

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)



123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 1560

H.P. 1085

House of Representatives, March 20, 2007

An Act To Rebalance Maine's Tax Code

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative BLISS of South Portland.
Cosponsored by Senator PERRY of Penobscot and
Representatives: CAIN of Orono, CLEARY of Houlton, DILL of Cape Elizabeth,
MIRAMANT of Camden, PINGREE of North Haven, SAMSON of Auburn, SIROIS of
Turner, TRINWARD of Waterville.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA §5219-N, sub-§1**, as amended by PL 2003, c. 390, §48, is
4 repealed and the following enacted in its place:

5 1. Generally. Except as provided in subsection 2, an individual in a category
6 described in this subsection is allowed a credit equal to the tax otherwise imposed on that
7 individual by this Part. In no case may this credit reduce the Maine income tax to less
8 than zero. An individual qualifies for the credit described in this section if:

9 A. The individual is filing as a single individual or is married and filing separately
10 and the individual's Maine taxable income determined as if the individual were a
11 resident individual for the entire year is \$4,000 or less;

12 B. The individual is filing a return as a head of household and the taxable income on
13 the return determined as if the individual were a resident individual for the entire year
14 is \$6,000 or less; or

15 C. The individual is filing a married joint return and the taxable income on the return
16 determined as if the individuals were resident individuals for the entire year is \$8,000
17 or less.

18 **Sec. A-2. Application.** This Part applies to tax years beginning on or after
19 January 1, 2008.

20 **PART B**

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

23 The standard deduction of a resident individual is equal to the standard deduction as
24 determined in accordance with the Code, Section 63, except that for tax years beginning
25 after 2002 but before 2008, the Code, Section 63(c)(2) must be applied as if the basic
26 standard deduction is \$5,000 in the case of a joint return and a surviving spouse and
27 \$2,500 in the case of a married individual filing a separate return.

28 **PART C**

29 **Sec. C-1. 36 MRSA §5126, first ¶**, as amended by PL 2001, c. 583, §16, is
30 further amended to read:

31 ~~For income tax years beginning on or after January 1, 1998 but before January 1,~~
32 ~~1999, a resident individual is allowed \$2,400 for each exemption that the individual~~
33 ~~properly claims for the taxable year for federal income tax purposes, unless the taxpayer~~
34 ~~is claimed as a dependent on another return. For income tax years beginning on or after~~
35 ~~January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for~~
36 ~~each exemption that the individual properly claims for the taxable year for federal income~~
37 ~~tax purposes, unless the taxpayer is claimed as a dependent on another return. For~~

1 income tax years beginning on or after January 1, 2000 but before January 1, 2008, a
2 resident individual is allowed \$2,850 for each exemption that the individual properly
3 claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed
4 as a dependent on another return. For tax years beginning on or after January 1, 2008, a
5 resident individual is allowed the same amount allowed under Section 151 of the Code
6 for each exemption that the individual properly claims for the taxable year for federal
7 income tax purposes, unless the taxpayer is claimed as a dependent on another return.

8 PART D

9 **Sec. D-1. 36 MRSA §5111, first ¶**, as amended by PL 1999, c. 731, Pt. T, §1, is
10 further amended to read:

11 A tax is imposed ~~for each taxable year beginning on or after January 1, 2000~~, on the
12 Maine taxable income of every resident individual of this State. The amount of the tax is
13 determined as provided in this section, except that the rates provided in this section for
14 tax years beginning on or after January 1, 2008 must be adjusted as provided by section
15 5111-C.

16 **Sec. D-2. 36 MRSA §5111-C** is enacted to read:

17 **§5111-C. Reductions in individual income tax rates**

18 **1. Rate reduction in 2008.** For tax years beginning in 2008, the 8.5% tax rates
19 contained in section 5111, subsections 1-B, 2-B and 3-B are reduced to 8.25%.

20 **2. Materials.** The State Tax Assessor shall incorporate the changes arising from this
21 section into the forms, instructions and withholding tables for the appropriate tax years.

22 PART E

23 **Sec. E-1. 36 MRSA §683, sub-§3**, as amended by PL 2005, c. 2, Pt. F, §3 and
24 affected by §5, is further amended to read:

25 **3. Effect on state valuation.** ~~Fifty percent of the~~ The just value of homesteads
26 exempt under this subchapter must be included in the annual determination of state
27 valuation under sections 208 and 305.

28 **Sec. E-2. 36 MRSA §683, sub-§4**, as amended by PL 2005, c. 2, Pt. F, §3 and
29 affected by §5, is further amended to read:

30 **4. Property tax rate.** ~~Fifty percent of the~~ The value of homestead exemptions under
31 this subchapter must be included in the total municipal valuation used to determine the
32 municipal tax rate. The municipal tax rate as finally determined may be applied to only
33 the taxable portion of each homestead qualified for that tax year.

