

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 962

H.P. 722

House of Representatives, March 1, 2007

An Act To Reform and Lower Maine Taxes

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative CROCKETT of Augusta.
Cosponsored by Representatives: CANAVAN of Waterville, Speaker CUMMINGS of
Portland, FAIRCLOTH of Bangor, PIOTTI of Unity, RAND of Portland, SILSBY of Augusta,
WOODBURY of Yarmouth, Senator: MITCHELL of Kennebec.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA §5219-BB** is enacted to read:

4 **§5219-BB. Maine Residents Property Tax Program credit**

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

8 **Sec. A-2. 36 MRSA §6221** is enacted to read:

9 **§6221. Income tax credit option**

10 A person eligible for benefits under this chapter may elect to receive those benefits as
11 a credit against income tax as provided in section 5219-BB if the credit is claimed on the
12 claimant's annual income tax return.

13 **Sec. A-3. Application.** This Part applies to tax years beginning on or after
14 January 1, 2007.

15 **PART B**

16 **Sec. B-1. 30-A MRSA §5681, sub-§2, ¶E,** as enacted by PL 1999, c. 731, Pt. U,
17 §1, is amended to read:

18 E. "Disproportionate tax burden" means the total real and personal property taxes
19 assessed in the most recently completed municipal fiscal year, except the taxes
20 assessed on captured value within a tax increment financing district, divided by the
21 latest state valuation certified to the Secretary of State and reduced by ~~.04~~;

22 (1) Before January 1, 2008, .01;

23 (2) From January 1, 2008 to December 31, 2008, .011;

24 (3) From January 1, 2009 to December 31, 2009, .012;

25 (4) From January 1, 2010 to December 31, 2010, .013;

26 (5) From January 1, 2011 to December 31, 2011, .014; and

27 (6) Beginning January 1, 2012 and thereafter, .015.

28 **PART C**

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

31 **1-B. Single individuals and married persons filing separate returns; tax years**
32 **2002 through 2006.** For tax years beginning on or after January 1, 2002 but ending
33 before January 1, 2007, for single individuals and married persons filing separate returns:

1	If Maine Taxable income is:	The tax is:
2	Less than \$4,200	2% of the Maine taxable income
3	At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
4	At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
5	\$16,700 or more	\$856 plus 8.5% of the excess over
6		\$16,700

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

8 **1-C. Single individuals and married persons filing separate returns; tax years**
9 **beginning 2007.** For tax years beginning on or after January 1, 2007, for single
10 **individuals and married persons filing separate returns:**

11	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
12	<u>Less than \$4,750</u>	<u>2% of the Maine taxable income</u>
13	<u>At least \$4,750 but less than \$9,450</u>	<u>\$95 plus 4.5% of the excess over \$4,750</u>
14	<u>At least \$9,450 but less than \$18,950</u>	<u>\$307 plus 7% of the excess over \$9,450</u>
15	<u>\$18,950 or more</u>	<u>\$972 plus 7.5% of the excess over</u>
16		<u>\$18,950</u>

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

19 **2-B. Heads of households; tax years 2002 through 2006.** For tax years beginning
20 on or after January 1, 2002 but ending before January 1, 2007, for unmarried individuals
21 or legally separated individuals who qualify as heads of households:

22	If Maine Taxable income is:	The tax is:
23	Less than \$6,300	2% of the Maine taxable income
24	At least \$6,300 but less than \$12,500	\$126 plus 4.5% of the excess over \$6,300
25	At least \$12,500 but less than \$25,050	\$405 plus 7% of the excess over \$12,500
26	\$25,050 or more	\$1,284 plus 8.5% of the excess over
27		\$25,050

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

29 **2-C. Heads of households; tax years beginning 2007.** For tax years beginning on
30 or after January 1, 2007, for unmarried individuals or legally separated individuals who
31 qualify as heads of households:

32	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
33	<u>Less than \$7,150</u>	<u>2% of the Maine taxable income</u>
34	<u>At least \$7,150 but less than \$14,200</u>	<u>\$143 plus 4.5% of the excess over \$7,950</u>
35	<u>At least \$14,200 but less than \$28,450</u>	<u>\$460 plus 7% of the excess over \$28,450</u>
36	<u>\$28,450 or more</u>	<u>\$1,458 plus 7.5% of the excess over</u>
37		<u>\$28,450</u>

