

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST SPECIAL SESSION-2005

Legislative Document

No. 1587

H.P. 1123

House of Representatives, April 26, 2005

An Act To Modernize Maine's Tax Code

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative DUDLEY of Portland.
Cosponsored by Senator STRIMLING of Cumberland and
Representative: LERMAN of Augusta, Senators: DAMON of Hancock, NUTTING of
Androscoggin.

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

PART A

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

§5219-Y. Maine Residents Property Tax Program credit

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

Sec. A-2. 36 MRSA §6201, sub-§11-A, as amended by PL 2005, c. 2, Pt. E, §2 and affected by §§7 and 8, is further amended to read:

11-A. Rent constituting property taxes accrued for nonelderly household. "Rent constituting property taxes accrued for nonelderly household" means 20% ~~25%~~ of the gross rent actually paid in cash or its equivalent in any tax year by a 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.

Sec. A-3. 36 MRSA §6207, sub-§1, as amended by PL 2005, c. 2, Pt. E, §4 and affected by §§7 and 8, is repealed.

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

1-A. Benefit calculation. Beginning January 1, 2006, for claimants representing a nonelderly household, the benefit is 100% of that portion of the benefit base that exceeds 5% of income.

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

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

Sec. A-6. 36 MRSA §6221 is enacted to read:

§6221. Income tax credit option

A person eligible for benefits under this chapter may elect to receive those benefits as a credit against income tax as

provided in section 5219-Y if the credit is claimed on the
claimant's annual income tax return.

PART B

Sec. B-1. 30-A MRSA §5681, sub-§5, ¶¶A and B, as amended by PL 2003, c. 20, Pt. W, §1, are further amended to read:

A. For months beginning before July 1, 2005, 5.1%; and

B. For months beginning on or after July 1, 2005, but before October 1, 2005, 5.2%+; and

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

C. For months beginning on or after October 1, 2005, 8.5%.

PART C

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

1-B. Single individuals and married persons filing separate returns; tax years beginning 2005. For tax years beginning on or after January 1, ~~2002~~ 2005, for single individuals and married persons filing separate returns:

If Maine ~~Taxable~~ taxable 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

At least \$16,700 or more but less than \$100,000

\$856 plus 8.5% of the excess over \$16,700

\$100,000 or more

\$7,937 plus 10% of the excess over \$100,000

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

4

6 **2-B. Heads of households; tax years beginning 2005.** For
tax years beginning on or after January 1, 2002 2005, for
unmarried individuals or legally separated individuals who
8 qualify as heads of households:

10	If Maine Taxable <u>taxable</u> income is:	The tax is:
12	Less than \$6,300	2% of the Maine taxable income
14		
16	At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
18		
20	At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
22		
24	<u>At least \$25,050 or more</u> <u>but less than \$150,000</u>	\$1,284 plus 8.5% of the excess over \$25,050
26		
28	<u>\$150,000 or more</u>	<u>\$11,905 plus 10%</u> <u>of the excess</u> <u>over \$150,000</u>
30		

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

34

36 **3-B. Individuals filing married joint return or surviving**
spouses; tax years beginning 2005. For tax years beginning on or
after January 1, 2002 2005, for individuals filing married joint
38 returns or surviving spouses permitted to file a joint return:

40	If Maine Taxable <u>taxable</u> income is:	The tax is:
42	Less than \$8,400	2% of the Maine taxable income
44		
46	At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
48		
50	At least \$16,700 but	\$542 plus 7% of

less than \$33,400

the excess over
\$16,700

At least \$33,400 or more
but less than \$200,000

\$1,711 plus 8.5%
of the excess
over \$33,400

\$200,000 or more

\$15,872 plus 10%
of the excess
over \$200,000

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

§5126. Personal exemptions

For tax years beginning on or after January 1, 2005, a resident individual is allowed an amount for each exemption that is equal to the amount allowed for an exemption under the Code.

