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H.P. 1106	House of Representatives, March 20, 2007

An Act To Promote Economic Recovery in Maine

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative MILLETT of Waterford.
Cosponsored by Representatives: HOLMAN of Fayette, ROBINSON of Raymond.

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

Sec. 1. 5 MRSA §1534, sub-§2, ¶A, as enacted by PL 2005, c. 2, Pt. A, §5 and affected by §14, is amended to read:

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks ~~in the highest 1/3~~ above the median of all states, the growth limitation factor is average real personal income growth, but no more than 2.75%, plus average population growth.

Sec. 2. 5 MRSA §1534, sub-§2, ¶B, as enacted by PL 2005, c. 2, Pt. A, §5 and affected by §14, is amended to read:

B. For fiscal years when the state and local tax burden ranks ~~in the middle 1/3~~ at or below the median of all states, as determined by the State Tax Assessor, the growth limitation factor is average real personal income growth plus forecasted inflation plus average population growth.

Sec. 3. 5 MRSA §1664, sub-§1, ¶F, as enacted by PL 2005, c. 601, §1, is amended to read:

F. Include statements of the bonded indebtedness of the State Government showing the debt redemption requirements, the debt authorized and unissued and the condition of the sinking funds; ~~and~~

Sec. 4. 5 MRSA §1664, sub-§1, ¶G, as enacted by PL 2005, c. 601, §1, is amended to read:

G. Contain any statements relative to the financial plan that the Governor-elect or the Governor considers desirable or that may be required by the Legislature~~.~~; and

Sec. 5. 5 MRSA §1664, sub-§1, ¶H is enacted to read:

H. Contain an analysis and projections of the State's state and local tax burden as required in subsection 6 and the State's progress toward achieving the State's tax burden goal established in Title 36, section 7301.

Sec. 6. 5 MRSA §1664, sub-§6 is enacted to read:

6. Analysis and projections of tax burden. The Governor shall present as part of the budget document a financial plan that provides projections for each fiscal year through the fiscal year ending June 30, 2015 of the State's total personal income and the total state and local taxes broken down into major categories, including but not limited to: individual income tax, corporate income tax, sales and use taxes and local property taxes. The total state and local taxes must be reported in a manner consistent with the methodology used by the United States Department of Commerce, Bureau of the Census in its calculations of total state and local taxes. The financial plan must show the percentage equal to the total state and local taxes divided by the State's total personal income that represents the median value for the same percentage calculated for all states based on the most recent data available from the United States Department of Commerce. The financial plan must show the projections of Maine's tax burden percentage through the fiscal year ending June 30, 2015 including projections of the effects of the Governor's proposed initiatives affecting state and local taxes. The financial plan must conclude with a summary of the initiatives necessary to achieve the goal established in Title 36, section 7301.

Sec. 7. 20-A MRSA §15671, sub-§1, as amended by PL 2005, c. 2, Pt. D, §32 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is further amended to read:

1. State and local partnership. The State and each local school administrative unit are jointly responsible for contributing to the cost of the components of essential programs and services described in this chapter. Except as otherwise provided in this subsection, for each fiscal year, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1, except that in no case may that rate exceed 2.75%. For fiscal years commencing after the state tax burden ranks ~~in the middle 1/3~~ at or below the median of all states, as calculated and certified by the State Tax Assessor, the total cost of the components of essential programs and services may not exceed the prior fiscal year's costs multiplied by one plus the average real personal income growth rate as defined in Title 5, section 1665, subsection 1. The Legislature, by an affirmative vote of each House, may exceed the limitations on increases in the total cost of the components of essential programs and services provided in this subsection, as long as that vote is taken upon legislation stating that it is the Legislature's intent to override the limitation for that fiscal year. The state contribution to the cost of the components of essential programs and services, exclusive of federal funds that are provided and accounted for in the cost of the components of essential programs and services, must be made in accordance with this subsection:

A. The level of the state share of funding attributable to the cost of the components of essential programs and services must be at least 50% of eligible state and local General Fund education costs statewide, no later than fiscal year 2006-07; and

B. By fiscal year 2008-09 the state share of the total cost of funding public education from kindergarten to grade 12, as described by essential programs and services, must be 55%. Beginning in fiscal year 2005-06 and in each fiscal year until fiscal year 2008-09, the state share of essential programs and services described costs must increase toward the 55% level required in fiscal year 2008-09.

Beginning in fiscal year 2005-06 and in each fiscal year thereafter, the commissioner shall use the funding level determined in accordance with this section as the basis for a recommended funding level for the state share of the cost of the components of essential programs and services.

Sec. 8. 30-A MRSA §706-A, sub-§3, ¶A, as enacted by PL 2005, c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is amended to read:

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks ~~in the highest 1/3~~ above the median of all states, the growth limitation factor is average real personal income growth but no more than 2.75%, plus the property growth factor.

Sec. 9. 30-A MRSA §706-A, sub-§3, ¶B, as enacted by PL 2005, c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is amended to read:

B. For fiscal years when the state and local tax burden ranks ~~in the middle 1/3~~ at or below the median of all states, as determined by the State Tax Assessor, the growth limitation factor is the average real personal income growth plus forecasted inflation plus the property growth factor.

Sec. 10. 30-A MRSA §5721-A, sub-§3, ¶A, as enacted by PL 2005, c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is amended to read:

A. For fiscal years when the State Tax Assessor has determined that the state and local tax burden ranks ~~in the highest 1/3~~ above the median of all states, the growth limitation factor is average real personal income growth but no more than 2.75%, plus the property growth factor.

Sec. 11. 30-A MRSA §5721-A, sub-§3, ¶B, as enacted by PL 2005, c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is amended to read:

B. For fiscal years when the state and local tax burden ranks ~~in the middle 1/3~~ at or below the median of all states, as determined by the State Tax Assessor, the growth limitation factor is the average real personal income growth plus forecasted inflation plus the property growth factor.

Sec. 12. 36 MRSA §7301, first ¶, as enacted by PL 2005, c. 2, Pt. H, §2, is amended to read:

It is the goal and policy of the State that by 2015 the State's total state and local tax burden be ranked ~~in the middle 1/3~~ at or below the median of all states, as determined by the United States Census Bureau's most recent tax burden analysis~~, adjusted by the assessor to reflect the State's unique expenditure tax relief programs~~. For the purposes of Title 5, section 1534, subsection 2; Title 30-A, section 706-A, subsection 3 and Title 30-A, section 5721-A, subsection 3; and this section, the assessor shall calculate the State's state and local tax burden relative to other states using the data that represents the State's most recent total state and local tax collections divided by the State's total personal income.

SUMMARY

This bill changes the State's tax burden goal for 2015 to be at or below the median for all states and requires that the calculation of the State's state and local tax burden relative to other states be based solely on Maine's state and local tax collections without adjustments by the State Tax Assessor for the State's unique expenditure tax relief programs. The bill also requires the Governor to include in the biennial budget document a detailed financial plan that calculates a target percentage and the legislative changes required to achieve Maine's state and local tax burden goal.

This bill also adjusts the spending limits enacted by Public Law 2005, chapter 2 to require the State's state and local tax burden to be at or below the median of all states, rather than within the middle 1/3 of states, before the growth limitation factor for the state, municipal, county and school district spending limits are changed.