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

3 **3-B. Individuals filing married joint return or surviving spouses; tax years 2002**
4 **through 2006.** For tax years beginning on or after January 1, 2002 but ending before
5 January 1, 2007, for individuals filing married joint returns or surviving spouses
6 permitted to file a joint return:

7 If Maine Taxable income is:	The tax is:
8 Less than \$8,400	2% of the Maine taxable income
9 At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
10 At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
11 \$33,400 or more	\$1,711 plus 8.5% of the excess over
12	\$33,400

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

14 **3-C. Individuals filing married joint return or surviving spouses; tax years**
15 **beginning 2007.** For tax years beginning on or after January 1, 2007, for individuals
16 filing married joint returns or surviving spouses permitted to file a joint return:

17 <u>If Maine Taxable income is:</u>	<u>The tax is:</u>
18 <u>Less than \$9,500</u>	<u>2% of the Maine taxable income</u>
19 <u>At least \$9,500 but less than \$18,950</u>	<u>\$190 plus 4.5% of the excess over \$9,500</u>
20 <u>At least \$18,950 but less than \$37,950</u>	<u>\$615 plus 7% of the excess over \$18,950</u>
21 <u>\$37,950 or more</u>	<u>\$1,945 plus 7.5% of the excess over</u>
22	<u>\$37,950</u>

23 **Sec. C-7. 36 MRSA §5126, first ¶**, as amended by PL 2001, c. 583, §16, is
24 further amended to read:

25 For income tax years beginning on or after January 1, 1998 but before January 1,
26 1999, a resident individual is allowed \$2,400 for each exemption that the individual
27 properly claims for the taxable year for federal income tax purposes, unless the taxpayer
28 is claimed as a dependent on another return. For income tax years beginning on or after
29 January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for
30 each exemption that the individual properly claims for the taxable year for federal income
31 tax purposes, unless the taxpayer is claimed as a dependent on another return. For
32 income tax years beginning on or after January 1, 2000 but before January 1, 2007, a
33 resident individual is allowed \$2,850 for each exemption that the individual properly
34 claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed
35 as a dependent on another return. For tax years beginning on or after January 1, 2007, a
36 resident individual is allowed the same amount allowed under Section 151 of the Code
37 for each exemption that the individual properly claims for the taxable year for federal
38 income tax purposes, unless the taxpayer is claimed as a dependent on another return.

- 1 (c) Road maintenance and construction, traffic control; and snow and ice
2 removal;
- 3 (d) Water and sewer service provided to the tax-exempt entity, the costs for
4 which are not otherwise recovered through user fees or other charges;
- 5 (e) Sanitation services provided to the tax-exempt entity, the costs for which
6 are not otherwise recovered through user fees or other charges; and
- 7 (f) Any services other than education and welfare provided to the tax-exempt
8 entity, the costs for which are not otherwise recovered through user fees or
9 other charges.
- 10 ~~(2) The establishment of service charges is not mandatory, but rather is at the~~
11 ~~discretion of the municipality in which the exempt property is located. The~~
12 ~~municipal legislative body shall determine those institutions and organizations on~~
13 ~~which service charges are to be levied by charging for services on any or all of~~
14 ~~the following classifications of tax exempt real property:~~
- 15 ~~(a) Residential properties currently totally exempt from property taxation,~~
16 ~~yet used to provide rental income. This classification shall not include~~
17 ~~student housing or parsonages. If a municipality levies service charges in any~~
18 ~~of the classifications of this subparagraph, that municipality shall levy these~~
19 ~~service charges to all institutions and organizations owning property in that~~
20 ~~classification.~~
- 21 (3) With respect to the determination of service charges, appeals shall **must** be
22 made in accordance with an appeals process to be provided for by municipal
23 ordinance. Appeals concerning the assessed value of any property against which
24 a service charge is levied must be undertaken in accordance with subchapter 8.
- 25 (4) The collection of unpaid service charges shall **must** be carried out in the same
26 manner as provided in Title 38, section 1208.
- 27 (5) Municipalities shall use the revenues accrued from service charges to fund,
28 as much as possible, the costs of those services reduce the municipality's tax
29 commitment as provided in section 709-C.
- 30 (6) The total service charges levied by a municipality on any institution and
31 organization under this section shall not exceed 2% of the gross annual revenues
32 of the organization. To qualify for this limitation the institution or organization
33 shall file with the municipality an audit of the revenues of the organization for the
34 year immediately prior to the year which the service charge is levied. The
35 municipal officers shall abate the service charge amount that is in excess of 2%
36 of the gross annual revenues a tax-exempt entity under this section may not
37 exceed the lesser of 1.5% of the tax-exempt entity's annual receipts and 50% of
38 the amount that would have been assessed as taxes on the property concerned if it
39 were not exempt from taxation. To qualify for this limitation, the tax-exempt
40 entity must file with the municipality a report of the annual receipts of the entity
41 for the year immediately prior to the year for which the service charge is levied.
42 The municipal officers shall abate the service charge amount that is in excess of
43 the applicable limitation. For the purposes of this subparagraph, "annual