Sec. C-5. 36 MRSA §5219-S, as amended by PL 2003, c. 20, Pt. GG, §1 is further 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% 30% of the federal earned income credit for the same taxable year, except that for tax years beginning in 2003, 2004 and 2005, the applicable percentage is 4.92% instead of 5%. ~~The credit may not reduce the state income tax to less than zero.~~

Sec. C-6. Application. This Part applies to tax years beginning on or after January 1, 2005.

PART D

Sec. D-1. 36 MRSA §1752, sub-§14, ¶B, as amended by PL 2003, c. 673, Pt. V, §16 and affected by §29, is further amended to read:

B. "Sale price" does not include:

- (1) Discounts allowed and taken on sales;
- (2) Allowances in cash or by credit made upon the return of merchandise pursuant to warranty;

2 (3) The price of property returned by customers, when
the full price is refunded either in cash or by credit;

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

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

14 (6) The amount of any tax imposed by the United States
on or with respect to retail sales, whether imposed
16 upon the retailer or the consumer, except any
manufacturers', importers', alcohol or tobacco excise
18 tax;

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

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

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

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

34 (11) With respect to any fee for a taxable service,
36 any portion of that fee representing direct
38 reimbursement charged to the recipient of the taxable
40 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.

42 **Sec. D-2. 36 MRSA §1760, sub-§14 is repealed.**

44 **Sec. D-3. 36 MRSA §1760, sub-§24 is amended to read:**

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

50

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

4 **Sec. D-5. 36 MRSA §2551, sub-§§1-A, 1-B and 1-C** are enacted to
read:

6 **1-A. Amusement and recreational services.** "Amusement and
8 recreational services" means any services provided in this State
to the general public or through private clubs that involve
10 exchanging a right of access to any amusement, recreational,
exhibitive, cultural or athletic activity for any user fee, price
12 of admission, gate fee or equivalent form of remuneration.

14 **1-B. Business services.** "Business services" means any
services provided in this State to business consumers except
16 those services that constitute an integral or inseparable
component of any activity of the business consumer involving the
18 manufacturing, fabrication, processing or manipulation of
tangible personal property so that the business service is
20 targeted to the unique needs of the business consumer and is not
transferable across a range of business activities. "Business
22 services" includes, without limitation, such services as:

24 A. Motor vehicle parking, other than metered space, in a
lot or garage having 30 or more spaces;

26 B. The leasing and renting of tangible personal property;

28 C. Employment agency services of any kind, except when the
30 services are provided to an employer whose place of business
is located in another state;

32 D. Credit collection and credit reporting services;

34 E. Secretarial, stenographic and editing services;

36 F. Building maintenance, janitorial and cleaning services,
38 including window cleaning services;

40 G. Office moving and installation;

42 H. Document and record preservation and storage;

44 I. Telephone answering services;

46 J. Private investigation, patrol, building alarm and
48 security and armored car services;

50 K. Management consulting, advertising, information and
public relations;

- 2 L. Tax preparation;
- 4 M. Financial accounting, financial management and
6 investment counseling;
- 8 N. Office and business machine repair;
- 10 O. Sign construction and installation;
- 12 P. Food catering and institutional food preparation and
14 delivery; and
- 16 Q. Photocopying and document preparation and delivery.

16 "Business services" does not include construction services.

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

32 **Sec. D-6. 36 MRSA §2551, sub-§§5-A and 5-B are enacted to read:**

34 5-A. Legal services. "Legal services" means professional
36 services provided by an attorney-at-law and that attorney's
 support staff.

