

MAINE STATE LEGISLATURE

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2 Date: 06-21-07

(Filing No. S- 385)

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4 STATE OF MAINE
5 SENATE
6 123RD LEGISLATURE
7 FIRST REGULAR SESSION

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

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

11 'An Act To Reduce Taxes for Maine Residents'

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

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14 repealed and the following enacted in its place:

15 **§5111. Imposition and rate of tax**

16 A tax is imposed for each taxable year beginning on or after January 1, 2008 on the
17 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>
20 <u>2008 and 2009</u>	<u>6.5%</u>
21 <u>2010 and 2011</u>	<u>6.45%</u>
22 <u>2012 and 2013</u>	<u>6.40%</u>
23 <u>2014 and 2015</u>	<u>6.35%</u>
24 <u>2016 and 2017</u>	<u>6.3%</u>
25 <u>2018 and after</u>	<u>6.25%</u>

26 ,
27 Amend the bill in Part A in section 22 in §5218-A in subsection 2 in paragraph A in
28 the first line (page 8, line 9 in L.D.) by striking out the following: "\$750" and inserting
29 the following: '\$800'

30 Amend the bill in Part A in section 22 in §5218-A in subsection 2 in paragraph B in
31 the 2nd line (page 8, line 11 in L.D.) by striking out the following: "\$1,100" and
32 inserting the following: '\$1,200'

SENATE AMENDMENT

1 Amend the bill in Part A in section 22 in §5218-A in subsection 2 in paragraph C in
2 the 2nd line (page 8, line 13 in L.D.) by striking out the following: "\$1,450" and
3 inserting the following: '\$1,600'

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

7 Amend the bill in Part A in section 22 in §5218-A in subsection 4 in paragraph A in
8 the first line (page 8, line 19 in L.D.) by striking out the following: "\$30,000" and
9 inserting the following: '\$45,000'

10 Amend the bill in Part A in section 22 in §5218-A in subsection 4 in paragraph B in
11 the last line (page 8, line 21 in L.D.) by striking out the following: "\$45,000" and
12 inserting the following: '\$67,500'

13 Amend the bill in Part A in section 22 in §5218-A in subsection 4 in paragraph C in
14 the 2nd line (page 8, line 23 in L.D.) by striking out the following: "\$67,500" and
15 inserting the following: '\$90,000'

16 Amend the bill in Part A in section 22 in §5218-A in subsection 6 in the first line
17 (page 8, line 27 in L.D.) by striking out the following: "The" and inserting the following:
18 'Beginning in 2018, the'

19 Amend the bill in Part A in section 23 in §5218-B in subsection 3 in paragraph B in
20 subparagraph (1) in the 2nd line (page 9, line 27 in L.D.) by striking out the following:
21 '\$1,300' and inserting the following: '\$1,750'

22 Amend the bill in Part A in section 23 in §5218-B in subsection 3 in paragraph B in
23 subparagraph (2) in the first line (page 9, line 28 in L.D.) by striking out the following:
24 '\$2,000' and inserting the following: '\$2,625'

25 Amend the bill in Part A in section 23 in §5218-B in subsection 3 in paragraph B in
26 subparagraph (3) in the first line (page 9, line 29 in L.D.) by striking out the following:
27 '\$3,000' and inserting the following: '\$3,500'

28 Amend the bill in Part A by inserting after section 23 the following:

29 'Sec. A-24. 36 MRSA §5218-C is enacted to read:

30 **§5218-C. Adjustment of household credit**

31 By September 15, 2009, September 15, 2011, September 15, 2013, September 15,
32 2015 and September 15, 2017, the assessor shall adjust the amounts used in the
33 calculation of the household credit under sections 5218-A and 5218-B to maintain the
34 same levels of distribution of net tax liability as estimated for tax year 2008.'

35 Amend the bill in Part C by inserting after section 14 the following:

36 'Sec. C-15. Application. Except as otherwise provided, this Part applies to
37 application periods for the Property Tax and Rent Refund Program beginning on or after
38 August 1, 2008.'

