

# MAINE STATE LEGISLATURE

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# 122nd MAINE LEGISLATURE

## FIRST SPECIAL SESSION-2005

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Legislative Document

No. 1595

H.P. 1131

House of Representatives, April 26, 2005

### An Act To Rebalance Maine's Tax Code

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative WOODBURY of Yarmouth.  
Cosponsored by Senator PERRY of Penobscot.

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

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**PART A**

**Sec. A-1. 1 MRSA §815, first ¶,** as enacted by PL 2001, c. 328, §2, is amended to read:

Notwithstanding any other provision of law, if an entity that has taken property by eminent domain fails to use the property for the project or purpose for which that property was taken, the condemnee or the condemnee's heirs have a right of first refusal to purchase the property as provided in this section. The right may be exercised at a price equal to the total compensation paid to the condemnee for the taking plus an adjustment for any improvements made to the property and for changes in inflation based upon the Consumer Price Index as ~~defined in Title 36, section 5402, subsection 1.~~ The right of first refusal automatically terminates once the property is used for the project or purpose for which that property was taken. The purpose of a taking may be passive in nature, including conservation or preservation. As used in this section, "Consumer Price Index" means the average over a 12-month period of the National Consumer Price Index, not seasonally adjusted, published monthly by the United States Department of Labor, Bureau of Labor Statistics and designated as the "National Consumer Price Index for All Urban Consumers - United States City Average."

**Sec. A-2. 36 MRSA §3321, sub-§2,** as enacted by PL 2001, c. 688, §8, is amended to read:

**2. Method of calculation; inflation index defined.** The inflation index for 2003 is 1.118, representing annual inflation adjustments for the years 1999 to 2002, inclusive. Starting in 2004 and every year thereafter, the inflation index is the Consumer Price Index ~~as defined in section 5402, subsection 1~~ for the calendar year ending on the December 31st immediately preceding the calculation date, divided by the Consumer Price Index for the prior calendar year. As used in this subsection, "Consumer Price Index" means the average over a 12-month period of the National Consumer Price Index, not seasonally adjusted, published monthly by the United States Department of Labor, Bureau of Labor Statistics and designated as the "National Consumer Price Index for All Urban Consumers - United States City Average."

**Sec. A-3. 36 MRSA §5111,** as amended by PL 1999, c. 521, Pt. B, §1 and affected by §11 and amended by c. 731, Pt. T, §§1 to 7, is repealed.

2           **Sec. A-4. 36 MRSA §5111-A**, as repealed and replaced by PL  
1987, c. 819, §3, is repealed.

4           **Sec. A-5. 36 MRSA §5111-C** is enacted to read:

6           **§5111-C. Imposition and rate of tax**

8           **1. Resident.** A tax is imposed for each taxable year  
beginning on or after January 1, 2006 on the Maine taxable income  
10 of every resident individual of this State. The amount of the  
tax is 6%.

12           **2. Nonresident.** A tax is imposed for each taxable year on  
14 the Maine adjusted gross income of every nonresident individual.  
The amount of the tax equals the tax computed under this section  
16 and chapter 805, as if the nonresident were a resident,  
multiplied by the ratio of the individual's Maine adjusted gross  
18 income, as defined in section 5102, subsection 1-C, paragraph B,  
to the nonresident's entire federal adjusted gross income as  
20 modified by section 5122.

22           **Sec. A-6. 36 MRSA §5160**, as amended by PL 2003, c. 390, §35,  
is further amended to read:

24           **§5160. Imposition of tax**

26           The tax is imposed, at the rates rate provided by section  
28 5111 5111-C for single resident individuals, upon the Maine  
taxable income of estates and trusts. The tax must be paid by the  
30 fiduciary.

32           **Sec. A-7. 36 MRSA c. 818**, as amended, is repealed.

34           **Sec. A-8. 36 MRSA §5217-A**, as amended by PL 2003, c. 673,  
Pt. JJ, §4 and affected by §6, is further amended to read:

36           **§5217-A. Income tax paid to other taxing jurisdiction**

38           A resident individual is allowed a credit against the tax  
40 otherwise due under this Part, ~~excluding the tax imposed by~~  
~~section 5203-G~~, for the amount of income tax imposed on that  
42 individual for the taxable year by another state of the United  
States, a political subdivision of any such state, the District  
44 of Columbia or any political subdivision of a foreign country  
that is analogous to a state of the United States with respect to  
46 income subject to tax under this Part that is derived from  
sources in that taxing jurisdiction. In determining whether  
48 income is derived from sources in another jurisdiction, the  
assessor may not employ the law of the other jurisdiction but  
50 shall instead assume that a statute equivalent to section 5142

2 applies in that jurisdiction. The credit, for any of the  
3 specified taxing jurisdictions, may not exceed the proportion of  
4 the tax otherwise due under this Part, ~~excluding the tax imposed~~  
5 ~~by--section--5203-G~~, that the amount of the taxpayer's Maine  
6 adjusted gross income derived from sources in that taxing  
7 jurisdiction bears to the taxpayer's entire Maine adjusted gross  
8 income; except that, when a credit is claimed for taxes paid to  
9 both a state and a political subdivision of a state, the total  
10 credit allowable for those taxes does not exceed the proportion  
11 of the tax otherwise due under this Part, ~~excluding the tax~~  
12 ~~imposed by section 5203-G~~, that the amount of the taxpayer's  
13 Maine adjusted gross income derived from sources in the other  
14 state bears to the taxpayer's entire Maine adjusted gross income.

