

MAINE STATE LEGISLATURE

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123rd MAINE LEGISLATURE

FIRST REGULAR SESSION-2007

Legislative Document

No. 1833

H.P. 1280

House of Representatives, April 5, 2007

An Act To Provide Property Tax and Income Tax Relief

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative HOTHAM of Dixfield.
Cosponsored by Senator NASS of York and
Representatives: CHASE of Wells, PIOTTI of Unity, Senator: STRIMLING of Cumberland.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA §683, sub-§1**, as repealed and replaced by PL 2005, c. 2, Pt.
4 F, §1 and affected by §5, is amended to read:

5 **1. Exemption amount.** Except for assessments for special benefits, the just value of
6 ~~\$13,000~~ \$50,000 of the homestead of a permanent resident of this State who has owned a
7 homestead in this State for the preceding 12 months is exempt from taxation. In
8 determining the local assessed value of the exemption, the assessor shall multiply the
9 amount of the exemption by the ratio of current just value upon which the assessment is
10 based as furnished in the assessor's annual return pursuant to section 383. If the title to
11 the homestead is held by the applicant jointly or in common with others, the exemption
12 may not exceed ~~\$13,000~~ \$50,000 of the just value of the homestead, but may be
13 apportioned among the owners who reside on the property to the extent of their respective
14 interests. A municipality responsible for administering the homestead exemption has no
15 obligation to create separate accounts for each partial interest in a homestead owned
16 jointly or in common.

17 **Sec. A-2. Application.** This Part applies to property taxes based on the status of
18 property on or after April 1, 2008.

19 **PART B**

20 **Sec. B-1. 36 MRSA §6201, sub-§1**, as amended by PL 2005, c. 2, Pt. E, §1 and
21 affected by §§7 and 8, is further amended to read:

22 **1. Benefit base.** "Benefit base" means property taxes accrued or rent constituting
23 property taxes accrued. In the case of a claimant paying both rent and property taxes for
24 a homestead, benefit base means both property taxes accrued and rent constituting
25 property taxes accrued. The benefit base may not exceed ~~\$3,000~~ \$2,400 for single-
26 member households and ~~\$4,000~~ \$3,400 for households with 2 or more members.

27 **Sec. B-2. 36 MRSA §6207, sub-§1, ¶A-1**, as amended by PL 2005, c. 2, Pt. E,
28 §4 and affected by §§7 and 8, is further amended to read:

29 A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not
30 exceed ~~8%~~ 6% of income plus 100% of that portion of the benefit base that exceeds
31 ~~8%~~ 6% of income to a maximum payment of ~~\$2,000~~ \$2,500.

32 **Sec. B-3. Application.** This Part applies to applications for benefits made on or
33 after August 1, 2008.

34 **PART C**

35 **Sec. C-1. 36 MRSA §5219-S**, as amended by PL 2003, c. 20, Pt. GG, §1, is
36 further amended to read:

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PART F

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

1-B. Single individuals and married persons filing separate returns; tax years beginning 2002 to 2007. For tax years beginning ~~on or after January 1, in 2002 to 2007,~~ for single individuals and married persons filing separate returns:

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

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

1-C. Single individuals and married persons filing separate returns; tax years beginning after 2007. For tax years beginning on or after January 1, 2008, for single individuals and married persons filing separate returns:

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$5,000</u>	<u>1% of the Maine taxable income</u>
<u>At least \$5,000 but less than \$10,000</u>	<u>\$50 plus 2% of the excess over \$5,000</u>
<u>At least \$10,000 but less than \$22,500</u>	<u>\$150 plus 5% of the excess over \$10,000</u>
<u>\$22,500 or more</u>	<u>\$775 plus 6.99% of the excess over \$22,500</u>

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

2-B. Heads of households; tax years beginning 2002 to 2007. For tax years beginning ~~on or after January 1, in 2002 to 2007,~~ for unmarried individuals or legally separated individuals who qualify as heads of households:

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

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

1 **Sec. G-3. 36 MRSA §5124-A**, as amended by PL 2005, c. 12, Pt. P, §5, is
2 repealed.

3 **Sec. G-4. 36 MRSA §5125**, as amended by PL 2005, c. 12, Pt. P, §6 and affected
4 by §10, is repealed.

