

MAINE STATE LEGISLATURE

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L.D. 1088

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
124TH LEGISLATURE
FIRST REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 750, L.D. 1088, Bill, "An Act To Modernize the Tax Laws and Provide over \$75,000,000 to Residents of the State in Tax Relief"

Amend the bill in Part A by striking out all of section 8 and inserting the following:

'Sec. A-8. 36 MRSA §5124-A, as amended by PL 2009, c. 213, Pt. BBBB, §9 and affected by §17, is repealed.'

Amend the bill in Part A by striking out sections 19 to 21 and inserting the following:

'Sec. A-19. 36 MRSA §5218-A is enacted to read:

§5218-A. Household credit

1. Credit allowed. A resident individual is allowed a credit, referred to in this section as "the household credit," against the tax imposed by this Part. Unless the taxpayer elects to calculate the household credit under section 5218-B, the household credit is equal to the amount calculated in this section. An individual filing a return under section 5224-A is not eligible for a credit under this section.

2. Amount of base credit. The base household credit is:

A. For single individuals, \$700;

B. For unmarried individuals or legally separated individuals who qualify as heads of households, \$1,050;

C. For individuals filing married joint returns or surviving spouses permitted to file a joint return, \$1,200; and

D. For married persons filing separate returns, \$600.

3. Additional credit. The base household credit is increased by \$250 for each person for whom the individual is entitled to claim an exemption under the Code.

4. Phaseout of credit. The household credit calculated under subsections 2 and 3 is reduced by \$1.50 for every \$100 that the individual's taxable income exceeds:

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1 A. For single individuals and married persons filing separate returns, \$27,500;

2 B. For unmarried individuals or legally separated individuals who qualify as heads of
3 households, \$41,250; and

4 C. For individuals filing married joint returns or surviving spouses permitted to file a
5 joint return, \$55,000.

6 **5. Credit refundable.** The household credit allowed under this section is refundable
7 up to \$70 for a married joint return and \$50 for all other returns filed by an individual
8 who is not claimed as a dependent by another individual on a return under the Code.

9 **6. Adjustment for inflation.** For tax years beginning in 2014 and thereafter, the
10 household credit amounts under subsections 2 and 3 and the credit phaseout thresholds
11 under subsection 4 must be adjusted annually for inflation as provided in chapter 841.

12 **Sec. A-20. 36 MRSA §5218-B** is enacted to read:

13 **§5218-B. Alternate calculation of household credit**

14 **1. General.** A resident individual who has claimed itemized deductions from federal
15 adjusted gross income in determining the individual's federal taxable income for the
16 taxable year may elect to calculate the household credit as provided in this section instead
17 of under section 5218-A. An individual filing a return under section 5224-A is not
18 eligible for a credit under this section. The credit calculated under this section is referred
19 to in this section as "the alternate household credit."

20 **2. Base.** The alternate household credit is calculated by modifying the individual's
21 total federal itemized deductions by:

22 A. Reducing the total by any amount attributable to income taxes or sales and use
23 taxes imposed by this State or any other taxing jurisdiction;

24 B. Increasing the total by any amount of interest or expense incurred in the
25 production of income taxable under this Part but exempt from federal income tax that
26 was not deducted in determining the individual's federal taxable income;

27 C. Reducing the total by any amount of deduction attributable to income taxable to
28 financial institutions under chapter 819;

29 D. Reducing the total by any amount attributable to interest or expenses incurred in
30 the production of income exempt from tax under this Part; and

31 E. Reducing the total by any amount attributable to a contribution that qualified for
32 and was actually used as a credit under section 5216-C.

33 **3. Amount of base alternate household credit.** The base alternate household credit
34 is 5.5% of the individual's federal itemized deductions modified under subsection 2 plus:

35 A. For single individuals and married persons filing separate returns, \$400;

36 B. For unmarried individuals or legally separated individuals who qualify as heads of
37 households, \$600; and

38 C. For individuals filing married joint returns or surviving spouses permitted to file a
39 joint return, \$800.

1 **4. Additional credit.** The base alternate household credit, as adjusted under
 2 subsection 5, is increased by \$250 for each person for whom the individual is entitled to
 3 claim an exemption under the Code.