1 receipts" means any streams of income received in the most recent fiscal year by
2 the tax-exempt entity from any source, including receipts of goods and services
3 provided at the exempt property. "Annual receipts" does not include amounts
4 received by a tax-exempt entity in the form of governmental or corporate grants,
5 private charitable donations or trust or endowment earnings to the extent all
6 receipts in those categories are actually spent to provide tangible and direct
7 services to those people benefiting from the services provided by the
8 organization.

9 (6-A) A municipality may establish a payment schedule that is annual,
10 semiannual or quarterly.

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

13 (8) Any service charges calculated under this paragraph must be phased in as
14 follows:

15 (a) For the tax year commencing April 1, 2008, the municipality may charge
16 35% of the total service charge calculated;

17 (b) For the tax year commencing April 1, 2009, the municipality may charge
18 70% of the total service charge collected; and

19 (c) For the tax year commencing April 1, 2010, and for each tax year after
20 that date, the municipality may charge 100% of the total service charge
21 calculated.

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

25 **Sec. D-2. 36 MRSA §652, last ¶**, as enacted by PL 1993, c. 422, §5, is repealed.

26 **Sec. D-3. 36 MRSA §652-A** is enacted to read:

27 **§652-A. Application schedules**

28 An organization or institution that desires to secure exemption under section 652
29 must make written application and file written proof of entitlement for each parcel to be
30 considered on or before April 1st in the year in which the exemption is first requested
31 with the assessors of the municipality in which the property would otherwise be taxable
32 and every 3 years thereafter. If granted, the exemption continues in effect unless the
33 assessors determine that the organization or institution is no longer qualified. Proof of
34 entitlement must indicate the specific basis upon which exemption is claimed.

35 Any organization or institution that is established as exempt pursuant to section 652
36 on or before January 1, 2008 must reapply for continuing exemption according to the
37 following schedule.

1 1. Exempt for 5 years or less. If on January 1, 2008 the organization or institution
2 has been exempt under section 652 for 5 years or less, the organization or institution must
3 reapply for continuing exemption on or before April 1, 2008 and every 3 years thereafter.

4 2. Exempt for more than 5 and less than 10 years. If on January 1, 2008 the
5 organization or institution has been exempt under section 652 for a period of more than 5
6 years but less than 10 years, the organization or institution must reapply for continuing
7 exemption on or before April 1, 2009 and every 3 years thereafter.

8 3. Exempt for 10 years or more. If on January 1, 2008 the organization or
9 institution has been exempt under section 652 for a period of 10 years or more, the
10 organization or institution must reapply for continuing exemption on or before April 1,
11 2010 and every 3 years thereafter.

12 **Sec. D-4. 36 MRSA §709-C** is enacted to read:

13 **§709-C. Service charges**

14 The assessors shall deduct from the total amount required to be assessed an amount
15 equal to the amount of service charges to be levied under section 652 for the municipal
16 fiscal year.

17 **Sec. D-5. Commission established.** The Commission on Municipal Services and
18 Tax-exempt Property, referred to in this section as "the commission," is established.

19 **1. Commission membership.** The commission consists of the following 13
20 members.

21 A. Five members, appointed by the Governor:

- 22 (1) A state official experienced in property tax assessment;
23 (2) A state official experienced in tax policy;
24 (3) A county official;
25 (4) A state official responsible for the disposition and acquisition of state
26 property; and
27 (5) A representative of the private sector with experience in organizational
28 restructuring;

29 B. Four members, appointed by the President of the Senate:

- 30 (1) A municipal officer;
31 (2) A municipal manager;
32 (3) A representative of a nonprofit entity; and
33 (4) A representative of an organization representing municipal officials; and

1 C. Four members, appointed by the Speaker of the House of Representatives:

2 (1) A municipal financial official;

3 (2) A representative of an organization representing the education community;
4 and

5 (3) Two representatives of the general public without ties to any entity that is
6 exempt from property tax assessments.