5 **Sec. G-5. 36 MRSA §5203-C, sub-§1, ¶G**, as enacted by PL 2003, c. 673, Pt.
6 JJ, §3 and affected by §6, is amended to read:

7 G. "Tentative alternative minimum taxable income" means federal alternative
8 minimum taxable income:

9 (1) Reduced by income that states are prohibited under federal law from
10 subjecting to income tax to the extent included in federal alternative minimum
11 taxable income;

12 (2) Reduced by income, loss or deductions by which the State decreases federal
13 adjusted gross income in the case of individuals or federal taxable income in the
14 case of corporations, estates and trusts under section 5122, ~~section 5125,~~
15 ~~subsection 3~~ or section 5164, 5176 or 5200-A or as otherwise indicated by law to
16 the extent included in federal alternative minimum taxable income; and

17 (3) Increased by income, loss or deductions by which the State increases federal
18 adjusted gross income in the case of individuals or federal taxable income in the
19 case of corporations, estates and trusts under section 5122, ~~section 5125,~~
20 ~~subsection 3~~ or section 5164, 5176 or 5200-A or as otherwise indicated by law to
21 the extent not included in federal alternative minimum taxable income.

22 **Sec. G-6. 36 MRSA §5216-C, sub-§1**, as enacted by PL 1999, c. 475, §6 and
23 affected by §7, is amended to read:

24 **1. Credit allowed.** A taxpayer who contributes to a family development account
25 reserve fund as defined in Title 10, section 1075 is allowed a credit against the tax
26 imposed by this Part equal to the lower of:

27 A. Twenty-five thousand dollars; or

28 B. Fifty percent of the amount contributed by the taxpayer.

29 Only one credit may be claimed on each annual income tax return regardless of filing
30 status. The credit allowed under this section may not reduce the tax to less than 0 and
31 must be applied after allowance for all other eligible credits. ~~A taxpayer who claims a~~
32 ~~credit under this section may not claim an itemized charitable deduction under section~~
33 ~~5125 for the amount of the contribution that qualified for the credit.~~

34 **Sec. G-7. 36 MRSA §5275, sub-§2**, as amended by PL 1979, c. 378, §44, is
35 repealed.

36 **Sec. G-8. Application.** This Part applies to tax years beginning on or after
37 January 1, 2008.

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PART H

Sec. H-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¢~~ 50¢ per gallon on all malt liquor sold in the State.

Sec. H-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¢~~ 45¢ per gallon on all wine other than 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¢ per gallon on all hard cider manufactured in or imported into the State.

Sec. H-3. Effective date. This Part takes effect July 1, 2008.

PART I

Sec. I-1. 36 MRSA §5200, sub-§1, as amended by PL 2005, c. 618, §6 and affected by §22, is further amended to read:

1. Imposition and rate of tax. A tax at the rate of 8.93% of income is imposed for each taxable year ~~at the following rates~~ on each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group:

If the income is:	The tax is:
Not over \$25,000	3.5% of the income
\$25,000 but not over \$75,000	\$875 plus 7.93% of the excess over \$25,000
\$75,000 but not over \$250,000	\$4,840 plus 8.33% of the excess over \$75,000
\$250,000 or more	\$19,418 plus 8.93% of the excess over \$250,000

~~In the case of an affiliated group of corporations engaged in a unitary business with activity taxable only by Maine, the rates provided in this subsection are applied only to the first \$250,000 of the Maine net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a~~

1 ~~different apportionment. The balance of the Maine net income of the entire group is taxed~~
2 ~~at 8.93%.~~

3 ~~In the case of an affiliated group of corporations engaged in a unitary business with~~
4 ~~activity taxable both within and without this State, the rates provided in this subsection~~
5 ~~are applied only to the first \$250,000 of the net income of the entire group and must be~~
6 ~~apportioned equally among the taxable corporations unless those taxable corporations~~
7 ~~jointly elect a different apportionment. The balance of the net income of the entire group~~
8 ~~is taxed at 8.93%.~~

9 **Sec. I-2. Application.** This Part applies to tax years beginning on or after January
10 1, 2008.