34 **Sec. E-3. 36 MRSA §685, sub-§2**, as amended by PL 2005, c. 2, Pt. F, §4 and
35 affected by §5, is further amended to read:

1 F. Admission to dance halls, amusement parks, theme parks, miniature golf courses,
2 snow parks and water parks;

3 G. All services, including lessons, provided by flight centers, marinas, golf courses,
4 driving ranges, shooting ranges, alpine ski areas, cross-country ski touring centers,
5 ice skating rinks, roller skating rinks, dance halls and centers, bowling centers,
6 swimming pools, racetracks, billiard parlors, riding stables, whitewater rafting centers
7 and recreational athletic facilities of any kind, other than the sale of meals and the
8 rental of living quarters;

9 H. Services provided by, and the charging of fees for admission to or membership in,
10 commercial recreational membership organizations, including health and fitness
11 clubs, golf clubs, tennis clubs and country clubs, whether payable by annual fee or
12 otherwise;

13 I. Admission to privately owned and operated museums, planetariums, historical
14 sites, zoological parks, zoological gardens, wild animal parks, petting zoos, botanical
15 gardens and aquariums; and

16 J. Airplane, helicopter, balloon, dirigible, blimp, watercraft, railroad, bus and wagon
17 rides for amusement or sightseeing purposes.

18 **Sec. G-2. 36 MRSA §1752, sub-§3-B**, as amended by PL 1999, c. 698, §1 and
19 affected by §3, is further amended to read:

20 **3-B. Grocery staples.** "Grocery staples" means food products ordinarily consumed
21 for human nourishment.

22 "Grocery staples" does not include spirituous, malt or vinous liquors; soft drinks, iced tea,
23 sodas or beverages such as are ordinarily dispensed at bars or soda fountains or in
24 connection with bars or soda fountains; medicines, tonics, vitamins and preparations in
25 liquid, powdered, granular, tablet, capsule, lozenge or pill form, sold as dietary
26 supplements or adjuncts, except when sold on the prescription of a physician; water,
27 including mineral bottled and carbonated waters and ice; dietary substitutes; candy and
28 confections; snack food; and prepared food.

29 **Sec. G-3. 36 MRSA §1752, sub-§8-C** is enacted to read:

30 **8-C. Personal property services.** "Personal property services" means the alteration,
31 cleaning, installation, repair, rental, moving, restoration, storage, appraisal and
32 maintenance of personal property, including motor vehicles, watercraft, snowmobiles, all-
33 terrain vehicles, appliances, bicycles, jewelry, cameras, timepieces, firearms, musical
34 instruments, electronic and electrical goods, clothing, footwear, leather goods, furniture,
35 rugs and carpets. "Personal property services" includes, but is not limited to:

36 A. The upholstering and reupholstering of furniture;

37 B. Same-day courier and delivery services;

38 C. The rental of moorings, slips and docks, but only for noncommercial watercraft;

39 D. Dry cleaning, laundry and clothing storage services;

- 1 E. Photograph restoration and photographic film development;
- 2 F. Art restoration and conservation; and
- 3 G. Picture framing.

4 "Personal property services" does not include the rental of items subject to a tax under
5 chapter 358 or the interstate moving of furniture and other household goods.

6 **Sec. G-4. 36 MRSA §1752, sub-§8-D** is enacted to read:

7 **8-D. Personal services.** "Personal services" means:

- 8 A. All services provided by tanning salons, tattoo parlors, massage therapists and
9 massage parlors;
- 10 B. Ear and body piercing services;
- 11 C. Dance instruction;
- 12 D. Driving instruction;
- 13 E. Escort, dating and social introduction services;
- 14 F. Flower, balloon and singing telegram delivery services;
- 15 G. Pet grooming and boarding services;
- 16 H. Rental of storage lockers and other self-storage space;
- 17 I. Laundry and diaper services;
- 18 J. Catering services; and
- 19 K. Home grocery delivery service and other home delivery services.

20 **Sec. G-5. 36 MRSA §1752, sub-§9-E** is enacted to read:

21 **9-E. Real property services.** "Real property services" means the following services
22 when provided with regard to real property:

- 23 A. Interior painting, wallpapering, decorating and designing;
- 24 B. Property cleaning and organizing;
- 25 C. Disinfection and pest extermination or control services;
- 26 D. Locksmithing, alarm and security services;
- 27 E. Swimming pool installation, repair, cleaning and maintenance;
- 28 F. Waste management and remediation services;
- 29 G. Rug and carpet installation, cleaning and repair;
- 30 H. Floor maintenance, including sanding, polishing, waxing and coating;
- 31 I. Chimney sweeping and cleaning services; and
- 32 J. Hot tub installation, repair, cleaning and maintenance.