38 5-B. Licensed professional services. "Licensed
40 professional services" means services provided in this State to
42 the general public by a person holding a certificate, license,
44 registration or other formal permission to perform, provide or
46 practice the service in this State, and that certificate,
 license, registration or other formal permission is
 characteristically granted only when the person has obtained
 advanced education or specialized training. "Licensed
 professional services" includes, without limitation, such
 services as:

48 A. Lobbying;

- 2 B. Architectural and design consulting;
- 4 C. Legal services;
- 6 D. Surveying and professional engineering services,
8 including geological and hydrogeological consulting and
 consulting related to soil analysis and subsurface
10 engineering;
- 12 E. Arbitration;
- 14 F. Appraisal services; and
- 16 G. Accounting, financial investment and financial
 management.

18 "Licensed professional services" does not include those services
20 provided by health care practitioners.

22 **Sec. D-7. 36 MRSA §2551, sub-§7-A is enacted to read:**

24 7-A. Personal services. "Personal services" means services
 provided in this State to the general public by a person of
26 specialized skill, talent or experience. Personal services
 characteristically involve the provision of attendant care to the
28 recipient of the service or care or maintenance or repair of the
 recipient's real or personal property. "Personal services"
30 includes, without limitation, such services as:

- 32 A. Personal attendant services, including, but not limited
 to, barbering, cosmetology, manicuring, tattooing, body
34 piercing, massage, reflexology, tanning and exercise or
 fitness services;
- 36 B. Laundering and dry cleaning;
- 38 C. Painting, papering and interior decorating;
- 40 D. Jewelry, camera, watch and gun cleaning and repair;
- 42 E. Pet grooming and kennel services;
- 44 F. Musical instrument tuning and repair;
- 46 G. Swimming pool installation, repair, cleaning and
 maintenance;
- 48 H. Radio, television and sound system repair;
- 50

2 I. Furniture, rug and upholstery cleaning and repair;

4 J. Locksmith services;

6 K. Personal property and self-storage services, including
storage and mooring for noncommercial watercraft;

8 L. Washing, cleaning, polishing, lubrication, painting and
detailing motor vehicles;

10 M. Disinfestation and pest extermination or control;

12 N. Landscaping, lawn care, grounds maintenance and tree
removal;

14 O. Photography and photographic studio services;

16 P. Printing, imprinting, painting or lettering tangible
personal property for persons who furnish tangible personal
property for that service;

18 Q. Any fabrication, printing or production of tangible
personal property by special order when that tangible
personal property is not intended for resale;

20 R. Repair of noncommercial watercraft;

22 S. Dance instruction and dance studio services;

24 T. Dating, escort and personal introduction services;

26 U. Flower or balloon delivery services and services
similarly provided as a demonstration of personal
appreciation;

28 V. Limousine services;

30 W. Taxidermy;

32 X. Flight instruction; and

34 Y. Antique and art auctioning and dealership services.

36 "Personal services" does not include construction services.

38 **Sec. D-8. 36 MRSA §2552, sub-§1, ¶¶F and G, as enacted by PL**
2003, c. 673, Pt. V, §25 and affected by §29, are amended to read:

2 F. The installation, maintenance or repair of
telecommunications equipment; and

4 G. Private nonmedical institution services; and

6 Sec. D-9. 36 MRSA §2552, sub-§1, ¶¶H, I, J and K are enacted to
read:

8 H. Amusement and recreational services;

10 I. Business services;

12 J. Licensed professional services; and

14 K. Personal services.

16 Sec. D-10. 36 MRSA §2552, sub-§3 is enacted to read:

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

26 Sec. D-11. 36 MRSA §2557, sub-§§29 and 30, as enacted by PL
2003, c. 673, Pt. V, §25 and affected by §29, are amended to read:

28 29. Centers for innovation. Sales to centers for
30 innovation as described in Title 5, section 13141; and

32 30. Sales for resale. Sales of services to another service
provider for resale; and

34 Sec. D-12. 36 MRSA §2557, sub-§31 is enacted to read:

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

46
48 **PART E**

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

2 A tax is imposed on the value of all tangible personal
property and taxable services sold at retail in this State. The
4 rate of tax is 7% on the value of liquor sold in licensed
establishments as defined in Title 28-A, section 2, subsection
6 15, in accordance with Title 28-A, chapter 43; 7% ~~10%~~ on the
value of rental of living quarters in any hotel, rooming house or
8 tourist or trailer camp; 10% on the value of rental for a period
of less than one year of an automobile; 7% on the value of
10 prepared food; and 5% on the value of all other tangible
personal property and taxable services. Value is measured by the
12 sale price, except as otherwise provided.