1 Amend the bill in Part E in section 4 by striking out all of subsection 1-1 (page 20,
2 lines 23 to 41 in L.D.) and inserting the following:

3 '1-I. Amusement, entertainment and recreation services. "Amusement,
4 entertainment and recreation services" means the following services, except those
5 services provided by a governmental entity or an incorporated nonprofit organization:
6 admission to entertainment venues and performances, including theaters, movies,
7 lectures, concerts, amusement parks, water parks, fairgrounds except for licensed
8 agricultural fairs, race tracks, carnivals, circuses, sports activities, stadiums,
9 amphitheaters, museums, planetariums, animal parks, petting zoos, aquariums, historical
10 sites and convention centers; fees charged for participation in or entry to golf courses,
11 miniature golf courses, bowling alleys, swimming pools, skating rinks, billiard parlors,
12 gymnasiums, go-cart courses, tennis and racquetball courts and paintball; admission fees
13 charged for exhibition shows such as auto, boat, camping, home, garden, animal and
14 antique shows; scenic and sightseeing excursions including whitewater rafting, guided
15 recreation, but excluding guided recreation services on federally navigable waters, and
16 aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and wagon rides;
17 lessons and training in such areas as music, sports, dance, martial arts, gymnastics,
18 physical fitness, art and crafts; entertainment services such as those provided by bands,
19 orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and
20 ventriloquists; and proceeds from arcade games.'

21 Amend the bill in Part E by striking out all of section 6 and inserting the following:

22 'Sec. E-6. 36 MRSA §1752, sub-§2-D is enacted to read:

23 2-D. Fabrication facility. "Fabrication facility" means a site consisting of at least
24 35 acres at which the primary business is the performance of fabrication services and any
25 activities associated with or in support of fabrication services.

26 Sec. E-7. 36 MRSA §1752, sub-§2-E is enacted to read:

27 2-E. Fabrication services. "Fabrication services" means the production of tangible
28 personal property for a consideration for a person who furnishes, either directly or
29 indirectly, the materials used in that production.'

30 Amend the bill in Part E in section 8 by striking out all of subsection 4-A (page 21,
31 lines 41 and 42 and page 22, lines 1 to 6 in L.D.) and inserting the following:

32 '4-A. Installation, repair or maintenance services. "Installation, repair or
33 maintenance services" means all services involved in the installation, repair or
34 maintenance of jewelry, cameras, guns, musical instruments, electronic and mechanical
35 equipment, lawn and garden equipment, computer hardware and office equipment,
36 vehicles and appliances; service and maintenance contracts; tailoring, clothing and shoe
37 repair; and furniture repair and restoration. "Installation, repair or maintenance services"
38 does not include services performed on tangible personal property used or held for use at
39 or located at a manufacturing facility or fabrication facility, other than tangible personal
40 property used in administrative support operations, or services performed on aircraft
41 including refurbishing of aircraft.'

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

1 Amend the bill in Part E in section 10 in subsection 8-A in paragraph B in
2 subparagraph (7) in the last line (page 23, line 11 in L.D.) by striking out the following:
3 "and"

4 Amend the bill in Part E in section 10 in subsection 8-A in paragraph B in
5 subparagraph (8) in the last line (page 23, line 12 in L.D.) by striking out the following:
6 "dips." and inserting the following: 'dips; and'

7 Amend the bill in Part E in section 10 in subsection 8-A in paragraph B by inserting
8 after subparagraph (8) the following:

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

13 Amend the bill in Part E by striking out all of section 11.

14 Amend the bill in Part E in section 12 by striking out all of subsection 8-D (page 23,
15 lines 30 to 39 in L.D.) and inserting the following:

16 '8-D. Personal property services. "Personal property services" means the
17 following services related to personal property: dry cleaning; laundry and diaper services
18 not including self-service laundry services; embroidery and monogramming; car washing;
19 pressure cleaning and washing; pet services such as exercising, sitting, training, grooming
20 and boarding for nonmedical purposes; picture framing; domestic services, including
21 house cleaning and furniture and rug cleaning; interior decoration; meal preparation;
22 butchering; art restoration; warehousing and storage, including rental of storage units and
23 warehouse space, but not including warehousing and storage services provided to a
24 business; moving services; vehicle towing; and boat mooring. "Personal property
25 services" does not include fabrication services; installation, repair or maintenance
26 services; or services performed on tangible personal property used or held for use at or
27 located at a manufacturing facility or fabrication facility, other than tangible personal
28 property used in administrative support functions or services performed on aircraft
29 including refurbishing of aircraft.'

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

31 Amend the bill in Part E in section 14 in subsection 11 by striking out all of
32 paragraph A (page 24, lines 23 to 30 in L.D.) and inserting the following:

33 'A. "Retail sale" includes:

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

37 (2) Sale of products for internal human consumption to a person for resale
38 through vending machines when sold to a person more than 50% of whose gross

1 receipts from the retail sale of tangible personal property are derived from sales
2 through vending machines. The tax must be paid by the retailer to the State.'

3 Amend the bill in Part E in section 18 in subsection 17-B by striking out all of
4 paragraph G (page 26, line 23 in L.D.)

5 Amend the bill in Part E in section 18 in subsection 17-B in paragraph H in the first
6 line (page 26, line 24 in L.D.) by inserting after the following: "services:" the following:
7 "and"

8 Amend the bill in Part E in section 18 in subsection 17-B by striking out all of
9 paragraph I (page 26, line 25 in L.D.)

10 Amend the bill in Part E in section 18 in subsection 17-B by relettering the
11 paragraphs to read alphabetically.

12 Amend the bill in Part E by striking out all of sections 26, 27 and 29.

13 Amend the bill in Part E in section 31 in subsection 90 in the first line (page 28, lines
14 35 in L.D.) by inserting after the following: "The sale of" the following: 'a'

15 Amend the bill in Part E by inserting after section 45 the following:

16 'Sec. E-46. 36 MRSA §2551, sub-§1-G is enacted to read:

17 1-G. 800 service. "800 service" means a telecommunications service that allows a
18 caller to dial a toll-free number without incurring a charge for the call. The service is
19 typically marketed under the name "800," "855," "866," "877" and "888" toll-free calling
20 and any subsequent numbers designated by the Federal Communications Commission.'

21 Amend the bill in Part E by inserting after section 47 the following:

22 'Sec. E-48. 36 MRSA §2551, sub-§5-A is enacted to read:

23 5-A. International. "International" means a telecommunications service that
24 originates or terminates in the United States and terminates or originates outside the
25 United States, respectively. The term "United States" includes the District of Columbia
26 or a United States territory or possession.

27 **Sec. E-49. 36 MRSA §2551, sub-§5-B is enacted to read:**

28 5-B. Interstate. "Interstate" means a telecommunications service that originates in
29 one United States state, or a United States territory or possession, and terminates in a
30 different United States state or United States territory or possession.'

31 Amend the bill in Part E in section 54 in subsection 1 by striking out all of paragraph
32 A (page 33, line 30 in L.D.) and inserting the following:

33 'A. Extended cable and satellite television services. This paragraph is repealed
34 October 1, 2007;'

35 Amend the bill in Part E in section 54 in subsection 1 by inserting after paragraph A
36 the following:



1 'A-1. Extended cable and satellite television or radio services. This paragraph takes
2 effect October 1, 2007;'

3 Amend the bill in Part E in section 56 in subsection 31 in the last line (page 34, line
4 17 in L.D.) by striking out the following: "and"

5 Amend the bill in Part E in section 57 in subsection 32 in the first line (page 34, line
6 19 in L.D.) by striking out the following: "service." and inserting the following: 'service;
7 and'