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

3 A. "Retail sale" includes: conditional sales, installment lease sales and any other
4 transfer of tangible personal property when the title is retained as security for the
5 payment of the purchase price and is intended to be transferred later.

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

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

13 **Sec. G-7. 36 MRSA §1752, sub-§11, ¶B**, as amended by PL 2005, c. 218, §15,
14 is further amended to read:

15 B. "Retail sale" does not include:

16 (1) Any casual sale;

17 (2) Any sale by a personal representative in the settlement of an estate, unless the
18 sale is made through a retailer, or unless the sale is made in the continuation or
19 operation of a business;

20 (3) The sale, to a person engaged in the business of renting automobiles, of
21 automobiles, integral parts of automobiles or accessories to automobiles, for
22 rental or for use in an automobile rented on a short-term basis;

23 (4) The sale, to a person engaged in the business of renting video media and
24 video equipment, of video media or video equipment for rental;

25 (5) The sale, to a person engaged in the business of renting or leasing
26 automobiles, of automobiles for rental or lease for one year or more;

27 (6) The sale, to a person engaged in the business of providing cable or satellite
28 television services, of associated equipment for rental or lease to subscribers in
29 conjunction with a sale of ~~extended~~ cable or ~~extended~~ satellite television or radio
30 services; or

31 (7) The sale, to a person engaged in the business of renting furniture, or audio
32 media and audio equipment, of furniture, audio media or audio equipment for
33 rental pursuant to a rental-purchase agreement as defined in Title 9-A, section
34 11-105.

35 **Sec. G-8. 36 MRSA §1752, sub-§14, ¶B**, as amended by PL 2005, c. 675, §1
36 and affected by §2, is further amended to read:

37 B. "Sale price" does not include:

38 (1) Discounts allowed and taken on sales;

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

26 **Sec. G-9. 36 MRSA §1752, sub-§14-F** is enacted to read:

27 **14-F. Snack food.** "Snack food" means any item that is ordinarily sold for
28 consumption without further preparation or that requires no preparation other than
29 combining the item with a liquid; that may be stored unopened without refrigeration,
30 except that ice cream, ice milk, frozen yogurt and sherbert are snack foods; and that is not
31 generally considered a major component of a well-balanced meal. "Snack food" includes,
32 but is not limited to, corn chips, potato chips, processed fruit snacks, fruit rolls, fruit bars,
33 popped popcorn, pork rinds, pretzels, cheese sticks, cheese puffs, granola bars, breakfast
34 bars, bread sticks, roasted nuts, doughnuts, cookies, crackers, pastries, toaster pastries,
35 croissants, cakes, pies, ice cream cones, marshmallows, marshmallow creme, soft drinks,
36 ice cream sauces, ready-to-eat puddings, beef jerky, meat bars and dips.

37 **Sec. G-10. 36 MRSA §1752, sub-§14-G** is enacted to read:

38 **14-G. Soft drinks.** "Soft drinks" means nonalcoholic beverages that contain natural
39 or artificial sweeteners. "Soft drinks" does not include beverages that contain milk or

1 milk products; soy, rice or similar milk substitutes; or more than 50% vegetable or fruit
2 juice by volume.

3 **Sec. G-11. 36 MRSA §1752, sub-§17-B**, as enacted by PL 2003, c. 673, Pt. V,
4 §19 and affected by §29, is repealed and the following enacted in its place:

5 **17-B. Taxable service.** "Taxable service" means:

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

7 B. Transmission and distribution of electricity;

8 C. Rental or lease of an automobile;

9 D. Sale of prepaid calling service;

10 E. Amusement and recreational services;

11 F. Personal services;

12 G. Personal property services;

13 H. Real property services;

14 I. Lawn and landscaping services, including tree trimming and removal;

15 J. Taxi and limousine services; and

16 K. Safe deposit box rental.

17 **Sec. G-12. 36 MRSA §1760, sub-§4**, as amended by PL 1967, c. 89, is repealed.

18 **Sec. G-13. 36 MRSA §1760, sub-§12-A**, as amended by PL 1995, c. 634, §1
19 and affected by §2, is repealed.

20 **Sec. G-14. 36 MRSA §1760, sub-§20**, as amended by PL 1991, c. 546, §20, is
21 further amended to read:

22 **20. Continuous residence; refunds and credits.** Rental charged to any person who
23 resides continuously for ~~28~~ 100 days at any one hotel, rooming house, or tourist or trailer
24 camp if:

25 A. The person does not maintain a primary residence at some other location; or

26 B. The person is residing away from that person's primary residence in connection
27 with employment or education.

28 Tax paid by such person to the retailer under section 1812 during the initial ~~28-day~~
29 100-day period must be refunded by the retailer. Such tax reported and paid to the State
30 by the retailer may be taken as a credit by the retailer on the report filed by the retailer
31 covering the month in which refund was made to such tenant.