15 **Sec. A-9. 36 MRSA §5219-H**, as repealed and replaced by PL  
16 2003, c. 673, Pt. F, §1 and affected by §2, is amended to read:

17 **§5219-H. Application of credits against taxes**

18 **1. Meaning of tax.** Whenever a credit provision in chapter  
19 822, other than section 5219-W, allows for a credit "against the  
20 tax otherwise due under this Part," "against the tax imposed by  
21 this Part" or similar language, "tax" means all taxes under this  
22 Part, except the ~~minimum tax imposed by section 5203-C and the~~  
23 ~~taxes imposed by chapter 827.~~

24 **2. Meaning of tax liability.** Whenever a credit provided for  
25 in chapter 822 is limited by reference to tax liability, "tax  
26 liability" means the tax liability for all taxes under this Part,  
27 except the ~~minimum tax imposed by section 5203-C and the~~  
28 ~~taxes imposed by chapter 827.~~

29 **Sec. A-10. 36 MRSA §5219-N, sub-§2, ¶A**, as enacted by PL 1997,  
30 c. 557, Pt. E, §1 and affected by §2 and Pt. G, §1, is amended to  
31 read:

32 A. An individual who is claimed as a dependent on another  
33 individual's income tax return, ~~and,~~

34 **Sec. A-11. 36 MRSA §5219-N, sub-§2, ¶B**, as amended by PL 2003,  
35 c. 673, Pt. JJ, §5 and affected by §6, is repealed.

36 **Sec. A-12. 36 MRSA §5224-A**, as amended by PL 1989, c. 596,  
37 Pt. J, §5, is further amended to read:

38 **§5224-A. Return of part-year resident**

39 If an individual changes that individual's status as a  
40 resident individual or nonresident individual during the taxable  
41 year, the individual shall file a nonresident return pursuant to  
42

2 section 5220, subsection 2. That individual's tax shall must be  
3 computed, pursuant to section ~~5111~~ 5111-C, subsection ~~4- 2~~, as  
4 if that individual were a nonresident individual, except that the  
5 numerator of the apportionment ratio ~~shall--be--comprised--of~~  
6 comprises the individual's Maine adjusted gross income, as  
7 defined in section 5102, subsection 1-C, paragraph A, for the  
8 portion of the taxable year during which that individual was a  
9 resident, plus that individual's Maine adjusted gross income, as  
10 defined in section 5102, subsection 1-C, paragraph B, for the  
11 portion of the taxable year during which that individual was a  
12 nonresident. The part-year resident shall is also be entitled to  
13 the credit provided by section 5217-A, computed as if the  
14 individual's Maine adjusted gross income for the entire year were  
15 comprised only ~~of~~ that portion which that is attributed to the  
16 portion of the year during which that individual was a resident.

17 **Sec. A-13. 36 MRSA c. 841**, as amended, is repealed.

18 **Sec. A-14. Application.** This Part applies to tax years  
19 beginning on or after January 1, 2006.

## 22 PART B

23 **Sec. B-1. 36 MRSA §5124-A, first ¶**, as amended by PL 2005, c.  
24 12, Pt. P, §5, is further amended to read:

25 The standard deduction of a resident individual is equal to  
26 the standard deduction as determined in accordance with the Code,  
27 Section 63, except that for tax years beginning after 2002 but  
28 before 2006, the Code, Section 63(c)(2) must be applied as if the  
29 basic standard deduction is \$5,000 in the case of a joint return  
30 and a surviving spouse and \$2,500 in the case of a married  
31 individual filing a separate return.

32 **Sec. B-2. 36 MRSA §5126**, as amended by PL 2001, c. 583, §16,  
33 is further amended to read:

### 34 **§5126. Personal exemptions**

35 ~~For income tax years beginning on or after January 1, 1998~~  
36 ~~but before January 1, 1999, a resident individual is allowed~~  
37 ~~\$2,400 for each exemption that the individual properly claims for~~  
38 ~~the taxable year for federal income tax purposes, unless the~~  
39 ~~taxpayer is claimed as a dependent on another return. For income~~  
40 ~~tax years beginning on or after January 1, 1999 but before~~  
41 ~~January 1, 2000, a resident individual is allowed \$2,750 for each~~  
42 ~~exemption that the individual properly claims for the taxable~~  
43 ~~year for federal income tax purposes, unless the taxpayer is~~  
44 ~~claimed as a dependent on another return. For income tax years~~

2 beginning on or after January 1, 2000 but before January 1, 2006,  
a resident individual is allowed \$2,850 for each exemption that  
4 the individual properly claims for the taxable year for federal  
income tax purposes, unless the taxpayer is claimed as a  
6 dependent on another return. For tax years beginning on or after  
January 1, 2006, a resident individual is allowed the same amount  
8 allowed under Section 151 of the Code for each exemption that the  
individual properly claims for the taxable year for federal  
10 income tax purposes, unless the taxpayer is claimed as a  
dependent on another return.

