read
consecutively.

10

12

SUMMARY

14

16 This amendment strikes Part A and Part B of the resolution,
which provided the details of a municipal service district
concept, and in their place expresses the legislative purpose for
the adoption of regional service districts and directs the
18 Executive Department to submit legislation by January 2, 2004 to
carry out this purpose. The legislation will be reviewed by the
20 Joint Standing Committee on State and Local Government.

22

24 This amendment provides new language establishing the
essential programs and services model for funding education as
the basis for the calculation of a full value mill rate
expectation identifying the state and local share of the cost of
26 providing essential programs and services beginning in fiscal
year 2005-06. The state share increases from 49% in fiscal year
2005-06 to 55% in fiscal year 2009-10. Funds to assist in
28 increasing the state share of education funding would be obtained
from refinancing school construction debt and from General
30 Purpose Aid to Local Schools carry-over.

32

34 The amendment changes the conditions for adoption of a
limited local option sales tax by a regional service district or
a community service center. The tax would be 1% and could be
36 imposed on rental of automobiles, sales of meals, lodging or
other sales subject to the state sales tax or any combination of
38 those sales or rentals. The provisions authorizing a use tax are
stricken. The tax is limited to 5 years but may be renewed. The
40 municipal share of revenues from the tax would be 83% and could
be used only to fund the municipal side of the budget. Of the
42 remaining 17% of revenues, which would be deposited in the Local
Option Sales Tax Fund, 2% would be used to pay the administrative
44 costs of the State and 15% would be used to expand the Maine
Residents Property Tax Program. The amendment retains the
46 expansions of the Maine Residents Property Tax Program to
additional taxpayers and maintains the current maximum benefit of
48 \$1,000. The amendment also makes minor miscellaneous changes to
provisions establishing a property tax exemption for certain
50 business property.

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

**LD 1629**

**RESOLUTION, Proposing a Competing Measure under the Constitution of Maine
to Create Municipal Service Districts to Reduce the Cost of Local Government, to
Provide Property Tax Relief and to Increase Economic Competitiveness**

LR 2165(02)

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

Majority Report

Fiscal Note

	2003-04	2004-05	Projections 2005-06	Projections 2006-07
Net Cost (Savings)				
General Fund	\$0	\$0	(\$18,870,434)	\$17,155,577
Appropriations/Allocations				
General Fund	\$0	\$1,167,341	(\$18,870,434)	\$17,155,577
Other Special Revenue Funds	\$0	\$956,561	\$269,389	\$282,859
Transfers				
General Fund	\$0	\$1,167,341	\$0	\$0
Referendum Costs	Month/Year	Election Type	Question	Length
	Nov-03	General	Referendum	Lengthy

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

Fiscal Detail and Notes

The implementation of this bill is contingent upon approval by the voters. If approved by the voters, this bill has the following impact.

General Fund Summary	2003-04	2004-05	Projections 2005-06	Projections 2006-07
Homestead Reimb. from 100% to 50%	\$0	(\$17,465,832)	(\$17,692,150)	(\$18,052,519)
Expand Circuit Breaker Program	\$0	\$17,157,143	\$18,328,692	\$19,290,364
Business Equipment Tax Reimbursement	\$0	\$0	(\$8,763,692)	(\$21,064,966)
Municipal Property Tax Exemption Reimb.	\$0	\$0	\$5,842,000	\$12,095,000
Maine Revenue Services Administrative Costs	\$0	\$1,476,030	\$432,042	\$453,645
Net Approp\Deapprop to fund EPS	\$0	\$0	(\$17,017,327)	\$24,434,053
Transfer from Dept. of Educ. to General Fund	\$0	(\$1,167,341)	\$0	\$0

Total State & Local cost based on EPS funding model (includes program costs, debt service and adjustments)	\$ 1,467,457,416	\$ 1,518,173,106	\$ 1,537,199,970	\$ 1,618,879,589
Total State & Local cost based on current funding formula (includes program costs, debt service and adjustments)	\$ 1,467,408,432	\$ 1,503,862,194	\$ 1,543,887,175	\$ 1,589,697,612
Net Increase (Decrease) in Allocation	\$ 48,984	\$ 14,310,912	\$ (6,687,205)	\$ 29,181,977
State Share Targets to fund K-12 education based on EPS model	49.89%	47.81%	49.00%	50.50%
Estimated General Fund appropriation needed to fund K-12 education based on EPS model			\$ 753,227,985	\$ 817,534,192
Estimated General Fund appropriation needed to fund K-12 education based on current funding model (assumes 6% growth per year)			\$ 770,245,312	\$ 793,100,139
Net General Fund Appropriation (Deappropriation) required to fund EPS model vs. current funding formula			\$ (17,017,327)	\$ 24,434,053

* No adjustment in fiscal year 2003-04 and fiscal year 2004-05