14 PART F

16 **Sec. F-1. 36 MRSA §6652, sub-§1**, as amended by PL 2003, c.
18 391, §12, is further amended to read:

20 1. **Generally.** A person against whom taxes have been
assessed pursuant to Part 2, except for chapters 111 and 112,
22 with respect to eligible property and who has paid those taxes is
entitled to reimbursement of those taxes from the State as
24 provided in this chapter. The amount of reimbursement is limited
to 70% of the amount by which the taxes paid with respect to the
eligible property exceeds the amount that has been or will be
returned to the taxpayer by a municipality due to the taxpayer's
participation in a municipal development district under Title
30-A, chapter 206. For purposes of this chapter, a tax applied
28 as a credit against a tax assessed pursuant to chapter 111 or 112
is a tax assessed pursuant to chapter 111 or 112. Eligible
30 property is subject to reimbursement pursuant to this chapter for
up to 12 property tax years, but the 12 years must be reduced by
32 one year for each year during which a taxpayer included the same
property in its investment credit base under section 5219-D,
34 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
36 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
38 against whom taxes have been assessed with respect to eligible
property is entitled to reimbursement pursuant to this section,
40 whether the tax was paid by the person assessed or by the
successor, as long as a transfer of the property in question to
42 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
44 reimbursement may be filed pursuant to section 6654. For
purposes of this paragraph, "successor in interest" includes the
46 initial successor and any subsequent successor. When an eligible
successor in interest exists, the successor is the only person to
48

whom reimbursement under this chapter may be made with respect to the transferred property.

PART G

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

2-A. Nonqualified service. "Nonqualified service" means any service engaged in within this State for another person or persons for a fee, retainer, commission or other consideration, exclusive of activities engaged in for an employer by an employee, including but not limited to business services, professional services, personal services and recreational services. "Nonqualified service" does not include any qualified service and does not include any of the following services or any activity conducted predominantly in support of either the services or business activity related to those services:

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

B. Fabrication services as defined in section 2551, subsection 3;

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

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

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

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

4. Qualified service. "Qualified service" means any of the following when provided by one person to another for a fee, retainer, commission or other consideration: construction services; printing; retail or wholesale services exclusive of

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

25 **5. Retail sales facility.** "Retail sales facility" means a
26 physical structure or portion thereof located in the State and
27 predominantly used as a facility to serve customers who are
28 physically present at the facility for the purpose of purchasing
29 goods or a nonqualified service at retail.

30 **Sec. G-3. 36 MRSA §6652, sub-§1-B, ¶B,** as amended by PL 2003,
31 c. 625, §1 and affected by §3 and amended by c. 687, Pt. A, §10
32 and affected by Pt. B, §11, is further amended to read:

33 B. Lamps and lighting fixtures; and

34
35 **Sec. G-4. 36 MRSA §6652, sub-§1-B, ¶C,** as enacted by PL 2003,
36 c. 625, §2 and affected by §3 and enacted by c. 687, Pt. A, §11
37 and affected by Pt. B, §11, is repealed and the following enacted
38 in its place:
39

40
41 C. Gambling machines or devices, including, but not limited
42 to, electronic video machines, specifically designed or
43 manufactured for use in the operation of any gambling or
44 wagering activity. As used in this paragraph, "gambling
45 machine or device" means any device, machine, paraphernalia
46 or equipment that is used or usable in the playing phases of
47 any gambling activity, whether that activity consists of
48 gambling between persons or gambling by a person involving
49 the playing of a machine, including equipment used in the
50

playing phases of lottery schemes. "Electronic video machine" has the same meaning as in Title 17, section 330, subsection 1-A; and

Sec. G-5. 36 MRSA §6652, sub-§1-B, ¶D is enacted to read:

D. A slot machine and associated equipment, as those terms are defined in Title 8, section 1001, and any part thereof, and any device or machine used directly and primarily in the operation or use of a slot machine, including but not limited to printing mechanisms, video display monitors, metering devices and computer equipment.