4 **5. Maximum base alternate household credit.** An individual's base alternate
 5 household credit may not exceed:

6 A. For individuals filing as single or for married individuals filing separately,
 7 \$1,150;

8 B. For individuals filing as heads of households, \$1,750; or

9 C. For married individuals filing jointly, \$2,300.

10 **6. Phaseout; refundability.** An alternate household credit calculated under this
 11 section is subject to the phaseout and refundability provisions of section 5218-A,
 12 subsections 4 to 6. The maximum alternate household credit amounts under subsection 5
 13 must be adjusted annually for inflation as provided in chapter 841.

14 **Sec. A-21. 36 MRSA §5218-C** is enacted to read:

15 **§5218-C. Credit for certain charitable contributions**

16 A credit is allowed against the tax otherwise due under this Part for certain charitable
 17 contributions. The credit equals 5% of the amount of charitable contributions claimed on
 18 a federal return, excluding deductions carried over from prior years, that exceeds
 19 \$250,000.

20 **Sec. A-22. 36 MRSA §5218-D** is enacted to read:

21 **§5218-D. Elderly credit**

22 A credit is allowed in the amount of \$60 for each taxpayer who is 65 years of age or
 23 older or \$120 for a married joint return if both spouses are 65 years of age or older. The
 24 credit is reduced by \$2 for every \$100 of adjusted gross income over \$32,000 for single
 25 filers, \$52,000 on a married joint return, \$48,000 on a head of household return and
 26 \$26,000 on a married filing separately return.

27 **Sec. A-23. 36 MRSA §5219-A**, as amended by PL 2003, c. 390, §§46 and 47, is
 28 repealed.'

29 Amend the bill in Part A by striking out all of section 30 and inserting the following:

30 '**Sec. A-30. 36 MRSA §5402, sub-§1-B**, as enacted by PL 1999, c. 731, Pt. T, §8
 31 and affected by §11, is amended to read:

32 **1-B. Cost-of-living adjustment.** The "cost-of-living adjustment" for any calendar
 33 year is the Consumer Price Index for the 12-month period ending June 30th of the
 34 preceding calendar year divided by the Consumer Price Index for the 12-month period
 35 ending June 30, ~~2001~~ 2012.

36 **Sec. A-31. 36 MRSA §5403**, as amended by PL 2009, c. 213, Pt. WWW, §1 and
 37 affected by §2, is further amended to read:

1 **§5403. Annual adjustments for inflation**

2 Beginning in ~~2002~~ 2013, and each subsequent calendar year thereafter, on or about
 3 September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for
 4 taxable years beginning in the succeeding calendar year by the dollar amounts of the tax
 5 ~~rate tables specified in section 5111, subsections 1-B, 2-B and 3-B~~ base household credit
 6 amounts under section 5218-A, subsection 2, the additional credit amount under section
 7 5218-A, subsection 3, the credit phaseout thresholds under section 5218-A, subsection 4,
 8 the refundable limits under section 5218-A, subsection 5, the base alternate household
 9 credit amounts under section 5218-B, subsection 3, the additional credit amount under
 10 section 5218-B, subsection 4 and the maximum base alternate household credit amounts
 11 under section 5218-B, subsection 5. If the dollar amounts of each rate bracket for each
 12 base household credit amount under section 5218-A, subsection 2, each base alternate
 13 household credit amount under section 5218-B, subsection 3 or each maximum base
 14 alternate household credit amount under section 5218-B, subsection 5, adjusted by
 15 application of the cost-of-living adjustment, are not multiples of \$50 ~~\$25~~, any increase
 16 must be rounded to the next lowest multiple of ~~\$50~~ \$25. If the dollar amounts for the
 17 additional credit under section 5218-A, subsection 3, the refundable limits under section
 18 5218-A, subsection 5 or the additional credit under section 5218-B, subsection 4, adjusted
 19 by application of the cost-of-living adjustment, are not multiples of \$5, any increase must
 20 be rounded to the next lowest multiple of \$5. If the dollar amounts for the credit phaseout
 21 thresholds under section 5218-A, subsection 4, adjusted by application of the cost-of-
 22 living adjustment, are not multiples of \$50, any increase must be rounded to the next
 23 lowest multiple of \$50. If the cost-of-living adjustment for any taxable year would be
 24 less than the cost-of-living adjustment for the preceding calendar year, the cost-of-living
 25 adjustment is the same as for the preceding calendar year. The assessor shall incorporate
 26 such changes into the income tax forms, instructions and withholding tables for the
 27 taxable year.