12 **Sec. B-3. Application.** This Part applies to tax years  
beginning on or after January 1, 2006.  
14

16 **PART C**

18 **Sec. C-1. 36 MRSA §5218, sub-§1,** as amended by PL 2005, c. 12,  
Pt. L, §2, is further amended to read:  
20

22 **1. Resident taxpayer.** A resident individual is allowed a  
credit against the tax otherwise due under this Part in the  
amount of 25% of the federal tax credit allowable for child and  
24 dependent care expenses in the same tax year, except that for tax  
years beginning in 2003 to ~~2006~~ 2005, the applicable percentage  
26 is 21.5% instead of 25%.

28 **Sec. C-2. 36 MRSA §5218, sub-§2,** as amended by PL 2005, c. 12,  
Pt. L, §3, is further amended to read:  
30

32 **2. Nonresident or part-year resident taxpayer.** A  
nonresident individual is allowed a credit against the tax  
otherwise due under this Part in the amount of 25% of the federal  
34 tax credit allowable for child and dependent care expenses  
multiplied by the ratio of the individual's Maine adjusted gross  
36 income, as defined in section 5102, subsection 1-C, paragraph B,  
to the individual's entire federal adjusted gross income, as  
38 modified by section 5122, except that for tax years beginning in  
2003 to ~~2006~~ 2005, the applicable percentage is 21.5% instead of  
40 25%.

42 **Sec. C-3. 36 MRSA §5218, sub-§2-A,** as amended by PL 2005, c.  
12, Pt. L, §4, is further amended to read:  
44

46 **2-A. Part-year resident taxpayer.** An individual who files  
a return as a part-year resident in accordance with section  
5224-A is allowed a credit against the tax otherwise due under  
48 this Part in the amount of 25%, except that for tax years  
beginning in 2003 to ~~2006~~ 2005 the applicable percentage is 21.5%  
50 instead of 25%, of the federal tax credit allowable for child and

2 dependent care expenses multiplied by a ratio, the numerator of  
3 which is the individual's Maine adjusted gross income as defined  
4 in section 5102, subsection 1-C, paragraph A for that portion of  
5 the taxable year during which the individual was a resident plus  
6 the individual's Maine adjusted gross income as defined in  
7 section 5102, subsection 1-C, paragraph B for that portion of the  
8 taxable year during which the individual was a nonresident and  
9 the denominator of which is the individual's entire federal  
10 adjusted gross income, as modified by section 5122.

11 **Sec. C-4. Application.** This Part applies to tax years  
12 beginning on or after January 1, 2006.

13  
14 **PART D**

15 **Sec. D-1. 36 MRS §5219-S,** as amended by PL 2003, c. 20, Pt.  
16 GG, §1, is further amended by adding at the end a new paragraph  
17 to read:

18 For tax years beginning on or after January 1, 2006, a  
19 taxpayer is allowed a refundable credit against the taxes  
20 otherwise due under this Part equal to 25% of the federal earned  
21 income credit for the same taxable year.

22  
23 **Sec. D-2. Application.** This Part applies to tax years  
24 beginning on or after January 1, 2006.

25  
26 **PART E**

27 **Sec. E-1. 36 MRS §5122, sub-§1, ¶N,** as amended by PL 2005, c.  
28 12, Pt. P, §2 and affected by §10, is further amended to read:

29 N. With respect to property placed in service during the  
30 taxable year, an amount equal to the net increase in  
31 depreciation or expensing attributable to:

32 (1) For taxable years beginning on or after January 1,  
33 2002 but prior to January 1, 2006, a 30% bonus  
34 depreciation deduction claimed by the taxpayer pursuant  
35 to Section 101 of the federal Job Creation and Worker  
36 Assistance Act of 2002, Public Law 107-147 with respect  
37 to property placed in service during the taxable year;

38 (2) For taxable years beginning on or after January 1,  
39 2002 but prior to January 1, 2006, a 50% bonus  
40 depreciation deduction claimed by the taxpayer pursuant  
41 to Section 201 of the federal Jobs and Growth Tax  
42 Relief Reconciliation Act of 2003, Public Law 108-27



2 with respect to property placed in service during the  
taxable year; and

4 (3) For taxable years beginning on or after January 1,  
2003 but prior to January 1, ~~2008~~ 2006, the increase in  
6 aggregate cost claimed under Section 179 of the Code  
pursuant to Section 202 of the federal Jobs and Growth  
8 Tax Relief Reconciliation Act of 2003, Public Law  
108-27 or pursuant to Section 201 of the federal  
10 American Jobs Creation Act of 2004, Public Law 108-357;

12 **Sec. E-2. 36 MRSA §5122, sub-§1, ¶W**, as amended by PL 2005, c.  
12, Pt. P, §3, is repealed.