Sec. G-6. 36 MRSA §6652, sub-§1-B, ¶¶E and F are enacted to read:

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

F. Property employed by the person in possession of that property either in a retail sales facility or employed predominantly in the support of such a facility. Property employed in support of a retail sales facility does not include property employed predominantly in one or more qualified services or in one or more of the services listed in section 6651, subsection 2-A, paragraphs A to D by any person, or in any activity in support of or the business activity of that person related to such qualified services or listed services.

Paragraphs A and B apply to property tax years beginning after April 1, 1996. Property affected by paragraphs A and B that was eligible for reimbursement pursuant to chapter 915 of property taxes paid for the 1996 property tax year is grandfathered into the program and continues to be eligible for reimbursements for up to 12 property tax years, unless it subsequently becomes ineligible. Paragraphs E and F apply to property tax years beginning after April 1, 2005. Property affected by paragraphs E and F that was eligible for reimbursement under this chapter for property taxes paid for the 2005 property tax year is grandfathered into the program and continues to be eligible for reimbursement to the extent permitted by this chapter as that property existed on April 1, 2005, unless it subsequently becomes ineligible. Property used in the provision of a nonqualified

2 service or in support of the provision of a nonqualified service,
3 and property used in a retail sales facility or in support of a
4 retail sales facility includes, without limitation, property used
5 in management, marketing, purchasing, distribution, accounting
6 and research and development.

7 **Sec. G-7. Application.** That section of this Part that repeals
8 and replaces the Maine Revised Statutes, Title 36, section 6652,
9 subsection 1-B, paragraph C applies to property tax years
10 beginning on or after April 1, 2004.

11 **Sec. G-8. Retroactivity.** Those sections of this Part that
12 amend the Maine Revised Statutes, Title 36, section 6652,
13 subsection 1-B, paragraph B; repeal and replace Title 36, section
14 6652, subsection 1-B, paragraph C; and enact Title 36, section
15 6652, subsection 1-B, paragraph D apply retroactively to January
16 3, 2004.

20 SUMMARY

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

23 1. Changing the tax-to-income threshold to 100% of the
24 benefit base that exceeds 5% of income;

25 2. Increasing the maximum rebate to \$5,000;

26 3. Increasing the renter rebate to 25%; and

27 4. Allowing persons to use the income tax form to file for
28 a refundable credit.

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

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

38 Part D includes, in the services subject to the service
39 provider tax, amusement and recreational, business, personal and
40 professional services. Under this bill, the provision of those
41 services is subject to the 5% tax. The term "construction
42 services" is also defined for the purpose of distinguishing
43

2 nontaxable construction services from taxable personal or
business services.

4 Part D eliminates the sales tax exemption for sales of
short-term publications. It also limits the exemption on funeral
6 services and repeals the exemption on coin-operated vending
machine sales. It also amends the law by creating an exemption
8 for certain legal services provided to low-income clients.

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

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

18 Part G provides that, for property first placed in service
in property tax years beginning after April 1, 2005, property
20 used in, or in support of, the provision of a nonqualified
service or a retail sales facility is not eligible for BETR
22 reimbursement.

24 Part G corrects a numbering problem created by Public Law
2003, chapters 625 and 687, which enacted 2 substantively
26 different provisions with the same paragraph designation. Part G
also makes the provisions retroactive to January 3, 2004, the
28 effective date of chapter 687.

30 Part G also corrects a conflict.