32 ~~This subsection applies to all rentals of any hotel, rooming house or tourist or trailer camp~~
33 ~~for occupancy on or after July 1, 1991 regardless of the date on which payment for the~~
34 ~~rental is made.~~

1 **Sec. G-15. 36 MRSA §1760, sub-§34**, as amended by PL 2005, c. 218, §23, is
2 repealed.

3 **Sec. G-16. 36 MRSA §1760, sub-§52**, as enacted by PL 1985, c. 737, Pt. A, §96,
4 is repealed.

5 **Sec. G-17. 36 MRSA §1812, sub-§1, ¶E** is enacted to read:

6 E. If the tax rate is 8%:

<u>Amount of Sale Price</u>	<u>Amount of Tax</u>
8 <u>\$0.01 to \$0.06, inclusive</u>	<u>0¢</u>
9 <u>.07 to .18, inclusive</u>	<u>1¢</u>
10 <u>.19 to .30, inclusive</u>	<u>2¢</u>
11 <u>.31 to .43, inclusive</u>	<u>3¢</u>
12 <u>.44 to .55, inclusive</u>	<u>4¢</u>
13 <u>.56 to .68, inclusive</u>	<u>5¢</u>
14 <u>.69 to .80, inclusive</u>	<u>6¢</u>
15 <u>.81 to .93, inclusive</u>	<u>7¢</u>
16 <u>.94 to 1.00, inclusive</u>	<u>8¢</u>

17 **Sec. G-18. 36 MRSA §1812, sub-§1, ¶F** is enacted to read:

18 F. If the tax rate is 15%:

<u>Amount of Sale Price</u>	<u>Amount of Tax</u>
20 <u>\$0.01 to \$0.03, inclusive</u>	<u>0¢</u>
21 <u>.04 to .09, inclusive</u>	<u>1¢</u>
22 <u>.10 to .16, inclusive</u>	<u>2¢</u>
23 <u>.17 to .22, inclusive</u>	<u>3¢</u>
24 <u>.23 to .29, inclusive</u>	<u>4¢</u>
25 <u>.30 to .36, inclusive</u>	<u>5¢</u>
26 <u>.37 to .42, inclusive</u>	<u>6¢</u>
27 <u>.43 to .49, inclusive</u>	<u>7¢</u>
28 <u>.50 to .56, inclusive</u>	<u>8¢</u>
29 <u>.57 to .62, inclusive</u>	<u>9¢</u>
30 <u>.63 to .69, inclusive</u>	<u>10¢</u>
31 <u>.70 to .76, inclusive</u>	<u>11¢</u>
32 <u>.77 to .82, inclusive</u>	<u>12¢</u>
33 <u>.83 to .89, inclusive</u>	<u>13¢</u>
34 <u>.90 to .96, inclusive</u>	<u>14¢</u>
35 <u>.97 to 1.00, inclusive</u>	<u>15¢</u>

1 **Sec. G-19. 36 MRSA §2015, sub-§2, ¶B**, as enacted by PL 1993, c. 701, §8 and
2 affected by §10, is amended to read:

3 B. ~~Three-tenths~~ Two-tenths of the amount of tax paid to the State by the taxpayer
4 resulting from the tax on the rental of automobiles for a period of less than one year
5 during the most recently completed period from July 1st to June 30th.

6 **Sec. G-20. 36 MRSA §2551, sub-§2**, as amended by PL 2005, c. 12, Pt. TTT, §2
7 and affected by §4, is further amended to read:

8 **2. Cable and satellite television or radio services.** "~~Extended cable~~ Cable and
9 satellite television or radio services" means all cable and satellite television or radio
10 service ~~that is in addition to the minimum service that can be purchased from a cable or~~
11 ~~satellite television supplier~~, including the use of associated equipment for which a charge
12 is made. It does not include installation of the associated equipment for which a separate
13 charge is levied.

14 **Sec. G-21. 36 MRSA §2551, sub-§20**, as enacted by PL 2003, c. 673, Pt. V, §25
15 and affected by §29, is amended to read:

16 **20. Telecommunications services.** "Telecommunications services" means all
17 telecommunications services as described in this subsection.

18 A. "Telecommunications services" includes:

19 (1) The provision of 2-way interactive communications through the use of
20 telecommunications equipment, exclusive of mobile telecommunications
21 services; ~~and~~

22 (2) Two-way interactive mobile telecommunications services provided by a
23 home service provider to a customer whose place of primary use is within this
24 State, to the extent those services are associated with transmissions that originate
25 and terminate within this State or within any other state. For purposes of this
26 paragraph, the term "state" includes the District of Columbia and any territory or
27 possession of the United States; and

28 (3) Directory advertising services.