14 **Sec. E-3. 36 MRSA §5200-A, sub-§1, ¶N**, as amended by PL 2005,  
16 c. 12, Pt. P, §7 and affected by §10, is further amended to read:

18 N. With respect to property placed in service during the  
taxable year, an amount equal to the net increase in  
20 depreciation or expensing attributable to:

22 (1) For taxable years beginning on or after January 1,  
2002 but prior to January 1, 2006, a 30% bonus  
24 depreciation deduction claimed by the taxpayer pursuant  
to Section 101 of the federal Job Creation and Worker  
26 Assistance Act of 2002, Public Law 107-147 with respect  
to property placed in service during the taxable year;

28 (2) For taxable years beginning on or after January 1,  
30 2002 but prior to January 1, 2006, a 50% bonus  
depreciation deduction claimed by the taxpayer pursuant  
32 to Section 201 of the federal Jobs and Growth Tax  
Relief Reconciliation Act of 2003, Public Law 108-27  
34 with respect to property placed in service during the  
taxable year; and

36 (3) For taxable years beginning on or after January 1,  
38 2003 but prior to January 1, ~~2008~~ 2006, the increase in  
aggregate cost claimed under Section 179 of the Code  
40 pursuant to Section 202 of the federal Jobs and Growth  
Tax Relief Reconciliation Act of 2003, Public Law  
42 108-27 or pursuant to Section 201 of the federal  
American Jobs Creation Act of 2004, Public Law 108-357;

44 **Sec. E-4. Application.** This Part applies to tax years  
46 beginning on or after January 1, 2006.

48 **PART F**





2           **5-C. Information services.** "Information services" includes  
3 services of newspaper publishers; periodicals publishers; book  
4 publishers; electronic publishers; database, directory and other  
5 publishers; video and sound recording producers; data processing  
6 service providers; contracted computer programmers; and website  
7 development and maintenance providers.

8  
9           **Sec. H-4. 36 MRSA §1752, sub-§§8-C and 8-D** are enacted to read:

10           **8-C. Personal care services.** "Personal care services"  
11 includes services provided by barbers, beauticians, manicurists,  
12 tattoo artists, body piercers, massage therapists,  
13 reflexologists, tanning salons, exercise and fitness centers and  
14 dance instructors and dance studios.

15           **8-D. Personal property services.** "Personal property  
16 services" includes cleaning, repair, moving, rental, storage,  
17 maintenance and improvement of personal property, including motor  
18 vehicles, watercraft, snowmobiles, all-terrain vehicles,  
19 appliances, bicycles, jewelry, cameras, timepieces, firearms,  
20 musical instruments, electronic and electrical goods, furniture,  
21 rugs, upholstery and antiques. "Personal property services" does  
22 not include the rental of items subject to a tax under chapter  
23 358.

24  
25           **Sec. H-5. 36 MRSA §1752, sub-§14, ¶A,** as enacted by PL 1987,  
26 c. 497, §24, is amended to read:

27           A. "Sale price" includes:

28           (1) Services which and labor, whether included in the  
29 sale price or separately charged or stated that are a  
30 part of a retail sale; and

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

37           **Sec. H-6. 36 MRSA §1752, sub-§14, ¶B,** as amended by PL 2003,  
38 c. 673, Pt. V, §16 and affected by §29, is further amended to  
39 read:

40           B. "Sale price" does not include:

41           (1) Discounts allowed and taken on sales;

2 (2) Allowances in cash or by credit made upon the  
return of merchandise pursuant to warranty;

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

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

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

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

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

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

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

34 (10) The lead-acid battery deposit imposed by Title  
36 38, section 1604, subsection 2-B.

38 **Sec. H-7. 36 MRSA §1752, sub-§17-B,** as enacted by PL 2003, c.  
40 673, Pt. V, §19 and affected by §29, is repealed and the  
following enacted in its place:

42 **17-B. Taxable service.** "Taxable service" means:

44 **A. Rental of living quarters in a hotel, rooming house or**  
**tourist or trailer camp;**

46 **B. Transmission and distribution of electricity;**

48 **C. Rental or lease of an automobile;**  
50

- 2           D. Sale of prepaid calling service;
- 4           E. Amusements;
- 6           F. Personal care services;
- 8           G. Escort, dating and personal introduction services;
- 10          H. Flower and balloon delivery and other services to  
demonstrate personal appreciation;
- 12          I. Taxidermy services;
- 14          J. Flight and driving instruction;
- 16          K. Rental for recreational purposes of boat moorings, boat  
slips and docks;
- 18          L. Cleaning, storage and repair of clothing and shoes;
- 20          M. Personal property services;
- 22          N. Pet grooming and kennel services;
- 24          O. Veterinary services not associated with farm livestock;
- 26          P. Home care services;
- 28          Q. Business support services;
- 30          R. Advertising services in intrastate media;
- 32          S. Personal transportation services and courier services,  
including taxicab and limousine services;
- 34          T. Warehousing and storage services;
- 36          U. Information services; and
- 38          V. Rental of safe deposit boxes.