7 **2. Appointments.** All appointments must be made no later than 30 days following
8 the effective date of this Part. The President of the Senate and the Speaker of the House
9 of Representatives jointly shall determine the chair and cochair of the commission. The
10 appointing authorities shall notify the Executive Director of the Legislative Council upon
11 making their appointments. The cochairs shall convene the first meeting of the
12 commission no later than 15 days after the appointment of all members is complete.

13 **3. Duties.** The commission shall develop a formula or process for municipalities to
14 use to determine a municipal cost component. The commission shall analyze the extent
15 of entities exempt from property tax and the impact of those tax-exempt entities on the
16 costs of municipal services. The commission may consider any other options it
17 determines necessary to fulfill its responsibilities.

18 **4. Staff assistance.** Upon approval of the Legislative Council, the Office of Policy
19 and Legal Analysis shall provide necessary staffing services to the commission.

20 **5. Compensation.** Compensation may not be paid to members of the commission.
21 Members of the commission who are not otherwise compensated by their employers or
22 other entities that they represent are entitled to receive reimbursement of necessary
23 expenses incurred for their attendance at authorized meetings of the commission.

24 **6. Report.** The commission shall submit its report, together with any recommended
25 implementing legislation, to the First Regular Session of the 124th Legislature no later
26 than December 6, 2008. If the commission requires an extension of time to make its
27 report, it may apply to the Legislative Council, which may grant the extension.

28 **Sec. D-6. Application.** Those sections of this Part that amend the Maine Revised
29 Statutes, Title 36, section 652, subsection 1, paragraph L; repeal Title 36, section 652, last
30 paragraph; and enact Title 36, sections 652-A and 709-C apply to property tax years
31 beginning on or after April 1, 2008.

32 **PART E**

33 **Sec. E-1. 5 MRSA §13090-K, sub-§2,** as enacted by PL 2001, c. 439, Pt.
34 UUUU, §1, is amended to read:

35 **2. Source of fund.** Beginning July 1, ~~2003~~ 2008 and every July 1st thereafter, the
36 State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as
37 certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%~~ tax imposed on

1 ~~tangible personal property and taxable services~~ the value of liquor sold in licensed
2 establishments, rental of living quarters in a hotel, rooming house or tourist or trailer
3 camp and prepared food pursuant to Title 36, section 1811, for the first 6 months of the
4 prior fiscal year after the reduction for the transfer to the Local Government Fund as
5 described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 2008
6 and every October 1st thereafter, the State Controller shall transfer to the Tourism
7 Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is
8 equivalent to 5% of the 7% tax imposed on ~~tangible personal property and taxable~~
9 ~~services~~ the value of liquor sold in licensed establishments, rental of living quarters in a
10 hotel, rooming house or tourist or trailer camp and prepared food pursuant to Title 36,
11 section 1811, for the last 6 months of the prior fiscal year after the reduction for the
12 transfer to the Local Government Fund. The tax amount must be based on actual sales
13 for that fiscal year and may not consider any accruals that may be required by law. The
14 amount transferred from General Fund sales and use tax revenues does not affect the
15 calculation for the transfer to the Local Government Fund.

16 **Sec. E-2. 36 MRSA §1752, sub-§1-H** is enacted to read:

17 **1-H. Amusement and recreational services.** "Amusement and recreational
18 services" means all services provided in this State to the general public or through private
19 clubs that involve exchanging a right to access to any amusement, recreational,
20 exhibitivite, cultural or athletic activity for any user fee, price of admission, gate fee or
21 equivalent form of remuneration;

22 **Sec. E-3. 36 MRSA §1752, sub-§1-I** is enacted to read:

23 **1-I. Construction services.** "Construction services" means services provided in this
24 State to the general public by a person engaged in the activity of building. The activity of
25 building pertains to any building, highway, road, railroad, excavation, manufactured
26 building or other structure and involves any act of construction, alteration, repair,
27 substantial maintenance, addition to, subtraction from, improvement, movement or
28 demolition or the construction of scaffolding or other structures or work related to the
29 activity of building. "Construction services" includes, but is not limited to, the services
30 typically provided by building contractors, road and driveway contractors, concrete
31 contractors, excavators, carpenters, masons, electricians, plumbers, roofers, siding
32 applicators and house painters.