29 B. "Telecommunications services" does not include:

30 (1) Except as otherwise provided by this subsection, service originating or
31 terminating outside this State;

32 (2) Access services;

33 (3) ~~Directory advertising services;~~

34 (4) The sale of unbundled network elements for use in the provision of
35 telecommunications services;

36 (5) The lease of telecommunications equipment;

37 (6) Prepaid calling service; or

1 (7) Mobile telecommunications services provided by a home service provider to
2 a customer whose place of primary use is not within this State.

3 **Sec. G-22. 36 MRSA §2552, sub-§1, ¶A**, as amended by PL 2005, c. 12, Pt.
4 TTT, §3 and affected by §4, is further amended to read:

5 A. ~~Extended cable~~ Cable and satellite television or radio services;

6 **Sec. G-23. Application.** That section of this Part that amends the Maine Revised
7 Statutes, Title 36, section 1760, subsection 20 applies to all rentals of any hotel, rooming
8 house or tourist or trailer camp for occupancy on or after January 1, 2008, regardless of
9 the date on which payment for the rental is made.

10 **Sec. G-24. Effective date.** This Part takes effect January 1, 2008.

11 **PART H**

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

14 **2. Source of fund.** Beginning July 1, 2003 and every July 1st thereafter, the State
15 Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as
16 certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%~~ 8% tax imposed on
17 tangible personal property and taxable services pursuant to Title 36, section 1811; for the
18 first 6 months of the prior fiscal year after the reduction for the transfer to the Local
19 Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on
20 October 1, 2003 and every October 1st thereafter, the State Controller shall transfer to the
21 Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor,
22 that is equivalent to 5% of the ~~7%~~ 8% tax imposed on tangible personal property and
23 taxable services pursuant to Title 36, section 1811; for the last 6 months of the prior fiscal
24 year after the reduction for the transfer to the Local Government Fund. The tax amount
25 must be based on actual sales for that fiscal year and may not consider any accruals that
26 may be required by law. The amount transferred from General Fund sales and use tax
27 revenues does not affect the calculation for the transfer to the Local Government Fund.

28 **Sec. H-2. 36 MRSA §1811, first ¶**, as amended by PL 2001, c. 439, Pt. TTTT,
29 §2 and affected by §3, is further amended to read:

30 A tax is imposed on the value of all tangible personal property and taxable services
31 sold at retail in this State. The rate of tax is ~~7%~~ 8% on the value of liquor sold in licensed
32 establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title
33 28-A, chapter 43; ~~7%~~ 8% on the value of rental of living quarters in any hotel, rooming
34 house or tourist or trailer camp; ~~10%~~ 15% on the value of rental for a period of less than
35 one year of an automobile; ~~7%~~ 8% on the value of prepared food; and 5% on the value of
36 all other tangible personal property and taxable services. Value is measured by the sale
37 price, except as otherwise provided.

38 **Sec. H-3. Effective date.** This Part takes effect January 1, 2008.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32

PART I

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

1. Excise tax on malt liquor. An excise tax is imposed on the privilege of manufacturing and selling malt liquor in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~25¢~~ 60¢ per gallon on all malt liquor sold in the State.

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

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

Sec. I-3. Effective date. This Part takes effect January 1, 2008.

PART J

Sec. J-1. 36 MRSA c. 723 is enacted to read:

CHAPTER 723

SOFT DRINK AND SYRUP TAX

§4951. Definitions

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

1. Bottle. "Bottle" means any closed or sealed glass, metal, paper or plastic container or any other type of container regardless of the size or shape of the container.

2. Bottled soft drink. "Bottled soft drink" means any ready-to-consume soft drink contained in a bottle.

3. Distributor, manufacturer or wholesale dealer. "Distributor, manufacturer or wholesale dealer" means any person who receives, stores, manufactures, bottles or sells bottled soft drinks, syrup, simple syrup or powder or base products for mixing, compounding or making soft drinks for sale to retailers or other manufacturers, wholesale dealers or distributors for resale purposes.