42           **Sec. H-8. 36 MRSA §1760, sub-§3**, as amended by PL 1991, c.  
824, Pt. A, §73, is repealed.

44           **Sec. H-9. 36 MRSA §1760, sub-§5** is repealed.

46           **Sec. H-10. 36 MRSA §1760, sub-§5-A**, as amended by PL 1975, c.  
48           623, §57, is repealed.

2           **Sec. H-11. 36 MRSA §1760, sub-§6, ¶B**, as amended by PL 1991,  
c. 846, §18 and PL 2003, c. 689, Pt. B, §6, is repealed.

4           **Sec. H-12. 36 MRSA §1760, sub-§9**, as amended by PL 1977, c.  
686, §1, is repealed.

6           **Sec. H-13. 36 MRSA §1760, sub-§9-B**, as amended by PL 1999, c.  
8 657, §21, is repealed.

10          **Sec. H-14. 36 MRSA §1760, sub-§9-C**, as enacted by PL 1977, c.  
12 686, §2, is repealed.

14          **Sec. H-15. 36 MRSA §1760, sub-§14** is repealed.

16          **Sec. H-16. 36 MRSA §1760, sub-§16**, as amended by PL 2003, c.  
18 689, Pt. B, §6 and c. 705, §4 and affected by §14, is repealed.

18          **Sec. H-17. 36 MRSA §1760, sub-§24** is repealed.

20          **Sec. H-18. 36 MRSA §1760, sub-§31, ¶A**, as amended by PL 2005,  
22 c. 12, Pt. S, §1, is further amended to read:

24           A. For use by the purchaser directly and primarily in the  
26 production of tangible personal property intended to be sold  
28 or leased ultimately for final use or consumption or in the  
30 production of tangible personal property pursuant to a  
32 contract with the United States Government or any agency  
34 thereof, ~~or, in the case of sales occurring after June 30,~~  
36 ~~2007, in the generation of radio and television broadcast~~  
38 ~~signals by broadcast stations regulated under 47 Code of~~  
Federal Regulations, Part 73. This exemption applies even  
if the purchaser sells the machinery or equipment and leases  
it back in a sale and leaseback transaction. This exemption  
also applies whether the purchaser agrees before or after  
the purchase of the machinery or equipment to enter into the  
sale and leaseback transaction and whether the purchaser's  
use of the machinery or equipment in production commences  
before or after the sale and leaseback transaction occurs;  
and

40          **Sec. H-19. 36 MRSA §1760, sub-§34**, as repealed and replaced by  
42 PL 1981, c. 163, §4, is repealed.

44          **Sec. H-20. 36 MRSA §1760, sub-§39**, as enacted by PL 1977, c.  
46 686, §3, is repealed.

48          **Sec. H-21. 36 MRSA §1760, sub-§42**, as amended by PL 2001, c.  
439, Pt. PPP, §1 and affected by §2, is repealed.

2           **Sec. H-22. 36 MRSA §1760, sub-§43**, as amended by PL 1983, c.  
828, §6, is repealed.

4           **Sec. H-23. 36 MRSA §1760, sub-§44**, as reallocated by PL 1983,  
c. 562, is repealed.

6           **Sec. H-24. 36 MRSA §1760, sub-§46**, as repealed and replaced by  
8 PL 2003, c. 451, Pt. AA, §1, is repealed.

10          **Sec. H-25. 36 MRSA §1760, sub-§47-A**, as corrected by RR 1995,  
c. 2, §95, is repealed.

12          **Sec. H-26. 36 MRSA §1760, sub-§49**, as repealed and replaced by  
14 PL 1999, c. 499, §1, is repealed.

16          **Sec. H-27. 36 MRSA §1760, sub-§50**, as enacted by PL 1983, c.  
859, Pt. M, §§6 and 13, is repealed.

18          **Sec. H-28. 36 MRSA §1760, sub-§51**, as repealed and replaced by  
20 PL 1985, c. 737, Pt. A, §95, is repealed.

22          **Sec. H-29. 36 MRSA §1760, sub-§53**, as enacted by PL 1985, c.  
737, Pt. A, §97, is repealed.

24          **Sec. H-30. 36 MRSA §1760, sub-§55**, as enacted by PL 1985, c.  
26 788, §1, is repealed.

28          **Sec. H-31. 36 MRSA §1760, sub-§56**, as amended by PL 1989, c.  
533, §7, is repealed.

30          **Sec. H-32. 36 MRSA §1760, sub-§57**, as enacted by PL 1987, c.  
32 343, §5, is repealed.

34          **Sec. H-33. 36 MRSA §1760, sub-§59**, as amended by PL 1989, c.  
700, Pt. A, §169, is repealed.

36          **Sec. H-34. 36 MRSA §1760, sub-§60**, as amended by PL 1997, c.  
38 545, §1, is repealed.