11 **PART J**

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

14 A tax is imposed on the value of all tangible personal property and taxable services
15 sold at retail in this State. The rate of tax is ~~7%~~ 9% on the value of liquor sold in licensed
16 establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title
17 28-A, chapter 43; ~~7%~~ 9% on the value of rental of living quarters in any hotel, rooming
18 house or tourist or trailer camp; 10% on the value of rental for a period of less than one
19 year of an automobile; ~~7%~~ 9% on the value of prepared food; and 5% on the value of all
20 other tangible personal property and taxable services. Value is measured by the sale
21 price, except as otherwise provided.

22 **Sec. J-2. Effective date.** This Part takes effect July 1, 2008.

23 **PART K**

24 **Sec. K-1. 30-A MRSA §5681, sub-§5,** as amended by PL 2005, c. 12, Pt. E, §1,
25 is further amended to read:

26 **5. Transfers to funds.** On the last day of each month, the Treasurer of State shall
27 transfer to the Local Government Fund a percentage, as provided in this subsection, of the
28 receipts from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552,
29 subsection 1, paragraphs A to F and L to P, and credited to the General Fund without any
30 reduction, except that the postage, state cost allocation program and programming costs
31 of administering state-municipal revenue sharing may be paid by the Local Government
32 Fund. Any amounts transferred to the Local Government Fund in excess of the annual
33 growth ceiling must be transferred to the Disproportionate Tax Burden Fund. The
34 percentage transferred to the Local Government Fund on the last day of each month is:

- 35 A. For months beginning before July 1, 2007, 5.1%; and
- 36 B. For months beginning on or after July 1, 2007, 5.2%.

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

1 **3-B. Grocery staples.** "Grocery staples" means food products ordinarily consumed
2 for human nourishment.

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

10 **Sec. K-3. 36 MRSA §1752, sub-§11, ¶A**, as amended by PL 2005, c. 218, §14,
11 is further amended to read:

12 A. "Retail sale" includes:

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

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

20 **Sec. K-4. 36 MRSA §1752, sub-§14-F** is enacted to read:

21 **14-F. Snack food.** "Snack food" means any item that is ordinarily sold for
22 consumption without further preparation or that requires no preparation other than
23 combining the item with a liquid; that may be stored unopened without refrigeration,
24 except that ice cream, ice milk, frozen yogurt and sherbert are snack foods; and that is not
25 generally considered a major component of a well-balanced meal. "Snack food" includes,
26 but is not limited to, corn chips, potato chips, processed fruit snacks, fruit rolls, fruit bars,
27 popped popcorn, pork rinds, pretzels, cheese sticks, cheese puffs, granola bars, breakfast
28 bars, bread sticks, roasted nuts, doughnuts, cookies, crackers, pastries, toaster pastries,
29 croissants, cakes, pies, ice cream cones, marshmallows, marshmallow creme, soft drinks,
30 ice cream sauces, ready-to-eat puddings, beef jerky, meat bars and dips.

31 **Sec. K-5. 36 MRSA §1760, sub-§14** is repealed.

32 **Sec. K-6. 36 MRSA §1760, sub-§16, ¶H**, as enacted by PL 2005, c. 622, §6, is
33 repealed.

34 **Sec. K-7. 36 MRSA §1760, sub-§16, ¶I**, as enacted by PL 2005, c. 622, §6, is
35 repealed.

36 **Sec. K-8. 36 MRSA §1760, sub-§16, ¶K**, as enacted by PL 2005, c. 622, §6, is
37 amended to read:

38 K. Schools that are not operated by a governmental body; and

1 **Sec. K-9. 36 MRSA §1760, sub-§16, ¶L**, as enacted by PL 2005, c. 622, §6, is
2 amended to read:

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

5 **Sec. K-10. 36 MRSA §1760, sub-§16, ¶M**, as enacted by PL 2005, c. 622, §6, is
6 repealed.

7 **Sec. K-11. 36 MRSA §1760, sub-§17** is repealed.

8 **Sec. K-12. 36 MRSA §1760, sub-§24** is repealed.

9 **Sec. K-13. 36 MRSA §1760, sub-§34**, as amended by PL 2005, c. 218, §23, is
10 repealed.

11 **Sec. K-14. 36 MRSA §1760, sub-§43**, as amended by PL 1983, c. 828, §6, is
12 repealed.