- 1 **4. Milk.** "Milk" means natural liquid milk regardless of animal source or butterfat
2 content; natural milk concentrate, whether or not reconstituted, regardless of animal
3 source or butterfat content; or dehydrated natural milk, whether or not reconstituted.
- 4 **5. Natural fruit juice.** "Natural fruit juice" means the original liquid resulting from
5 the pressing of fruit, the liquid resulting from the reconstitution of fruit juice concentrate
6 or the liquid resulting from the restoration of water to dehydrated fruit juice.
- 7 **6. Natural vegetable juice.** "Natural vegetable juice" means the original liquid
8 resulting from the pressing of vegetables, the liquid resulting from the reconstitution of
9 vegetable juice concentrate or the liquid resulting from the restoration of water to
10 dehydrated vegetable juice.
- 11 **7. Nonalcoholic beverage.** "Nonalcoholic beverage" means any beverage not
12 subject to tax under Title 28-A, Part 4.
- 13 **8. Place of business.** "Place of business" means any place where soft drinks, syrups,
14 simple syrups or powder or base products are manufactured or any place where bottled
15 soft drinks, syrup, simple syrup, powder or base product or any other item taxed under
16 this chapter is received.
- 17 **9. Powder or base product.** "Powder or base product" means a solid mixture of
18 basic ingredients used in making, mixing or compounding soft drinks by mixing the
19 powder or other base with water, ice, syrup, simple syrup, fruits, vegetables, fruit juice,
20 vegetable juice or any other product suitable to make a soft drink.
- 21 **10. Retailer.** "Retailer" means any person, other than a distributor, manufacturer or
22 wholesale dealer, who receives, stores, mixes, compounds or manufactures any soft drink
23 and sells or otherwise dispenses the soft drink to the ultimate consumer.
- 24 **11. Sale.** "Sale" means the transfer of title or possession for a valuable consideration
25 of tangible personal property regardless of the manner by which the transfer is
26 accomplished.
- 27 **12. Simple syrup.** "Simple syrup" means a mixture of sugar and water.
- 28 **13. Soft drink.** "Soft drink" means any nonalcoholic beverage, whether naturally or
29 artificially flavored, whether carbonated or noncarbonated, sold for human consumption,
30 including, but not limited to, soda water, cola and other flavored drinks, any fruit or
31 vegetable drink containing 10% or less of natural fruit juice or natural vegetable juice and
32 all other drinks and beverages commonly referred to as soft drinks, but not including
33 coffee or tea unless the coffee or tea is bottled as a liquid for sale.
- 34 **14. Syrup.** "Syrup" means the liquid mixture of basic ingredients used in making,
35 mixing or compounding soft drinks by mixing the syrup with water, simple syrup, ice,
36 fruits, vegetables, fruit juice, vegetable juice or any other product suitable to make a soft
37 drink.

1 **§4952. Tax rate**

2 **1. Tax imposed.** There is imposed a tax on every distributor, manufacturer or
3 wholesale dealer to be calculated as follows:

4 **A. Four dollars per gallon of syrup or simple syrup sold or offered for sale in the**
5 **State;**

6 **B. Forty-two cents per gallon of bottled soft drinks sold or offered for sale in the**
7 **State; and**

8 **C. When a package or container of powder or base product is sold or offered for sale**
9 **in the State, the tax on the sale of each package or container is equal to 42¢ for each**
10 **gallon of soft drink that may be produced from each package or container by**
11 **following the manufacturer's instructions. This tax applies when the powder or base**
12 **product is sold to a retailer for sale to the ultimate consumer after the soft drink is**
13 **produced by the retailer.**

14 **2. Purchase from unlicensed seller.** A retailer who purchases bottled soft drinks,
15 syrup, simple syrup or powder or base product from an unlicensed distributor,
16 manufacturer or wholesale dealer is liable for the tax imposed in subsection 1.

17 **§4953. Exemptions**

18 **The following are exempt from the tax imposed by section 4952:**

19 **1. Sales to Federal Government.** Syrups, simple syrups, powder or base products
20 or soft drinks sold to the Federal Government;

21 **2. Products exported from State.** Syrups, simple syrups, powder or base products
22 or soft drinks exported from the State by a distributor, manufacturer or wholesale dealer;

23 **3. Coffee or tea base.** Any powder or base product used in preparing coffee or tea;

24 **4. Juice or vegetable concentrate.** Any frozen, freeze-dried or other concentrate to
25 which only water is added to produce a nonalcoholic beverage containing more than 10%
26 natural fruit juice or natural vegetable juice;

27 **5. Fruit or vegetable juice.** Any nonalcoholic beverage containing more than 10%
28 natural fruit juice or natural vegetable juice;

29 **6. Sales to another distributor, manufacturer or wholesale dealer.** Syrups,
30 simple syrups, powder or base products or soft drinks sold by a distributor, manufacturer
31 or wholesale dealer to a distributor, manufacturer or wholesale dealer who holds a license
32 under section 4955 if the license number of the distributor, manufacturer or wholesale
33 dealer to whom the syrups, simple syrups, powder or base products or soft drinks are sold
34 is clearly shown on the invoice for the sale that is claimed to be exempt. This exemption
35 does not apply to any sale to a retailer;

1 7. Infant formula. Any product, whether sold in liquid or powder form, that is
2 intended by its manufacturer for consumption by infants and that is commonly referred to
3 as infant formula;

4 8. Water. Water to which no flavoring, whether artificial or natural, has been added
5 and that has not been artificially carbonated;

6 9. Dietary aids. Any product, whether sold in liquid or powder form, that is
7 intended by its manufacturer for use as a dietary supplement or for weight reduction;

8 10. Consumer mix. Any powder or base product that is intended by its
9 manufacturer to be sold and used for the purpose of domestically mixing soft drinks by
10 the ultimate consumer; and

11 11. Milk products. Any product containing milk or milk products.

