

# MAINE STATE LEGISLATURE

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Date: 06-18-07

(Filing No. S- 337)

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STATE OF MAINE  
SENATE  
123RD LEGISLATURE  
FIRST REGULAR SESSION

SENATE AMENDMENT "6" to H.P. 1362, L.D. 1925, Bill, "An Act To Cut Taxes on Maine Residents by over \$140,000,000"

Amend the bill by striking out the title and substituting the following:

'An Act To Reduce Maine's Income Tax Rate to 4.9%'

Amend the bill in Part A by striking out all of section 1 and inserting the following:

'Sec. A-1. 36 MRSA §5111, as amended by PL 1999, c. 731, Pt. T, §§1 to 7, is repealed and the following enacted in its place:

**§5111. Imposition and rate of tax**

A tax is imposed for each taxable year beginning on or after January 1, 2008 on the Maine taxable income of every resident individual of this State at the following rates:

<u>For tax years beginning in:</u>	<u>The rate is:</u>
<u>2008 and 2009</u>	<u>4.9%</u>
<u>2010 and 2011</u>	<u>4.8%</u>
<u>2012 and 2013</u>	<u>4.7%</u>
<u>2014 and 2015</u>	<u>4.6%</u>
<u>2016 and after</u>	<u>4.5%</u>

Amend the bill in Part A in section 6 in paragraph N in subparagraph (3) in the 2nd line (page 1, line 35 in L.D.) by striking out the following: "2008" and inserting the following: '2010'

Amend the bill in Part A in section 15 in paragraph N in subparagraph (3) in the 2nd line (page 3, line 31 in L.D.) by striking out the following: "2008" and inserting the following: '2010'

Amend the bill in Part A in section 22 in §5218-A in subsection 2 in paragraph A (page 8, line 9 in L.D.) by striking out the following: "\$750" and inserting the following: '\$600'

**SENATE AMENDMENT**

SENATE AMENDMENT "6" to H.P. 1362, L.D. 1925

1 Amend the bill in Part A in section 22 in §5218-A in subsection 2 in paragraph B in  
2 the 2nd line (page 8, line 11 in L.D.) by striking out the following: "\$1,100" and inserting  
3 the following: '\$900'

4 Amend the bill in Part A in section 22 in §5218-A in subsection 2 in paragraph C in  
5 the 2nd line (page 8, line 13 in L.D.) by striking out the following: "\$1,450" and inserting  
6 the following: '\$1,200'

7 Amend the bill in Part A in section 22 in §5218-A in subsection 3 the first line (page  
8 8, line 14 in L.D.) by striking out the following: "\$125" and inserting the following:  
9 '\$150'

10 Amend the bill in Part A in section 22 in §5218-A by striking out all of subsection 4  
11 (page 8, lines 17 to 23 in L.D.) and inserting the following:

12 '4. Phaseout of credit. The household credit calculated under subsections 2 and 3 is  
13 reduced by \$2.50 for every \$100 that the individual's taxable income exceeds:

14 A. For single individuals and married persons filing separate returns, \$25,000;

15 B. For unmarried individuals or legally separated individuals who qualify as heads of  
16 households, \$37,500; and

17 C. For individuals filing married joint returns or surviving spouses permitted to file a  
18 joint return, \$50,000.'

19 Amend the bill in Part A in section 22 in §5218-A by striking out all of subsection 5  
20 (page 8, lines 24 to 26 in L.D.)

21 Amend the bill in Part A in section 22 in §5218-A by renumbering the subsections to  
22 read consecutively.

23 Amend the bill in Part A in section 23 in §5218-B in subsection 3 in paragraph A in  
24 the last line (page 9, line 24 in L.D.) by inserting after the following: "2" the following:  
25 'plus the additional credit calculated under section 5218-A, subsection 3'

26 Amend the bill in Part A in section 23 in §5218-B in subsection 3 in paragraph B in  
27 subparagraph (1) in the last line (page 9, line 27 in L.D.) by striking out the following:  
28 "\$1,300" and inserting the following: '\$1,500'

29 Amend the bill in Part A in section 23 in §5218-B in subsection 3 in paragraph B in  
30 subparagraph (2) (page 9, line 28 in L.D.) by striking out the following: "\$2,000" and  
31 inserting the following: '\$2,250'

32 Amend the bill in Part A in section 23 in §5218-B in subsection 4 in the 2nd line  
33 (page 9, line 31 in L.D.) by striking out the following: "and refundability"

34 Amend the bill in Part A in section 23 in §5218-B in subsection 4 in the 3rd line  
35 (page 9, line 32 in L.D.) by striking out the following: "subsections 4 to 6" and inserting  
36 the following: 'subsections 4 and 5'

37 Amend the bill by striking out all of Part B and Part C.

38 Amend the bill in Part E by striking out all of section 13.

SENATE AMENDMENT "6" to H.P. 1362, L.D. 1925

1 Amend the bill in Part E in section 18 in subsection 17-B by striking out all of  
2 paragraphs H to J (page 26, lines 24 to 26 in L.D.) and inserting the following:

3 'H. Personal property services; and  
4 I. Transportation and delivery services.'

5 Amend the bill in Part E by striking out all of section 26.

6 Amend the bill in Part E in section 33 in the indented paragraph in the 6th line (page  
7 29, line 24 in L.D.) by striking out the following: "5%" and inserting the following: '5%  
8 6%'

9 Amend the bill in Part E by inserting after section 59 the following:

10 **'Sec. E-60. Effective date.** This Part takes effect January 1, 2008.'