40          **Sec. H-35. 36 MRSA §1760, sub-§62**, as repealed and replaced by  
42 PL 1989, c. 502, Pt. A, §129, is repealed.

44          **Sec. H-36. 36 MRSA §1760, sub-§63**, as enacted by PL 1989, c.  
502, Pt. A, §130, is repealed.

46          **Sec. H-37. 36 MRSA §1760, sub-§65**, as amended by PL 1993, c.  
48 670, §6, is repealed.



2           **Sec. H-38. 36 MRSA §1760, sub-§66**, as enacted by PL 1989, c.  
502, Pt. B, §47 and c. 581, §20 and repealed and replaced by c.  
871, §2, is repealed.

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6           **Sec. H-39. 36 MRSA §1760, sub-§57**, as enacted by PL 1989, c.  
501, Pt. P, §30 and c. 533, §8 and repealed and replaced by c.  
871, §13, is repealed.

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10           **Sec. H-40. 36 MRSA §1760, sub-§69**, as enacted by PL 1989, c.  
533, §8, is repealed.

12           **Sec. H-41. 36 MRSA §1760, sub-§70**, as enacted by PL 1989, c.  
533, §8 and amended by c. 871, §14, is repealed.

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16           **Sec. H-42. 36 MRSA §1760, sub-§72**, as amended by PL 1999, c.  
708, §30, is repealed.

18           **Sec. H-43. 36 MRSA §1760, sub-§77**, as enacted by PL 1993, c.  
532, §1, is repealed.

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22           **Sec. H-44. 36 MRSA §1760, sub-§84**, as enacted by PL 2001, c.  
95, §6, is repealed.

24           **Sec. H-45. 36 MRSA §1760, sub-§85**, as reallocated by RR 2001,  
c. 1, §45, is repealed.

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28           **Sec. H-46. 36 MRSA §2557, sub-§3**, as enacted by PL 2003, c.  
673, Pt. V, §25 and affected by §29, is repealed.

30           **Sec. H-47. 36 MRSA §2557, sub-§§8 to 29**, as enacted by PL 2003,  
c. 673, Pt. V, §25 and affected by §29, are repealed.

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34           **Sec. H-48. Effective date.** This Part takes effect January 1,  
2006.

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## PART I

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

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42           A tax is imposed on the value of all tangible personal  
property and taxable services sold at retail in this State. The  
44           rate of tax is ~~7%~~ 10% on the value of liquor sold in licensed  
establishments as defined in Title 28-A, section 2, subsection  
46           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  
48           tourist or trailer camp; ~~10%~~ 20% on the value of rental for a  
period of less than one year of an automobile; ~~7%~~ 8% on the value  
of prepared food; and ~~5%~~ 4% on the value of all other tangible

2 personal property and taxable services. Value is measured by the  
3 sale price, except as otherwise provided.

4 **Sec. I-2. 36 MRSA §1811, 3rd ¶**, as repealed and replaced by PL  
5 2003, c. 510, Pt. C, §12 and affected by §13, is amended to read:

6  
7 Rental or lease of an automobile for one year or more must  
8 be taxed at the time of the lease or rental transaction at 5% 4%  
9 of the following: the total monthly lease payment multiplied by  
10 the number of payments in the lease or rental, the amount of  
11 equity involved in any trade-in and the value of any cash down  
12 payment. Collection and remittance of the tax is the  
13 responsibility of the person that negotiates the lease  
14 transaction with the lessee.

15 **Sec. I-3. 36 MRSA §2551, sub-§2**, as amended by PL 2005, c. 12,  
16 Pt. TTT, §2 and affected by §4, is further amended to read:

17  
18 **2. Cable and satellite television services.** "Extended  
19 cable Cable and satellite television services" means all cable  
20 and satellite television service ~~that--is--in--addition--to--the~~  
21 ~~minimum-service~~ that can be purchased from a cable or satellite  
22 television supplier, including the use of associated equipment  
23 for which a charge is made. It does not include installation of  
24 the associated equipment for which a separate charge is levied.

25  
26 **Sec. I-4. 36 MRSA §2552, sub-§1**, as amended by PL 2005, c. 12,  
27 Pt. VV, §§2 and 3 and Pt. TTT, §3 and affected by §4, is further  
28 amended to read:

29  
30 **1. Rate.** A tax at the rate of 5% 4% is imposed on the value  
31 of the following services sold in this State:

- 32  
33  
34 A. ~~Extended-cable~~ Cable and satellite television services;  
35  
36 B. Fabrication services;  
37  
38 C. Rental of video media and video equipment;  
39  
40 D. Rental of furniture, audio media and audio equipment  
41 pursuant to a rental-purchase agreement as defined in Title  
42 9-A, section 11-105;  
43  
44 E. Telecommunications services;  
45  
46 F. The installation, maintenance or repair of  
47 telecommunications equipment;  
48  
49 G. Private nonmedical institution services; and

2 H. Community support services, and

4 I. Internet service access.

6 **Sec. I-5. Effective date.** This Part takes effect January 1,  
2006.