33 **Sec. E-4. 36 MRSA §1752, sub-§1-J** is enacted to read:

34 **1-J. Consumer purchases of memberships in social organizations.** "Consumer
35 purchases of memberships in social organizations" includes, but is not limited to,
36 consumer purchases of professional association, club and fraternal organization
37 memberships and employment agency fees. "Consumer purchases of memberships in
38 social organizations" does not include donations made to charitable organizations or labor
39 union dues.

40 **Sec. E-5. 36 MRSA §1752, sub-§8-C** is enacted to read:

- 1 **8-C. Personal services.** "Personal services" means services provided in this State to
2 the general public by a person of specialized skill, talent or experience. A provider of
3 "personal services" characteristically provides attendant care to the recipient of the
4 service or care, maintenance or repair services to the recipient's real or personal property.
5 "Personal services" includes, but is not limited to, such services as:
- 6 A. Personal attendant services, including, but not limited to, barbering, beautician,
7 manicure, tattooing, body piercing, massage, reflexology, tanning and exercise or
8 fitness services;
- 9 B. Laundering and dry cleaning services;
- 10 C. Painting, papering and interior decoration services;
- 11 D. Jewelry, camera, watch and gun cleaning and repair services;
- 12 E. Pet grooming and kennel services;
- 13 F. Musical instrument tuning and repair services;
- 14 G. Swimming pool installation, repair, cleaning and maintenance services;
- 15 H. Radio, television and sound system repair services;
- 16 I. Furniture, rug and upholstery cleaning and repair services;
- 17 J. Locksmith services;
- 18 K. Personal property and self-storage services, including storage and mooring
19 services for noncommercial watercraft;
- 20 L. Services related to the washing, cleaning, polishing, lubrication, painting or
21 detailing of motor vehicles;
- 22 M. Disinfection and pest extermination or control services;
- 23 N. Landscaping, lawn care, grounds maintenance and tree removal services;
- 24 O. Photography and photographic studio services;
- 25 P. Printing, imprinting, painting or lettering tangible personal property for persons
26 who furnish tangible personal property for that service;
- 27 Q. Any fabrication, printing or production of tangible personal property by special
28 order when tangible personal property is not intended for resale;
- 29 R. Repair services for noncommercial watercraft;
- 30 S. Dance instruction and dance studio services;
- 31 T. Dating escort and personal introduction services;
- 32 U. Flower or balloon delivery services and services similarly provided as a
33 demonstration of personal appreciation;
- 34 V. Taxidermy services;
- 35 W. Flight instruction services;
- 36 X. Antique or art auctioning or dealership services;

1 Y. Domestic services, such as meal preparation, housecleaning or household
2 operation services;

3 Z. Moving and storage services; and

4 AA. Veterinarian services.

5 "Personal services" does not include construction services;

6 **Sec. E-6. 36 MRSA §1752, sub-§11, ¶A**, as amended by PL 2005, c. 218, §14,
7 is further amended to read:

8 A. "Retail sale" includes:

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

12 (2) Sale of products for internal human consumption to a person for resale
13 through vending machines when sold to a person more than 50% of whose gross
14 receipts from the retail sale of tangible personal property are derived from sales
15 through vending machines. The tax must be paid by the retailer to the State; ~~and~~

16 (3) Any taxable service defined under subsection 17-B to the extent the taxable
17 service is provided in this State and only if the relationship between the provider
18 and the recipient of the taxable service is not an employment relationship with
19 respect to the provision of the service.

20 **Sec. E-7. 36 MRSA §1752, sub-§14**, as amended by PL 2005, c. 675, §1 and
21 affected by §2, is further amended to read:

22 **14. Sale price.** "Sale price" means the total amount of a retail sale valued in money,
23 whether received in money or otherwise.

24 A. "Sale price" includes:

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

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

30 When a taxable service is provided for a fee that is contingent on an ultimate award,
31 settlement or similar financial result and the fee is a certain percentage of that
32 ultimate award or settlement, the fee is deemed to include both the sale price and the
33 applicable tax.