8 Amend the bill in Part E by inserting after section 57 the following:

9 **'Sec. E-58. 36 MRSA §2557, sub-§33** is enacted to read:

10 **33. Certain services sold to a business.** Sales of the following services to a
11 commercial business:

12 A. Interstate, international or 800 service;

13 B. Directory advertising; or

14 C. Ancillary services.'

15 Amend the bill in Part E by striking out all of section 59 and inserting the following:

16 **'Sec. E-59. Monthly reports.** The State Tax Assessor shall provide monthly
17 reports to the Joint Standing Committee on Taxation through April 1, 2008 regarding the
18 State's activities in implementing the provisions of that Part of this Act that broadens the
19 sales tax base and increases the sales tax on prepared meals, lodging and rentals of
20 automobiles for less than one year. The report must include a plan for providing
21 information to taxpayers and the public about new sales and use tax obligations under that
22 Part, progress reports on implementation of the plan and copies of taxpayer materials and
23 informational materials that are proposed for issuance by the State Tax Assessor. The
24 State Tax Assessor shall inform the committee about implementation issues and may seek
25 the committee's advice on implementation. The committee may submit legislation to the
26 Second Regular Session of the 123rd Legislature regarding implementation of that Part of
27 this Act that broadens the sales tax base and increases the sales tax on prepared meals,
28 lodging and rentals of automobiles for less than one year.

29 **Sec. E-60. Application date.** Those portions of this Part that affect the taxation
30 of leases and rentals of tangible personal property apply to leases entered into, extended
31 or renewed on or after April 1, 2008.

32 **Sec. E-61. Appropriations and allocations.** The following appropriations and
33 allocations are made.

34 **ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF**

35 **Office of Tourism 0577**

36 Initiative: Allocates funds to the Tourism Marketing Promotion Fund due to the increase
37 in certain sales tax revenue.

010

1	OTHER SPECIAL REVENUE FUNDS	2007-08	2008-09
2	All Other	\$0	\$1,835,868
3			
4	OTHER SPECIAL REVENUE FUNDS TOTAL	\$0	\$1,835,868

5 **Sec. E-62. Effective date.** This Part takes effect April 1, 2008, except that:

6 1. Those sections of this Part that amend the Maine Revised Statutes, Title 5, section
7 13090-K, subsection 2; Title 36, section 1752, subsection 3-B; Title 36, section 1752,
8 subsection 8-A; Title 36, section 1760, subsection 6, paragraph D; Title 36, section 1760,
9 subsection 6, paragraph E; Title 36, section 1760-C; Title 36, section 1811, first
10 paragraph; Title 36, section 1812, subsection 2; and Title 36, section 2551, subsection 2;
11 that enact Title 36, section 1752, subsection 1-J; Title 36, section 1752, subsection 14-G;
12 and Title 36, section 1760, subsection 6, paragraph F; that repeal and replace Title 36,
13 section 1812, subsection 1; and that repeal Title 36, section 1811, 3rd paragraph take
14 effect October 1, 2007; and

15 2. That section of this Part that requires monthly reports by the State Tax Assessor
16 takes effect 90 days following adjournment of the First Regular Session of the 123rd
17 Legislature.'

18 Amend the bill in Part F by striking out all of section 3 (page 35, lines 18 to 29 in
19 L.D.) and inserting the following:

20 '**Sec. F-3. 36 MRSA §4641-A, sub-§1-A** is enacted to read:

21 **1-A. Deeds.** A tax is imposed at the following rates on each deed by which any real
22 property in this State is transferred. The tax is imposed 1/2 on the grantor and 1/2 on the
23 grantee.

24 A. Except as provided in paragraph B, the tax rate is 1% of the value of the real
25 property; or

26 B. On residential real property with a value exceeding \$1,000,000, the rate is 1.5%.

27 **Sec. F-4. 36 MRSA §4641, sub-§1-B** is enacted to read:

28 **1-B. Primary residence credit.** A credit of \$1,000 is allowed to the grantee of
29 residential property that is intended to be used by the grantee as a permanent residence, as
30 defined in section 681, subsection 3, within 6 months of the transfer.'