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## PART J

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**Sec. J-1. 36 MRSA §4641-A, sub-§1, ¶A,** as enacted by PL 2001,  
12 c. 559, Pt. I, §3 and affected by §15, is amended to read:

14 A. The rate of the tax is ~~\$2.20~~ \$5.00 for each \$500 or  
16 fractional part of \$500 of the value of the property  
transferred.

18 **Sec. J-2. 36 MRSA §4641-A, sub-§2, ¶A,** as enacted by PL 2001,  
c. 559, Pt. I, §3 and affected by §15, is amended to read:

20

22 A. The rate of the tax is ~~\$2.20~~ \$5.00 for each \$500 or  
fractional part of \$500 of the value of the real property  
24 owned by the entity and located in this State.

**Sec. J-3. 36 MRSA §4641-B, sub-§4,** as amended by PL 2005, c.  
26 12, Pt. H, §1, is further amended to read:

28 **4. Distribution of State's share of proceeds.** The State  
Tax Assessor shall pay all net receipts received pursuant to this  
30 section to the Treasurer of State, and shall at the same time  
provide the Treasurer of State with documentation showing the  
32 amount of revenues derived from the tax imposed by section  
4641-A, subsection 1 and the amount of revenues derived from the  
34 tax imposed by section 4641-A, subsection 2. The Treasurer of  
State shall credit ~~1/2~~ 75% of the revenues derived from the tax  
36 imposed by section 4641-A, subsection 1 to the General Fund and  
shall monthly pay the remaining ~~1/2~~ 25% of such revenues to the  
38 Maine State Housing Authority, which shall deposit the funds in  
the Housing Opportunities for Maine Fund created in Title 30-A,  
40 section 4853, except that in fiscal year 2003-04, fiscal year  
2004-05, fiscal year 2005-06 and fiscal year 2006-07, \$7,500,000  
42 of the remaining ~~1/2~~ ~~of these~~ revenues must be transferred to the  
General Fund before any payments are made to the Maine State  
44 Housing Authority. The Treasurer of State shall credit to the  
General Fund all of the revenues derived from the tax imposed by  
46 section 4641-A, subsection 2.

48 **Sec. J-5. Application.** This Part applies to transfers of real  
property occurring on or after January 1, 2006.

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**PART K**

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

**§5219-Y. Principal residence transfer credit**

A taxpayer who transfers property that was the taxpayer's permanent residence or who purchases property for that taxpayer's permanent residence, as defined in section 681, is allowed a refundable credit against the tax imposed under this Part equal to 50% of the tax paid by the taxpayer under section 4641-A.

**Sec. K-2. Application.** This Part applies to tax years beginning on or after January 1, 2006.

**PART L**

**Sec. L-1. 36 MRSA §4365**, as amended by PL 2003, c. 705, §6, is further amended to read:

**§4365. Rate of tax**

A tax is imposed on all cigarettes imported into this State or held in this State by any person for sale at the rate of 47 75 mills for each cigarette. Payment of the tax is evidenced by the affixing of stamps to the packages containing the cigarettes.

**Sec. L-2. 36 MRSA §4365-E**, as enacted by PL 2001, c. 439, Pt. SSSS, §2, is repealed.

**Sec. L-3. 36 MRSA §4365-F** is enacted to read:

**§4365-F. Application of cigarette tax rate increase effective January 1, 2006**

The following provisions apply to cigarettes held for resale on January 1, 2006.

1. Stamped rate. Cigarettes stamped at the rate of 47 mills per cigarette and held for resale after December 31, 2005 are subject to tax at the rate of 75 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 75 mills per cigarette and the tax rate of 50 mills per cigarette in effect before January 1, 2006. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of January 1, 2006, except that

2 cigarettes held in vending machines as of that date do not  
3 require that stamp.

4 3. Vending machines. Notwithstanding any other provision  
5 of this chapter, it is presumed that all cigarette vending  
6 machines are filled to capacity on January 1, 2006 and that the  
7 tax imposed by this section must be reported on that basis. A  
8 credit against this inventory tax must be allowed for cigarettes  
9 stamped at the rate of 75 mills per cigarette placed in vending  
10 machines before January 1, 2006.

11 4. Payment. Payment of the tax imposed by this section  
12 must be made to the State Tax Assessor by March 1, 2006,  
13 accompanied by forms prescribed by the assessor.

14 **Sec. L-4. 36 MRSA §4366-A, sub-§2, ¶¶B and C,** as enacted by PL  
15 2001, c. 439, Pt. SSSS, §3, are amended to read:

16 B. For stamps at the face value of 47 mills sold prior to  
17 July 1, 2002, 2.16%; and

18 C. For stamps at the face value of 47 mills sold on or  
19 after July 1, 2002, 2.03%.

20 **Sec. L-5. 36 MRSA §4366-A, sub-§2, ¶¶D and E** are enacted to  
21 read:

22 D. For stamps at the face value of 75 mills sold prior to  
23 January 1, 2006, 1.62%; and

24 E. For stamps at the face value of 75 mills sold on or  
25 after January 1, 2006, 1.52%.

26 **Sec. L-6. 36 MRSA §4366-D,** as enacted by PL 2001, c. 450, Pt.  
27 D, §1, is repealed.