34 B. "Sale price" does not include:

35 (1) Discounts allowed and taken on sales;

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

- 1 (3) The price of property returned by customers, when the full price is refunded
2 either in cash or by credit;
- 3 (4) The price received for labor or services used in installing or applying or
4 repairing the property sold, if separately charged or stated;
- 5 (5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically
6 stated service charge, when that amount is to be disbursed by a hotel, motel,
7 restaurant or other eating establishment to its employees as wages;
- 8 (6) The amount of any tax imposed by the United States on or with respect to
9 retail sales, whether imposed upon the retailer or the consumer, except any
10 manufacturers', importers', alcohol or tobacco excise tax;
- 11 (7) The cost of transportation from the retailer's place of business or other point
12 from which shipment is made directly to the purchaser, ~~provided that as long as~~
13 those charges are separately stated and the transportation occurs by means of
14 common carrier, contract carrier or the United States mail;
- 15 (8) The fee imposed by Title 10, section 1169, subsection 11;
- 16 (9) The fee imposed by section 4832, subsection 1;
- 17 (10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection
18 2-B; ~~or~~
- 19 (11) Any amount charged or collected by a person engaged in the rental of
20 living quarters as a forfeited room deposit or cancellation fee if the prospective
21 occupant of the living quarters cancels the reservation on or before the scheduled
22 date of arrival; or
- 23 (12) With respect to any fee for a taxable service, any portion of that fee
24 representing direct reimbursement charged to the recipient of the taxable service
25 for commodities or services previously paid by the person providing the service,
26 as long as any tax on those commodities or services, if any tax applies, has been
27 previously paid.

28 **Sec. E-8. 36 MRSA §1752, sub-§17-B**, as enacted by PL 2003, c. 673, Pt. V,
29 §19 and affected by §29, is amended to read:

30 **17-B. Taxable service.** "Taxable service" means the rental of living quarters in a
31 hotel, rooming house; or tourist or trailer camp; the transmission and distribution of
32 electricity; the rental or lease of an automobile; amusement and recreational services;
33 consumer purchases of memberships in social organizations; personal services;
34 transportation services purchased by consumers; and the sale of prepaid calling service.

35 **Sec. E-9. 36 MRSA §1752, sub-§20-B** is enacted to read:

36 **20-B. Transportation services purchased by consumers.** "Transportation services
37 purchased by consumers" includes, but is not limited to, consumer purchases of services
38 such as airline, passenger railroad, taxicab, limousine, ferry and toll-road services.

39 **Sec. E-10. 36 MRSA §1760, sub-§14** is repealed.

1 **Sec. E-11. 36 MRSA §1760, sub-§16**, as repealed and replaced by PL 2005, c.
2 622, §6, is amended to read:

3 **16. Hospitals, educational television or radio stations and dyslexia assistance**
4 **organizations.** Sales to:

5 A. Incorporated hospitals;

6 B. Incorporated nonprofit nursing homes licensed by the Department of Health and
7 Human Services;

8 C. Incorporated nonprofit residential care facilities licensed by the Department of
9 Health and Human Services;

10 D. Incorporated nonprofit assisted housing programs for the elderly licensed by the
11 Department of Health and Human Services;

12 E. Incorporated nonprofit home health agencies certified under the United States
13 Social Security Act of 1965, Title XVIII, as amended;

14 F. Incorporated nonprofit rural community health centers;

15 G. Incorporated nonprofit dental health centers;

16 ~~H. Incorporated nonprofit organizations organized for the sole purpose of~~
17 ~~conducting medical research;~~

18 ~~I. Incorporated nonprofit organizations organized for the purpose of establishing~~
19 ~~and maintaining laboratories for scientific study and investigation in the field of~~
20 ~~biology or ecology;~~

21 J. Institutions incorporated as nonprofit corporations for the purpose of operating
22 educational television or radio stations; and

23 ~~K. Schools;~~

24 L. Incorporated nonprofit organizations or their affiliates whose purpose is to
25 provide literacy assistance or free clinical assistance to children with dyslexia; and

26 ~~M. Regularly organized churches or houses of religious worship.~~

27 **Sec. E-12. 36 MRSA §1760, sub-§17** is repealed.

28 **Sec. E-13. 36 MRSA §1760, sub-§19**, as amended by PL 2003, c. 588, §7, is
29 further amended to read:

30 **19. Schools.** Rental charged for living quarters, sleeping or housekeeping
31 accommodations to any student necessitated by attendance at a school. For purposes of
32 this subsection, "school" means incorporated nonstock educational institutions, no part of
33 the net earnings of which inures to the benefit of any individual, including institutions
34 empowered to confer educational, literary or academic degrees, that have a regular
35 faculty, curriculum and organized body of pupils or students in attendance throughout the
36 usual school year and that keep and furnish to students and others records required and
37 accepted for entrance to schools of secondary, collegiate or graduate rank.