11 Amend the bill in Part G by inserting after section 3 the following:

12 **'Sec. G-4. Effective date.** This Part takes effect October 1, 2007.'

13 Amend the bill by striking out all of Part H.

14 Amend the bill in Part L by striking out all of section 1 and inserting the following:

15 **'Sec. L-1. Appropriations and allocations.** The following appropriations and  
16 allocations are made.

17 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

18 **Revenue Services - Bureau of 0002**

19 Initiative: Provides funds for Maine Revenue Services administrative costs related to the  
20 changes to several taxes, including funds for 2 Office Assistant II positions and one  
21 Accounting Associate II position effective October 1, 2007, one Tax Examiner position  
22 effective July 1, 2008 and one Tax Examiner position effective January 1, 2009.

23	<b>GENERAL FUND</b>	<b>2007-08</b>	<b>2008-09</b>
24	POSITIONS - LEGISLATIVE COUNT	3.000	5.000
25	Personal Services	\$108,698	\$239,233
26	All Other	\$740,466	\$233,045
27			
28	<b>GENERAL FUND TOTAL</b>	<b>\$849,164</b>	<b>\$472,278</b>
29			

30 Amend the bill by relettering or renumbering any nonconsecutive Part letter or  
31 section number to read consecutively.

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SENATE AMENDMENT "6" to H.P. 1362, L.D. 1925

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**SUMMARY**

This amendment lowers the flat rate of the income tax to 4.9% beginning January 1, 2008. The flat rate is phased down to 4.8% in 2010 and 2011, 4.7% in 2012 and 2013, 4.6% in 2014 and 2015 and 4.5% thereafter. A modified resident credit is provided to retain progressivity in the income tax.

The amendment deletes the parts of the bill that make changes in the homestead exemption and the Maine Residents Property Tax Program and the provision to allocate a portion of sales tax revenue growth to municipalities. The bill concentrates on income tax reductions only.

The amendment maintains most expansions to the sales tax base, but eliminates the expansion to real property services, such as electrical, plumbing, cooling, heating, flooring, lawn care and snow plowing services, and to sales of newspapers and other publications. The general sales tax rate is increased to 6%.

**FISCAL NOTE REQUIRED**  
(See attached)

SPONSORED BY:     *Karl W. Turner*    

(Senator TURNER)

COUNTY: Cumberland

**123rd MAINE LEGISLATURE****LD 1925****LR 2657(20)****An Act To Cut Taxes on Maine Residents by over \$140,000,000****Fiscal Note for Bill as Amended by Senate Amendment "G"****Sponsor: Sen. Turner of Cumberland****Fiscal Note Required: Yes****Fiscal Note**

	<b>2007-08</b>	<b>2008-09</b>	<b>Projections 2009-10</b>	<b>Projections 2010-11</b>
<b>Net Cost (Savings)</b>				
General Fund	(\$237,635)	(\$188,601)	(\$929,200)	\$4,625,181
<b>Appropriations/Allocations</b>				
General Fund	\$849,164	\$964,278	\$1,400,556	\$2,000,745
Other Special Revenue Funds	\$0	\$1,001,493	\$3,101,329	\$3,078,489
<b>Revenue</b>				
General Fund	\$1,086,799	\$1,152,879	\$2,329,756	(\$2,624,436)
Other Special Revenue Funds	(\$1,612,732)	(\$1,367,517)	\$649,943	\$103,338

**Fiscal Detail and Notes**

	<b>2007-08</b>	<b>2008-09</b>	<b>Projections 2009-10</b>	<b>Projections 2010-11</b>
<b>Gross Revenue Impact - Bill as Amended</b>				
<b>Individual Income Tax</b>				
Flat Rate Decling from 4.9% to 4.5%, Household Credit	(\$157,720,160)	(\$398,331,840)	(\$409,154,000)	(\$431,578,000)
Section 179 Conformity	\$0	\$0	(\$1,626,300)	(\$2,455,198)
<b>Corporate Income Tax</b>				
Flat Rate at 8.93%	\$1,020,000	\$6,822,500	\$6,980,000	\$7,166,500
<b>Sales and Use Tax</b>				
Expand Base, Repeal Exemptions, 6%	\$105,088,613	\$281,820,186	\$291,729,381	\$302,724,708
Meals and Lodging to 8%	\$8,227,200	\$26,890,000	\$28,110,000	\$29,340,000
Expanded Tax on Prepared Foods @ 8%	\$11,116,800	\$35,400,000	\$35,890,000	\$36,470,000
<b>Real Estate Transfer Tax</b>				
Graduated Tax Based on Value	\$23,450,000	\$36,820,000	\$40,686,100	\$45,446,374

**Beer and Wine**

Double Excise Tax (except for small	\$8,291,614	\$10,364,518	\$10,364,518	\$10,364,518
	(\$525,933)	(\$214,636)	\$2,979,699	(\$2,521,098)

**General Fund Appropriation Summary**

Elderly Tax Deferral Program	\$0	\$492,000	\$1,060,875	\$1,647,008
Administrative Costs	\$849,164	\$472,278	\$339,681	\$353,737
	\$849,164	\$964,278	\$1,400,556	\$2,000,745

**Other Special Revenue Fund Summary**

Local Government Fund	(\$1,645,645)	(\$2,417,357)	(\$2,415,120)	(\$2,905,593)
Tourism Marketing Promotion Fund	\$0	\$1,001,493	\$3,101,329	\$3,078,489
Fund for the Efficient Delivery of Local and	\$32,913	\$48,347	\$48,302	\$58,112