12 **§4954. Reports**

13 A distributor, manufacturer or wholesale dealer or any retailer subject to the tax
14 imposed by this chapter shall file a monthly return with the assessor and pay the tax on or
15 before the 15th day of the month following the month in which the sale or purchase was
16 made. The return must be made on a form prescribed by the assessor. The return must
17 contain any information the assessor requires for the proper administration of this
18 chapter. When a retailer is also acting as a distributor, manufacturer or wholesale dealer,
19 the duty to report and pay the tax imposed by this chapter arises when the property is
20 transferred to a retail store for sale to the ultimate consumer, as reflected by the records of
21 the taxpayer.

22 **§4955. Licenses**

23 1. Distributor, manufacturer or wholesale dealer. Any distributor, manufacturer
24 or wholesale dealer who sells or offers for sale to retailers within the State syrups, simple
25 syrups, powder or base products or soft drinks shall obtain from the bureau a license for
26 the privilege of conducting such business within the State.

27 2. Retailer. Any retailer who purchases syrups, simple syrups, powder or base
28 products or soft drinks from a distributor, manufacturer or wholesale dealer not licensed
29 under subsection 1 shall obtain a license from the bureau for the privilege of conducting
30 such business.

31 3. Location; display. Any person required to obtain a license under this section
32 shall obtain a license for each place of business owned or operated by that person. The
33 license must be conspicuously displayed at the place of business for which it was issued.

34 **§4956. Penalties**

35 1. Failure to file, pay. A person required to file a return and pay tax under this
36 chapter is subject to the same penalties as for failure to file and pay sales tax under Part 3.

1 2. Failure to obtain license. A person required to obtain a license under section
2 4955 who fails to do so is subject to the same penalties as for failure to register as a
3 retailer under section 1754-B.

4 **§4957. Rules**

5 The assessor may adopt rules under the Maine Administrative Procedure Act to
6 provide for the administration of this chapter. These rules may provide for a fee to cover
7 the cost of issuing licenses required under section 4955. Rules adopted under this section
8 are routine technical rules as defined in Title 5, chapter 375, subchapter 2-A.

9 **Sec. J-2. Effective date.** This Part takes effect January 1, 2008.

10 **PART K**

11 **Sec. K-1. 36 MRSA §4641-A, sub-§1,** as enacted by PL 2001, c. 559, Pt. I, §3
12 and affected by §15, is repealed.

13 **Sec. K-2. 36 MRSA §4641-A, sub-§1-A** is enacted to read:

14 1-A. Deeds. A tax is imposed on the grantor and the grantee with regard to each
15 deed by which any real property in this State is transferred. The rate of tax that applies to
16 each grantee and grantor of the real property is:

17 A. For property valued at less than \$100,000, \$1 for each \$1,000 or fractional part of
18 \$1,000 of the value of the property transferred;

19 B. For property valued at \$100,000 or more but less than \$200,000, \$2 for each
20 \$1,000 or fractional part of \$1,000 of the value of the property transferred;

21 C. For property valued at \$200,000 or more but less than \$300,000, \$3 for each
22 \$1,000 or fractional part of \$1,000 of the value of the property transferred;

23 D. For property valued at \$300,000 or more but less than \$500,000, \$4 for each
24 \$1,000 or fractional part of \$1,000 of the value of the property transferred;

25 E. For property valued at \$500,000 or more but less than \$750,000, \$5 for each
26 \$1,000 or fractional part of \$1,000 of the value of the property transferred;

27 F. For property valued at \$750,000 or more but less than \$1,000,000, \$6 for each
28 \$1,000 or fractional part of \$1,000 of the value of the property transferred; and

29 G. For property valued at \$1,000,000 or more, \$7 for each \$1,000 or fractional part
30 of \$1,000 of the value of the property transferred.

31 **Sec. K-3. 36 MRSA §4641-A, sub-§2, ¶A,** as enacted by PL 2001, c. 559, Pt. I,
32 §3 and affected by §15, is repealed and the following enacted in its place:

33 A. The rates of tax on a transferor and a transferee are the same as specified under
34 subsection 1-A for a grantor and a grantee, respectively.