28 ~~Beginning in 2009 and each subsequent calendar year thereafter, the assessor shall~~
 29 ~~reduce the cost of living adjustment by an amount that increases estimated noncorporate~~
 30 ~~income tax revenue by \$10,500,000 for that calendar year using as a benchmark the most~~
 31 ~~recent revenue projections of the Revenue Forecasting Committee established in Title 5,~~
 32 ~~section 1710-E.~~

33 **Sec. A-32. Legislative intent.** It is the intent of the Legislature that the household
 34 credit provided under the Maine Revised Statutes, Title 36, section 5218-A and section
 35 5218-B is to provide relief to low-income and middle-income persons from the
 36 disproportionate cost of living in this State including the high cost of heating oil and the
 37 heavy reliance of the citizens of the State on heating oil, which is the highest in the
 38 nation; the high cost of transportation and the limited availability of public transportation;
 39 the disproportionate state and local tax burden, including the extension of sales tax to
 40 services; and the high rate of local property taxes that contribute to household costs.

41 **Sec. A-33. Report; authority for legislation.** As soon as possible but no later
 42 than November 1, 2011, the State Tax Assessor shall submit a report to the joint standing
 43 committee of the Legislature having jurisdiction over taxation matters that includes 2010
 44 tax data and revenue projections and shows the actual impact of this Act in 2010 and the

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1 projected impact of this Act in 2011 and 2012 on revenues and tax progressivity resulting
2 from the changes in the tax laws effected by this Act.

3 The committee may submit legislation to the Second Regular Session of the 125th
4 Legislature to adjust the household credit and alternative household credit to maintain
5 revenue neutrality and to ensure that any revenue that exceeds revenue neutrality is used
6 to increase the household and alternative household credits. The legislation may also
7 include changes to the Maine Residents Property Tax Program as a means of providing
8 tax relief.

9 Amend the bill in Part B in section 3 in subsection 7 in the 3rd line (page 12, line 12
10 in L.D.) by striking out the following: "1/3" and inserting the following: '40%'

11 Amend the bill in Part B in section 3 in subsection 7 in the 9th line (page 12, line 18
12 in L.D.) by striking out the following: "1/3" and inserting the following: '40%'

13 Amend the bill in Part B by striking out sections 4 to 7 and inserting the following:

14 **'Sec. B-4. 36 MRSA §1752, sub-§1-I** is enacted to read:

15 **I-I. Administrative support operations.** "Administrative support operations"
16 means secretarial activities and supervision of administrative support staff; bookkeeping
17 and accounting services; customer assistance activities; purchasing and receiving
18 activities; human resources activities; and executive, tax compliance and legal support
19 activities.

20 **Sec. B-5. 36 MRSA §1752, sub-§1-J** is enacted to read:

21 **I-J. Amusement, entertainment and recreation services.** "Amusement,
22 entertainment and recreation services" is defined pursuant to this subsection.

23 A. "Amusement, entertainment and recreation services" means the following
24 services:

25 (1) Admission to entertainment venues and performances, including theaters,
26 movies, lectures, concerts, festivals, amusement parks, water parks, fairgrounds,
27 except for licensed agricultural fairs, race tracks, carnivals, circuses, sports
28 activities, stadiums, amphitheaters, museums, planetariums, animal parks, petting
29 zoos, aquariums, historical sites and convention centers;

30 (2) Fees charged for participation in or entry to golf courses, miniature golf
31 courses, bowling alleys, swimming pools, skating rinks, ski lifts, billiard parlors,
32 gymnasiums, go-cart courses, tennis and racquetball courts and paintball;

33 (3) Admission fees charged for exhibition shows such as auto, boat, camping,
34 home, garden, animal and antique shows;

35 (4) Scenic and sight-seeing excursions including aircraft, helicopter, balloon,
36 blimp, watercraft, railroad, bus, trolley and wagon rides, whitewater rafting and
37 guided recreation, but excluding scenic and sight-seeing excursions on federally
38 navigable waters;

1 (5) Entertainment services such as those provided by bands, orchestras, disc
2 jockeys, comedians, clowns, jugglers, children's entertainers and ventriloquists;
3 and

4 (6) Proceeds from arcade games.