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

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

33 Amend the bill by striking out all of Parts H and I.

34 Amend the bill by inserting after Part L the following:

PART M

Sec. M-1. 5 MRSA §1518-B is enacted to read:

§1518-B. Rural Area Relief Fund

1. Rural Area Relief Fund. There is created the Rural Area Relief Fund, referred to in this section as "the fund," which must be used to benefit residents of rural areas of this State. Benefits may be provided through property tax relief, job creation programs or other such measures. The fund consists of 25% of the sales tax collected, after administration costs, from the local option sales tax imposed pursuant to Title 36, section 1817 and other resources made available to the fund.

2. Nonlapsing fund. Any unexpended balance in the fund does not lapse but must be carried forward to be used pursuant to subsection 1.

Sec. M-2. 36 MRSA §1817 is enacted to read:

§1817. Municipal local option sales tax

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Participating municipality" means a municipality that has imposed a local option sales tax pursuant to this section.

B. "Sales tax base" means those items subject to sales taxation under this Part.

C. "Single transaction limitation" means a dollar limit that a municipality imposing a local option sales tax pursuant to this section may place on the amount of tax the municipality collects from a single transaction subject to the local option sales tax.

2. Authorization to impose local option sales tax. A municipality may impose a local option sales tax of up to 1% on those items that are part of the sales tax base. A municipality that adopts a local option sales tax pursuant to this section may not alter the range of items subject to sales taxation under this Part. A municipality that adopts a local option sales tax also may adopt a single transaction limitation.

3. Administration. Retailers in a participating municipality shall transfer the revenue from the local option sales tax at the time and in the manner provided in section 1951-A for the transfer of state sales tax revenue. The tax is subject to the same enforcement provisions, interest, penalties and administrative actions as other taxes assessed under this Part.

4. Transfer of revenue. Each month, the assessor shall identify the amount of revenue attributable to each participating municipality under this section, subtract the costs of administering this section and certify the net amount due each participating municipality to the Treasurer of State. Of the net amount certified under this subsection, the Treasurer of State shall make monthly payments of 75% of that net amount to a participating municipality and 25% of that net amount to the Rural Area Relief Fund established in Title 5, section 1518-B.

1 For purposes of this subsection, "costs of administering this section" means the lesser of
2 the actual cost to the assessor and 2% of the total revenue generated by local option sales
3 taxes.

4 **5. Suspension.** If a participating municipality's budget for a municipal fiscal year
5 exceeds the municipal budget for the previous fiscal year by more than 10% of the
6 amount estimated to be collected during the fiscal year under this section as determined
7 by the assessor, the tax authorized by this section is terminated on the first of the month
8 following notification to retailers in the participating municipality by the assessor. The
9 assessor shall provide notice to retailers in the participating municipality in the most
10 expeditious manner possible of the first month of the termination.

11 **6. Effect on revenue sharing and other state aid programs.** Revenue received
12 pursuant to subsection 4 may not be considered to be receipts from the taxes imposed
13 under this Part for the purpose of transfers to the Local Government Fund under Title
14 30-A, section 5681. Revenue received pursuant to subsection 4 may not be used to
15 reduce or eliminate any funding otherwise due the county or participating municipality
16 under any provision of law providing aid to the county or participating municipality,
17 including, but not limited to, aid for schools, roads, public assistance or jails.

18 **7. Approval; referendum.** The question of whether to impose a local option sales
19 tax must be approved by a 2/3 vote of the body responsible for adoption of the budget in
20 that municipality.