35 **Sec. K-4. 36 MRSA §4641-A, sub-§2, ¶B,** as enacted by PL 2001, c. 559, Pt. I,
36 §3 and affected by §15, is amended to read:

1 B. ~~The tax is imposed 1/2 on the transferor and 1/2 on the transferee, but if the~~ If a
2 transfer or acquisition is not reported to the register of deeds in the county or counties
3 in which the property is located and the tax is not paid within 30 days of the
4 completion of the transfer or acquisition, the transferor and the transferee are jointly
5 and severally liable for ~~the full amount~~ both payments under subsection 2, paragraph
6 A.

7 **Sec. K-5. 36 MRSA §4641-B, sub-§4**, as amended by PL 2005, c. 644, §4, is
8 further amended to read:

9 **4. Distribution of State's share of proceeds.** The State Tax Assessor shall pay all
10 net receipts received pursuant to this section to the Treasurer of State; and shall at the
11 same time provide the Treasurer of State with documentation showing the amount of
12 revenues derived from the tax imposed by section 4641-A, subsection ~~1~~ 1-A and the
13 amount of revenues derived from the tax imposed by section 4641-A, subsection 2. The
14 Treasurer of State shall credit ~~1/2 65%~~ of the revenues derived from the tax imposed by
15 section 4641-A, subsection ~~1~~ 1-A to the General Fund and shall monthly pay the
16 remaining ~~1/2 35%~~ of such revenues to the Maine State Housing Authority, which shall
17 deposit the funds in the Housing Opportunities for Maine Fund created in Title 30-A,
18 section 4853, ~~except that in fiscal year 2003-04, fiscal year 2004-05 and fiscal year 2005-~~
19 ~~06, \$7,500,000 of the remaining 1/2 of those revenues must be transferred to the General~~
20 ~~Fund before any payments are made to the Maine State Housing Authority and in fiscal~~
21 ~~year 2006-07, \$7,687,067 of the remaining 1/2 of those revenues must be transferred to~~
22 ~~the General Fund before any payments are made to the Maine State Housing Authority.~~
23 The Treasurer of State shall credit to the General Fund all of the revenues derived from
24 the tax imposed by section 4641-A, subsection 2.

25 SUMMARY

26 This bill makes major changes to Maine's tax structure beginning January 1, 2008.

27 Part A increases the low-income tax credit under the income tax by increasing the
28 threshold of taxable income below which no taxes are due from \$2,000 to \$4,000 for
29 single individuals and married persons filing separately, \$6,000 for persons filing as
30 heads of households and \$8,000 for persons filing married joint returns.

31 Part B conforms the standard deduction under the income tax to the federal standard
32 deduction beginning with the 2008 tax year, thereby eliminating the marriage penalty.

33 Part C conforms the personal exemption under the income tax to the same amount as
34 the federal personal exemption.

35 Part D lowers the top income tax rate from 8.5% to 8.25% for the 2008 tax year.

36 Part E increases state reimbursement for the homestead exemption to 100% of
37 municipal property taxes lost as a result of the exemption beginning in 2008.

1 Part F increases the maximum benefit under the Maine Residents Property Tax
2 program from \$2,000 to \$3,000 and increases to \$5,000 the maximum amount of property
3 tax that may be used to calculate benefits.

4 Part G expands the tax base under the sales tax by repealing sales tax exemptions for
5 packaging materials, ships' stores, railroad track materials and certain short-term rentals
6 and by extending the sales tax to amusements, personal services, personal property
7 services, home care services, real property services, lawn and landscaping services, taxi,
8 limousine and same day courier services, telephone directory advertising and safe deposit
9 box rental. This Part also reinstates the sales tax on snack foods and extends the service
10 provider tax to basic cable and satellite television and radio service and to consumer
11 interstate telephone calls.

12 Part H increases the sales tax on meals and lodging, liquor serviced at licensed
13 establishments and prepared food from 7% to 8% and increases the sales tax on short-
14 term rentals of automobiles from 10% to 15%.

15 Part I increases the excise tax on malt liquor from 25¢ per gallon to 60¢ per gallon,
16 on wine from 30¢ per gallon to \$1 per gallon and on hard cider from 25¢ per gallon to \$1
17 per gallon.

18 Part J establishes a tax on the distribution, manufacture and wholesale of soft drinks
19 and soft drink products.

20 Part K changes the rate structure for the real estate transfer tax to provide that a
21 transferor of the property must pay a transfer tax starting at \$1 per \$1,000 of value of the
22 property for property valued at less than \$100,000, increasing to \$7 per \$1,000 of value
23 for real estate with a value exceeding \$1,000,000. The revenue from the portion of the
24 tax received to the State and attributable to transfers by deed tax is credited 65% to the
25 General Fund and 35% to the Housing Opportunities for Maine Fund.