5 B. "Amusement, entertainment and recreation services" does not include:

6 (1) Admission to a licensed agricultural fair or charges for participation in any
7 events or activities occurring at the fair organized by a school or incorporated
8 nonprofit organization if all the proceeds from the event or activity are used for
9 the charitable purposes of the school or organization;

10 (2) Fees charged by health clubs, fitness centers and other facilities and
11 swimming pools associated with those clubs, centers or facilities that are intended
12 predominantly for human physical training and improvement rather than
13 recreation and play; or

14 (3) Admission to:

15 (a) Museums and aquariums operated by a governmental entity or
16 incorporated, nonprofit organization;

17 (b) Concerts, dance productions, theatrical productions, sports activities or
18 similar events or activities organized and performed by a school or
19 incorporated, nonprofit organization, if all proceeds of the event or activity
20 are used for the charitable purposes of that school or organization; or

21 (c) Festivals and special events organized by governmental entities, schools
22 or incorporated, nonprofit organizations if all the proceeds of the festival or
23 special event are directed to support a charitable purpose.

24 **Sec. B-6. 36 MRSA §1752, sub-§1-K is enacted to read:**

25 **1-K. Candy. "Candy" means a preparation of sugar, honey or other natural or**
26 **artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or**
27 **flavorings in the form of bars, drops or pieces and that does not contain flour or require**
28 **refrigeration.'**

29 Amend the bill in Part B in section 10 by striking out all of subsection 4-A (page 14,
30 lines 1 to 10 in L.D.) and inserting the following:

31 **'4-A. Installation, repair or maintenance services. "Installation, repair or**
32 **maintenance services" is defined pursuant to this subsection.**

33 A. "Installation, repair or maintenance services" means:

34 (1) All services involved in the installation, repair or maintenance of jewelry,
35 cameras, guns, musical instruments, electronic and mechanical equipment, lawn
36 and garden equipment, computer hardware and office equipment, vehicles and
37 appliances;

38 (2) Service and maintenance contracts with regard to personal property identified
39 in subparagraph (1);

1 (3) Tailoring and clothing and shoe repair; and

2 (4) Furniture repair and restoration.

3 B. "Installation, repair or maintenance services" does not include:

4 (1) Services performed on tangible personal property used or held for use at or
5 located at a manufacturing facility or fabrication facility, other than tangible
6 personal property used in administrative support operations; or

7 (2) Services involved in the installation, repair or maintenance of computer
8 software, special mobile equipment, aircraft, watercraft or a truck or truck tractor
9 registered in the name of a business as a commercial motor vehicle under Title
10 29-A, section 504.'

11 Amend the bill in Part B in section 13 in subsection 8-C in the next to the last line
12 (page 15, line 19 in L.D.) by striking out the following: "functions" and inserting the
13 following: 'operations'

14 Amend the bill in Part B in section 15 in subsection 11-A in paragraph B by striking
15 out all of subparagraph (4) and inserting the following:

16 '(4) The sale of labor and parts used in the performance of repair services under a
17 service or maintenance contract sold on or after January 1, 2010;'

18 Amend the bill in Part B in section 15 in subsection 11-A in paragraph B in
19 subparagraph (9) in the last line (page 16, line 31 in L.D.) by inserting after the
20 following: "rental" the following: 'except for production machinery or equipment'

21 Amend the bill in Part B by inserting after section 15 the following:

22 '**Sec. B-16. 36 MRSA §1752, sub-§11-B** is enacted to read:

23 **11-B. Retirement facility.** "Retirement facility" means a facility that includes
24 residential dwelling units where, on an average monthly basis, at least 80% of the
25 residents of the facility are persons 62 years of age or older.'

26 Amend the bill in Part B in section 19 in subsection 17-B by striking out all of
27 paragraph D (page 18, lines 2 and 3 in L.D.)

28 Amend the bill in Part B in section 19 in subsection 17-B by relettering the
29 paragraphs to read consecutively.

30 Amend the bill in Part B in section 20 in subsection 20-B in the 2nd line (page 18,
31 line 11 in L.D.) by striking out the following: "taxicab or" and in the last line (page 18,
32 line 12 in L.D.) by inserting after the following: "services." the following: 'For the
33 purposes of this Part, "limousine service" means livery service hired for a specific event.'