21 If the question is submitted to the legal voters of a municipality that seeks to impose the
22 local option sales tax, then the petition process and the voting at elections held in cities,
23 towns and plantations must be held and conducted in accordance with Title 30-A,
24 sections 2528, 2529 and 2532 even if the municipality has not accepted the provisions of
25 section 2528. The voting at elections held in municipalities must be held and conducted
26 in accordance with Title 21-A.

27 The municipal clerk shall make a return of the results, certify the results and send them to
28 the Secretary of State. The Secretary of State shall forward the results to the assessor.

29 The local option sales tax may be discontinued in the same manner as the process
30 adopting the tax under this section.

31 **8. Effective date of tax; acceptance by voters.** The local option sales tax
32 authorized by this section takes effect 120 days after approval by the municipality under
33 subsection 7, except that, if approval is required by referendum, then it must be accepted
34 by a 2/3 vote of the local voters voting at the election and the total number of votes cast
35 must equal or exceed 20% of the total number of votes cast in that municipality in the
36 most recent gubernatorial election.

37 **Sec. M-3. Effective date.** This Part takes effect April 1, 2008.'

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

SUMMARY

This amendment lowers the flat rate of income tax to 6.25% over 11 years, beginning in January 1, 2008 with a flat rate of 6.5% and decreasing it every other year by .5% for 10 years until it reaches 6.25% beginning in January 1, 2018. In order to maintain the progressivity of the tax decrease, the State Tax Assessor is required to adjust the household credit prior to the next scheduled income tax rate decrease. Indexing of the household credit is delayed until 2018, after the income tax rate reaches 6.25%.

The amendment eliminates the proposed expansion of the sales tax to personal care services and real property services and limits the application of the expansion to other specific service items with the primary intention of avoiding a negative impact on business vitality. The amendment includes the wholesale sale of certain vending machine items under the definition of "prepared food." The amendment eliminates the expansion of the sales tax to certain publications, admission fees paid to licensed agricultural fairs and certain sales related to funeral services and delays the effective date of the expansion of the sales tax to new services until April 1, 2008.

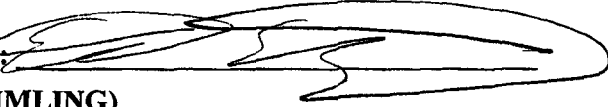
The amendment changes the method of calculating real estate transfer tax to provide a flat rate of 1% of value, except for residential real property with a value exceeding \$1,000,000 for which the rate is 1.5% of value. The amendment provides a credit for the first \$1,000 of tax to the grantee of a deed to residential property that is intended to be used as a permanent residence.

The amendment deletes provisions of the bill setting aside funds for distributions to municipalities.

The amendment, beginning April 1, 2008, allows a municipality to impose up to a 1% local option sales tax by a 2/3 vote of the body that is responsible for approving the budget in that municipality. Of the amount collected after administration costs, 75% is provided to the participating municipality and 25% is deposited in the Rural Area Relief Fund to be used to provide benefits such as tax reduction or job creation programs for residents of rural areas. At least 90% of the revenue collected must be used to reduce the property tax.

FISCAL NOTE REQUIRED

(See attached)

SPONSORED BY: 
(Senator STRIMLING)
COUNTY: Cumberland



123rd MAINE LEGISLATURE

LD 1925

LR 2657(25)

An Act To Cut Taxes on Maine Residents by over \$140,000,000

Fiscal Note for Senate Amendment "I "

Sponsor: Sen. Strimling of Cumberland

Fiscal Note Required: Yes

Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
Net Cost (Savings)				
General Fund	(\$3,927,021)	\$4,232,632	(\$9,962,998)	(\$15,860,528)
Revenue				
General Fund	\$3,927,021	(\$4,232,632)	\$9,962,998	\$15,860,528
Other Special Revenue Funds	\$502,764	\$801,636	(\$462,846)	(\$450,190)

Fiscal Detail and Notes

This amendment decreases the cost of the bill by \$3,927,021 in fiscal year 2007-08 and increases the cost of the bill by \$4,232,632 in fiscal year 2008-09.