13 **Sec. K-15. 36 MRSA §1760, sub-§49**, as amended by PL 2005, c. 622, §7, is
14 repealed.

15 **Sec. K-16. 36 MRSA §1760, sub-§64**, as amended by PL 2003, c. 588, §10, is
16 repealed.

17 **Sec. K-17. 36 MRSA §1760, sub-§65**, as amended by PL 1993, c. 670, §6, is
18 repealed.

19 **Sec. K-18. 36 MRSA §1760, sub-§71**, as enacted by PL 1989, c. 533, §8, is
20 repealed.

21 **Sec. K-19. 36 MRSA §1760, sub-§75**, as enacted by PL 1989, c. 871, §15, is
22 repealed.

23 **Sec. K-20. 36 MRSA §1760, sub-§76**, as amended by PL 2003, c. 588, §11, is
24 repealed.

25 **Sec. K-21. 36 MRSA §2551, sub-§1-C** is enacted to read:

26 **1-C. Amusement and recreation services.** "Amusement and recreation services"
27 means theater and opera performances, movies, pari-mutuel racing net receipts, spectator
28 sporting events, commercial participant amusements and all other recreation services.

29 **Sec. K-22. 36 MRSA §2551, sub-§1-D** is enacted to read:

30 **1-D. Business and legal services.** "Business and legal services" includes tax
31 preparation services; legal services; business support services; business investigation and
32 security services; warehousing and storage services; business-related dry cleaning and
33 laundry services and other personal business services; and repair and maintenance of
34 electronic equipment and commercial machinery.

1 **Sec. K-23. 36 MRSA §2551, sub-§7-C** is enacted to read:

2 **7-C. Personal appearance services.** "Personal appearance services" includes
3 services provided by barber shops, beauty parlors and health clubs; personal care
4 services; and cleaning, storage and repair of clothing and shoes.

5 **Sec. K-24. 36 MRSA §2551, sub-§12-A** is enacted to read:

6 **12-A. Real and personal property services.** "Real and personal property services"
7 includes domestic services to buildings and dwellings; warehouse and storage services;
8 insurance services; real estate services; home investigation and security services;
9 specialized design services; household and electrical repairs and maintenance; repair and
10 maintenance of household appliances and other goods; motor vehicle washing and repair;
11 and other services to buildings and dwellings and related personal property.

12 **Sec. K-25. 36 MRSA §2551, sub-§18-A** is enacted to read:

13 **18-A. Social and organization services.** "Social and organization services"
14 includes consumer purchases of professional association memberships, club and fraternal
15 organization memberships, domestic services, other household operations services and
16 religious and welfare activities, including donations to such organizations.

17 **Sec. K-26. 36 MRSA §2551, sub-§20-A** is enacted to read:

18 **20-A. Transportation services.** "Transportation services" includes airplane, bus,
19 railroad, truck, watercraft, taxi, limousine, toll road, pipeline, postal, courier and
20 messenger services provided by a nongovernmental entity.

21 **Sec. K-27. 36 MRSA §2552, sub-§1,** as amended by PL 2005, c. 386, Pt. S, §§4
22 to 6 and affected by §9, is further amended to read:

23 **1. Rate.** A tax at the rate of 5% is imposed on the value of the following services
24 sold in this State:

- 25 A. Extended cable and satellite television services;
- 26 B. Fabrication services;
- 27 C. Rental of video media and video equipment;
- 28 D. Rental of furniture, audio media and audio equipment pursuant to a rental-
29 purchase agreement as defined in Title 9-A, section 11-105;
- 30 E. Telecommunications services;
- 31 F. The installation, maintenance or repair of telecommunications equipment;
- 32 G. Private nonmedical institution services;
- 33 H. Community support services;
- 34 I. Day habilitation services;
- 35 J. Personal support services; ~~and~~

- 1 **K. Residential training services;**
2 **L. Personal appearance services;**
3 **M. Real and personal property services;**
4 **N. Business and legal services purchased by a person other than a business;**
5 **O. Amusement and recreation services;**
6 **P. Social and organization services purchased by a person other than a business; and**
7 **Q. Transportation services.**

8 **Sec. K-28. 36 MRSA §2557, sub-§3, ¶H,** as enacted by PL 2005, c. 622, §10, is
9 repealed.