1 **Sec. E-14. 36 MRSA §1760, sub-§34**, as amended by PL 2005, c. 218, §23, is
2 repealed.

3 **Sec. E-15. 36 MRSA §1760, sub-§43**, as amended by PL 1983, c. 828, §6, is
4 repealed.

5 **Sec. E-16. 36 MRSA §1760, sub-§49**, as amended by PL 2005, c. 622, §7, is
6 repealed.

7 **Sec. E-17. 36 MRSA §1760, sub-§64**, as amended by PL 2003, c. 588, §10, is
8 repealed.

9 **Sec. E-18. 36 MRSA §1760, sub-§65**, as amended by PL 1993, c. 670, §6, is
10 repealed.

11 **Sec. E-19. 36 MRSA §1760, sub-§71**, as enacted by PL 1989, c. 533, §8, is
12 repealed.

13 **Sec. E-20. 36 MRSA §1760, sub-§75**, as enacted by PL 1989, c. 871, §15, is
14 repealed.

15 **Sec. E-21. 36 MRSA §1760, sub-§76**, as amended by PL 2003, c. 588, §11, is
16 repealed.

17 **Sec. E-22. 36 MRSA §1811, first ¶**, as amended by PL 2001, c. 439, Pt. TTTT,
18 §2 and affected by §3, is further amended to read:

19 A tax is imposed on the value of all tangible personal property and taxable services
20 sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed
21 establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title
22 28-A, chapter 43; ~~7%~~ 10% on the value of rental of living quarters in any hotel, rooming
23 house or tourist or trailer camp; 10% on the value of rental for a period of less than one
24 year of an automobile; ~~7%~~ 8% on the value of prepared food; and 5% on the value of all
25 other tangible personal property and taxable services. Value is measured by the sale
26 price, except as otherwise provided.

27 **Sec. E-23. 36 MRSA §1811, 2nd ¶**, as amended by PL 2003, c. 673, Pt. V, §23
28 and affected by §29, is further amended to read:

29 The tax imposed upon the sale and distribution of gas, water or electricity, or
30 telecommunications services, by any public utility, the rates for which sale and
31 distribution are established by the Public Utilities Commission, must be added to the rates
32 so established. No tax may be imposed upon the sale or use of electrical energy, or water
33 stored for the purpose of generating electricity, when the sale is to or by a wholly owned
34 subsidiary by or to its parent corporation, except for electrical energy or water purchased
35 for resale to or by such wholly owned subsidiary.

36 **Sec. E-24. Effective date.** This Part takes effect January 1, 2008.

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SUMMARY

This bill implements tax reform in the following areas.

PART A

This Part allows persons eligible for benefits under the Maine Residents Property Tax Program, also known as the Circuitbreaker Program, to file for a refundable credit using the individual income tax form.

PART B

This Part affects municipal revenue sharing by increasing the reduction of the disproportionate tax burden threshold a municipality must meet in order to qualify for so-called "revenue sharing 2" funds from 10 mills to 15 mills over a 5-year period

PART C

This Part affects individual income taxes by decreasing the top rate from 8.5% to 7.5%, conforming the personal exemption to the federal personal exemption and increasing the earned income tax credit from 5% to 20% over a 5-year period and allowing the credit to exceed the amount of income taxes actually paid.

PART D

This Part affects the ability of a municipality to impose service charges on tax-exempt properties located in that municipality in the following ways:

1. It expands the existing service charges statute in the following ways: Service charges are applied to all improved exempt property except churches, federal property and municipal and quasi-municipal property; the service charge, as is the case with existing law, is the equivalent of the full mill rate minus any portion of the mill rate attributable to education or welfare costs, except that municipal costs for services that are financed by user fees are not attributable to the special mill rate; service charges are phased in over a 3-year period; and the service charge may not exceed the lesser of 1.5% of the organization's annual receipts and 50% of the amount that would have been assessed as taxes if the organization were not exempt;

2. It provides a schedule for all existing properties currently exempt under the law to reapply for eligibility under the new standards of eligibility in a phased-in manner over the next 3-year period;