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

35 '**Sec. B-21. 36 MRSA §1752, sub-§21**, as amended by PL 2005, c. 215, §17, is
36 further amended to read:

37 **21. Use.** "Use" includes the exercise in this State of any right or power over tangible
38 personal property incident to its ownership, including the derivation of income, whether

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1 received in money or in the form of other benefits, by a lessor from the rental of tangible
2 personal property production machinery or equipment located in this State.'

3 Amend the bill in Part B by inserting after section 23 the following:

4 'Sec. B-24. 36 MRSA §1760, sub-§6, ¶E, as amended by PL 2007, c. 529, §2, is
5 further amended to read:

6 E. Served by colleges to employees of the college when the meals are purchased
7 with debit cards issued by the colleges; and

8 Sec. B-25. 36 MRSA §1760, sub-§6, ¶F, as amended by PL 2009, c. 211, Pt. B,
9 §30, is further amended to read:

10 F. Served by youth camps licensed by the Department of Health and Human Services
11 and defined in Title 22, section 2491, subsection 16-; and

12 Sec. B-26. 36 MRSA §1760, sub-§6, ¶G is enacted to read:

13 G. Served by a retirement facility to its residents when the cost of the meals is
14 included in a comprehensive fee that includes the right to reside in a residential
15 dwelling unit and meals or other services, whether that fee is charged annually,
16 monthly, weekly or daily.'

17 Amend the bill in Part B in section 24 in subsection 32-A in the last line (page 18,
18 line 29 in L.D.) by inserting after the following: "32" the following: 'or subsection 87 or
19 that is eligible for refund or exemption under section 2013'

20 Amend the bill in Part B by striking out section 26 and inserting the following:

21 'Sec. B-26. 36 MRSA §1760, sub-§82-A is enacted to read:

22 82-A. Sales of taxable services delivered outside this State. Sales of taxable
23 services performed on or with respect to tangible personal property located outside this
24 State or when the property is brought into this State for performance of the services, and,
25 following the performance of the services, the seller delivers the property to a location
26 outside this State or to the United States Postal Service, a common carrier or a contract
27 carrier hired by the seller for delivery to a location outside this State for use solely outside
28 this State.

29 Sec. B-27. 36 MRSA §1760, sub-§92 is enacted to read:

30 92. Certain services. Sales of services that are subject to taxation under chapter
31 358.

32 Sec. B-28. 36 MRSA §1760, sub-§93 is enacted to read:

33 93. Certain taxable services. The sale of a taxable service sold by a person that has
34 made sales taxable under this Part during the most recent calendar year of no more than
35 \$5,000.

36 Sec. B-29. 36 MRSA §1760, sub-§94 is enacted to read:

37 94. Services to affiliates. Sales of installation, repair or maintenance services made
38 between affiliated taxpayers that are engaged in a unitary business as defined in section
39 5102, subsection 10-A.

1 **Sec. B-30. 36 MRSA §1760, sub-§95** is enacted to read:

2 **95. Snowmaking.** Sales or leases to a business that makes snow for skiing,
3 snowmobiling or similar activities of:

4 A. Electricity or fuel used to make snow;

5 B. Machinery and equipment that is used directly and primarily in the making of
6 snow; or

7 C. Snow-grooming equipment.'

8 Amend the bill in Part B in section 27 in §1760-C in the first paragraph in the next to
9 the last line (page 20, line 17 in L.D.) by inserting after the following: "purposes" the
10 following: ', except for those exemptions provided in section 1760, subsection 6.'

11 Amend the bill in Part B in section 29 by striking out all of the first paragraph (page
12 20, lines 32 to 43 and page 21, lines 1 to 5 in L.D.) and inserting the following:

13 'A tax is imposed on the value of all tangible personal property and taxable services
14 sold at retail in this State. The rate of tax is ~~7%~~ 8.5% on the value of liquor sold in
15 licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance
16 with Title 28-A, chapter 43; ~~7%~~ 8.5% on the value of rental of living quarters in any
17 hotel, rooming house or tourist ~~or trailer~~ camp; 7% on the value of rental of living
18 quarters in a trailer camp; ~~10%~~ 12.5% on the value of rental for a period of less than one
19 year of an automobile, including a loaner vehicle that is provided other than to a motor
20 vehicle dealer's service customers pursuant to a manufacturer's or dealer's warranty; ~~7%~~
21 8.5% on the value of prepared food; and 5% on the value of all other tangible personal
22 property and taxable services. Value is measured by the sale price, except as otherwise
23 provided. The value of rental for a period of less than one year of an automobile is the
24 total rental charged to the lessee and includes, but is not limited to, maintenance and
25 service contracts, drop-off or pick-up fees, airport surcharges, mileage fees and any
26 separately itemized charges on the rental agreement to recover the owner's estimated
27 costs of the charges imposed by government authority for title fees, inspection fees, local
28 excise tax and agent fees on all vehicles in its rental fleet registered in the State. All fees
29 must be disclosed when an estimated quote is provided to the lessee.'

30 Amend the bill in Part B in section 33 in §1817 in the first paragraph in the first line
31 (page 21, line 26 in L.D.) by striking out the following: "The" and inserting the
32 following: 'Except as provided in section 1818, the'

33 Amend the bill in Part B in section 33 in §1817 in the first paragraph by striking out
34 the last sentence (page 21, lines 38 to 40 in L.D.) and inserting the following: 'This
35 section does not apply to a lease associated with a sale and leaseback transaction when
36 that sale and leaseback occurs within 90 days of the lessee's original purchase of the
37 equipment.'

38 Amend the bill in Part B by inserting after section 33 the following:

39 '**Sec. B-34. 36 MRSA §1818** is enacted to read:

1 **§1818. Leases and rentals of production machinery**

2 With regard to production machinery and equipment described in section 1760,
3 subsection 31, the tax imposed by this Part must be paid by the lessor based on the
4 acquisition cost of the machinery or equipment. Lease or rental payments by the lessee or
5 renter are not subject to tax under this Part.'

6 Amend the bill in Part B in section 36 in §2020 in the first paragraph in the 5th to 7th
7 lines (page 22, lines 40 and 41 and page 23, line 1 in L.D.) by striking out the following:
8 "with respect to the lease of property upon which a sales or use tax was due and has been
9 paid in this State" and inserting the following: 'or does not impose tax on any portion of
10 the lease of property that remains after the property is removed from that taxing
11 jurisdiction'

12 Amend the bill in Part B by inserting after section 36 the following:

13 '**Sec. B-37. 36 MRSA §2021** is enacted to read:

14 **§2021. Early termination of lease**

15 If a lease on property with respect to which the tax imposed by this Part has been paid
16 on an accelerated basis is terminated by the lessee before the expiration of the lease term,
17 the lessee is entitled to a refund of the tax allocable to that portion of the remaining lease
18 payments. A refund may not be issued if the early termination is the result of an option to
19 purchase the leased property or the lease has been terminated due to nonpayment.'

20 Amend the bill in Part B by striking out all of sections 38 to 40.

21 Amend the bill in Part B by striking out all of sections 43 and 44 and inserting the
22 following:

23 '**Sec. B-43. 36 MRSA c. 720** is enacted to read:

24 **CHAPTER 720**

25 **AIRPORT TRANSPORTATION FEE**

26 **§4851. Airport transportation fee imposed**

27 A fee of \$1 per passenger is imposed on a taxicab operator or a limousine operator,
28 not subject to sales tax under Part 3, for each conveyance originating from or terminating
29 at a commercial airport.

30 **§4582. Administration**

31 The fee imposed by this chapter is administered as provided in chapter 7 and Part 3,
32 with the fee imposed pursuant to this chapter to be considered as imposed under Part 3.

33 **Sec. B-44. Rules.** The State Tax Assessor, no later than November 1, 2009, shall
34 develop informational bulletins for affected businesses describing in detail the sales tax
35 changes contained in this Part. When developing this information the State Tax Assessor
36 shall consult with and be guided by the Joint Standing Committee on Taxation. The State
37 Tax Assessor shall concurrently adopt major substantive rules to implement the changes
38 contained in this Part pursuant to the Maine Revised Statutes, Title 5, chapter 375,

1 subchapter 2-A. Major substantive rules must be proposed in time to be considered by
2 the Legislature during the Second Regular Session of the 124th Legislature.