10 **Sec. K-29. 36 MRSA §2557, sub-§3, ¶I,** as enacted by PL 2005, c. 622, §10, is
11 repealed.

12 **Sec. K-30. 36 MRSA §2557, sub-§3, ¶K,** as enacted by PL 2005, c. 622, §10, is
13 amended to read:

14 K. Schools that are not operated by a governmental body; and

15 **Sec. K-31. 36 MRSA §2557, sub-§3, ¶L,** as enacted by PL 2005, c. 622, §10, is
16 amended to read:

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

19 **Sec. K-32. 36 MRSA §2557, sub-§3, ¶M,** as enacted by PL 2005, c. 622, §10, is
20 repealed.

21 **Sec. K-33. 36 MRSA §2557, sub-§9,** as enacted by PL 2003, c. 673, Pt. V, §25
22 and affected by §29, is repealed.

23 **Sec. K-34. 36 MRSA §2557, sub-§13,** as amended by PL 2005, c. 622, §11, is
24 repealed.

25 **Sec. K-35. 36 MRSA §2557, sub-§26,** as enacted by PL 2003, c. 673, Pt. V, §25
26 and affected by §29, is repealed.

27 **Sec. K-36. 36 MRSA §2559,** as amended by PL 2005, c. 386, Pt. S, §7 and
28 affected by §9, is further amended to read:

29 **§2559. Application of revenues**

30 Revenues derived by the tax imposed by this chapter must be credited to a General
31 Fund suspense account. On or before the last day of each month, the State Controller
32 shall transfer a percentage of the revenues received by the State Tax Assessor during the
33 preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A
34 to F and L to P to the Local Government Fund as provided by Title 30-A, section 5681,

1 subsection 5. The balance remaining in the General Fund suspense account must be
2 transferred to service provider tax General Fund revenue. On or before the 15th day of
3 each month, the State Controller shall transfer all revenues received by the assessor
4 during the preceding month pursuant to the tax imposed by section 2552, subsection 1,
5 paragraphs G to K to the Medical Care Services Other Special Revenue Funds account,
6 the Other Special Revenue Funds Mental Health Services - Community Medicaid
7 program, the Medicaid Services - Mental Retardation program and the Office of
8 Substance Abuse - Medicaid Seed program within the Department of Health and Human
9 Services.

10 **Sec. K-37. Effective date.** This Part takes effect July 1, 2008.

11 **SUMMARY**

12 This bill provides a framework for property tax relief and income tax relief
13 discussions in the following ways.

14 Part A increases the homestead property tax exemption from \$13,000 to \$50,000.

15 Part B increases benefits by reducing the threshold for 100% reimbursement of
16 property taxes from 8% of income to 6% of income. It also changes the maximum
17 property taxes that may be considered in the formula from \$3,000 to \$2,400 for single-
18 member households and from \$4,000 to \$3,400 for households with 2 or more members,
19 having the effect of reducing the income eligibility threshold to \$60,000 for single-
20 member households and \$85,000 for households with 2 or more members.

21 Part C increases the earned income tax credit from 5% of the federal credit to 25%
22 and makes it refundable.

23 Part D provides that the personal exemption under the income tax will be the same as
24 the federal personal exemption, increasing the amount from \$2,850 to \$3,400 for tax
25 years beginning in 2007.

26 Part E increases the low-income tax credit threshold from \$2,000 of taxable income
27 to \$10,000 of taxable income.

28 Part F reduces personal income tax rates and adjusts brackets.

29 Part G eliminates the income tax incorporation of the standard deduction or itemized
30 deductions claimed on a federal income tax return.

31 Part H increases the excise tax on beer from 25¢ per gallon to 50¢ per gallon and on
32 wine from 30¢ per gallon to 45¢ per gallon.

33 Part I changes the rate of tax on all taxable income for corporations to 8.93%.

34 Part J increases the sales tax on meals and lodging from 7% to 9%.

1 Part K repeals various sales tax exemptions and broadens the sales tax and service
2 provider tax to cover certain services not currently taxed. It also reinstates the sales tax
3 on nonstaple foods.