28 **Sec. L-7. 36 MRSA §4403, sub-§1,** as amended by PL 1989, c.  
29 588, Pt. D, §4, is further amended to read:

30 **1. Smokeless tobacco.** A tax is imposed on all smokeless  
31 tobacco, including chewing tobacco and snuff, at the rate of 50%  
32 of the wholesale sales price beginning October 1, 1989; 55% of  
33 the wholesale sales price beginning January 1, 1991; and 62% of  
34 the wholesale sales price beginning July 1, 1991; and 100% of the  
35 wholesale sales price beginning January 1, 2006.

36 **Sec. L-8. 36 MRSA §4403, sub-§2,** as amended by PL 1989, c.  
37 588, Pt. D, §4, is repealed and the following enacted in its  
38 place:

2 2. Cigars; other tobacco. A tax is imposed on cigars, pipe  
3 tobacco and other tobacco intended for smoking at the rates  
4 specified in this subsection:

6 A. On cigars, 25% of the wholesale sales price beginning  
7 January 1, 2006; and

8 B. On pipe tobacco and other tobacco intended for smoking,  
9 100% of the wholesale sales price beginning January 1, 2006.

12 **Sec. L-9. Effective date.** This Part takes effect January 1,  
13 2006.

## 14 PART M

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

20 **1. Excise tax on malt liquor.** An excise tax is imposed on  
21 the privilege of manufacturing and selling malt liquor in the  
22 State. The Maine manufacturer or importing wholesale licensee  
23 shall pay an excise tax of 25¢ 50¢ per gallon on all malt liquor  
24 sold in the State.

26 **Sec. M-2. 28-A MRSA §1652, sub-§2,** as amended by PL 1997, c.  
27 767, §4, is further amended to read:

28 **2. Excise tax on wine and hard cider.** An excise tax is  
29 imposed on the privilege of manufacturing and selling wine in the  
30 State. The Maine manufacturer or importing wholesale licensee  
31 shall pay an excise tax of 30¢ \$1 per gallon on all wine ~~other~~  
32 ~~than~~ and sparkling wine manufactured in or imported into the  
33 State, ~~-\$1 per gallon on all sparkling wine manufactured in or~~  
34 ~~imported into the State~~ and 25¢ \$1 per gallon on all hard cider  
35 manufactured in or imported into the State.  
36

38 **Sec. M-3. Effective date.** This Part takes effect January 1,  
39 2006.  
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## 42 SUMMARY

44 This bill makes major changes to Maine's tax structure  
beginning January 1, 2006.  
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48 Part A changes the existing graduated income tax program  
into a flat tax rate of 6% and corrects cross-references. Part A  
also repeals the alternative minimum tax.  
50

2 Part B ties the standard deduction and personal exemption to  
the same amount as the federal standard deduction and personal  
exemption and eliminates the so-called "marriage penalty."  
4

6 Part C restores the income tax credit for child care  
expenses to 25% of the federal tax credit.

8 Part D increases the earned income tax credit to 25% of the  
federal earned income credit and makes it refundable.  
10

12 Part E conforms the deductibility of health savings accounts  
and business expensing with federal law.

14 Part F increases the exemption for estates under the estate  
tax to the same amount as under federal law.  
16

18 Part G amends the Maine Residents Property Tax Program, also  
known as the circuit breaker program, by raising the maximum  
benefit from \$2,000 to \$3,000 and increasing to \$5,000 the  
maximum property taxes and rent constituting property taxes that  
may be considered in calculating the benefit.  
22

24 Part H repeals certain exemptions and expands the  
application of the sales and use tax.

26 Part I decreases the general sales tax rate and the service  
provider tax from 5% to 4%. Part I also increases the rate of  
sales tax imposed on:  
28

- 30 1. Liquor sold in licensed establishments from 7% to 10%;
- 32 2. Lodging in a hotel, rooming house or tourist or trailer  
camp from 7% to 10%;
- 34 3. The rental of a motor vehicle for less than one year  
36 from 10% to 20%; and
- 38 4. Prepared food from 7% to 8%.

40 Part J increases the real estate transfer tax from \$2.20 per  
\$500 to \$5.00 per \$500.  
42

44 Part K provides a credit of 50% of the real estate transfer  
tax paid on a permanent residence.

46 Part L increases the tax on cigarettes by 50¢ to \$1.50 per  
pack, the tax on smokeless tobacco products from 62% to 100% of  
48 the wholesale price, the tax on cigars from 16% to 25% of the  
wholesale price and the tax on other tobacco products from 16% to  
50 100% of the wholesale sales price.

2           Part M increases the excise tax on malt liquor from 25¢ per  
gallon to 50¢ per gallon, on wine from 30¢ per gallon to \$1 per  
4           gallon and on hard cider from 25¢ per gallon to \$1 per gallon.