

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST REGULAR SESSION-2005

Legislative Document

No. 1400

S.P. 489

In Senate, March 22, 2005

**An Act To Reduce Payments under the Business Equipment Tax
Reimbursement Program and To Eliminate Double Dipping and
Increase Conformity with the Internal Revenue Code**

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN
Secretary of the Senate

Presented by Senator MILLS of Somerset.

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

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Sec. 1. 36 MRSA §4062, sub-§1-A, ¶A, as amended by PL 2003, c. 673, Pt. D, §1, is further amended to read:

A. For the estates of decedents dying after December 31, 2002, "federal credit" means the maximum credit for state death taxes determined under the Code, Section 2011 as of December 31, 2002 exclusive of the reduction of the maximum credit contained in the Code, Section 2011(b)(2); the period of limitations under the Code, Section 2011(c); and the termination provision contained in the Code, Section 2011(f). The adjusted taxable estate is to be determined using the applicable Code as of the date of the decedent's death, except that the state death tax deduction contained in the Code, Section 2058 is to be disregarded. The unified credit is to be determined under the Code, Section 2010 as of ~~December 31, 2000~~; and

Sec. 2. 36 MRSA §5122, sub-§1, ¶S, as corrected by RR 2003, c. 2, §117, is amended to read:

S. For tax years beginning in 2003, 2004 and 2005, the amount received from the National Health Service Corps Scholarship Program and the Armed Forces Health Professions Scholarship and Financial Assistance program to the extent excluded from federal gross income in accordance with the Code, Section 117; and

Sec. 3. 36 MRSA §5122, sub-§1, ¶V, as amended by PL 2003, c. 705, §8, is further amended to read:

V. For tax years beginning on or after January 1, 2003 and before January 1, 2006, the amount claimed as a federal income adjustment for student loan interest under the Code, Section 62 (a)(17), but only for interest paid after 60 months from the start of the loan repayment period; ~~and.~~

Sec. 4. 36 MRSA §5122, sub-§1, ¶W, as enacted by PL 2003, c. 705, §9, is repealed.

Sec. 5. 36 MRSA §6652, sub-§1, as amended by PL 2003, c. 391, §12, is further amended to read:

1. Generally. A person against whom taxes have been assessed pursuant to Part 2, except for chapters 111 and 112, with respect to eligible property and who has paid those taxes is entitled to reimbursement for 90% of those taxes from the State as provided in this chapter. For purposes of this chapter, a tax applied as a credit against a tax assessed pursuant to chapter

111 or 112 is a tax assessed pursuant to chapter 111 or 112. Eligible property is subject to reimbursement pursuant to this chapter for up to 12 property tax years, but the 12 years must be reduced by one year for each year during which a taxpayer included the same property in its investment credit base under section 5219-D, 5219-E or 5219-M and claimed the credit provided in one or more of those sections on its income tax return, and reimbursement may not be made for taxes assessed in a year in which one or more of those credits is taken. A successor in interest of a person against whom taxes have been assessed with respect to eligible property is entitled to reimbursement pursuant to this section, whether the tax was paid by the person assessed or by the successor, as long as a transfer of the property in question to the successor has occurred and the successor is the owner of the property as of August 1st, of the year in which a claim for reimbursement may be filed pursuant to section 6654. For purposes of this paragraph, "successor in interest" includes the initial successor and any subsequent successor. When an eligible successor in interest exists, the successor is the only person to whom reimbursement under this chapter may be made with respect to the transferred property.

Sec. 6. 36 MRSA §6652, sub-§2-A is enacted to read:

2-A. Limitation due to participation in tax increment financing. The reimbursement to which a taxpayer is entitled under subsection 1 must be reduced by the amount of taxes on the eligible property that have been returned, or will be returned, to the taxpayer by a municipality due to the taxpayer's participation in a municipal development district under Title 30-A, chapter 206, subchapter 1.

Sec. 7. Application. This Act applies to applications for reimbursement under the Business Equipment Tax Reimbursement program that are filed on or after August 1, 2006.

SUMMARY

This bill reduces reimbursement under the Business Equipment Tax Reimbursement, BETR, program to 90% of taxes paid and reduces BETR program reimbursement by the amount of reimbursement under a tax increment financing district.

The bill also increases the State's conformity with the federal Internal Revenue Code by incorporating the federal exemption amount into the state estate tax and by conforming to the federal tax deductibility of health saving accounts.