3 **Sec. B-45. Monthly reports.** The State Tax Assessor shall provide monthly
4 reports to the Joint Standing Committee on Taxation through April 1, 2010 regarding the
5 State's activities in implementing the provisions of this Part that broaden the sales tax
6 base and increase the sales tax on prepared meals, lodging and rentals of automobiles for
7 less than one year. The report must include:

8 **1. Information for taxpayers.** A plan for providing information to taxpayers and the
9 public about new sales and use tax obligations under this Part;

10 **2. Implementation progress.** Progress reports on implementation of the plan and
11 copies of taxpayer materials and informational materials that are proposed for issuance by
12 the assessor; and

13 **3. Materials.** Copies of proposed bulletins and taxpayer guidance materials.

14 The assessor shall inform the committee about implementation issues and shall seek
15 the committee's advice on implementation and proposed rules. The committee may
16 submit legislation to the Second Regular Session of the 124th Legislature regarding
17 implementation of the provisions of this Part that broaden the sales tax base and increase
18 the sales tax on prepared meals, lodging and rentals of automobiles for less than one
19 year.'

20 Amend the bill in Part B by striking out all of section 46 (page 24, lines 19 to 28 in
21 L.D.)

22 Amend the bill in Part B in section 47 in the first line (page 24, line 29 in L.D.) by
23 inserting after the following: "2010" the following: ', except that the portion of this Part
24 that increases the tax on short-term automobile rentals takes effect October 1, 2009'

25 Amend the bill in Part C in section 1 by striking out all of subsection 2-B (page 24,
26 lines 32 to 34 in L.D.) and inserting the following:

27 '2-B. Residential property. "Residential property" means real property improved
28 with one or more buildings or structures that in whole or in part are used for, or legally
29 permitted to be used for, dwelling unit or guest room purposes. "Residential property"
30 includes condominiums but does not include property with multiple dwelling units when
31 2 or more of the units are intended to be used primarily for rental purposes.'

32 Amend the bill by inserting after Part C the following:

33 **'PART D**

34 **Sec. D-1. 36 MRSA §6201, sub-§5,** as amended by PL 1995, c. 368, Pt. CCC, §7
35 and affected by §11, is further amended to read:

36 **5. Homestead.** "Homestead" means the dwelling owned or rented by the claimant or
37 held in a revocable living trust for the benefit of the claimant and occupied by the
38 claimant and the claimant's dependents as a home, and may consist of a part of a
39 multidwelling or multipurpose building and a part of the land, ~~up to 10 acres,~~ upon which

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1 it is built. "Owned" includes a vendee in possession under a land contract and of one or
2 more joint tenants or tenants in common.

3 **Sec. D-2. 36 MRSA §6201, sub-§7**, as enacted by PL 1987, c. 516, §§3 and 6, is
4 amended to read:

5 **7. Household income.** "Household income" means all income received by all
6 persons of a household in a calendar year while members of the household, excluding the
7 income of members of the household for whom the claimant under this chapter is entitled
8 to claim an exemption as a dependent under Part 8 for the year for which relief is
9 requested.

10 **Sec. D-3. 36 MRSA §6201, sub-§9**, as repealed and replaced by PL 2007, c. 438,
11 §113, is amended to read:

12 **9. Income.** "Income" means Maine adjusted gross income determined in accordance
13 with Part 8, modified as provided by this subsection.

14 A. Maine adjusted gross income must be increased by the following amounts, to the
15 extent not included in Maine adjusted gross income:

- 16 (1) Contributions, including catch-up contributions, to any pension, annuity or
17 retirement plan, including contributions to an individual retirement account under
18 Section 408 of the Code, a simplified employee pension plan, a salary reduction
19 simplified employee pension plan, a savings incentive match plan for employees
20 plan and a deferred compensation plan under Section 457 of the Code and cash or
21 deferred arrangements under Section 401 of the Code and qualified, or "Keogh,"
22 accounts;
- 23 ~~(2) Nontaxable contributions to a flexible spending arrangement under Section~~
24 ~~125 of the Code;~~
- 25 ~~(3) Amounts excluded from gross income under Section 129 of the Code;~~
- 26 (4) Distributions from a ROTH IRA;
- 27 (5) Capital gains;
- 28 (6) The absolute value of the amount of trade or business loss, net operating loss
29 carry-over, capital loss, rental loss, farm loss, partnership or S Corporation loss
30 included in Maine adjusted gross income;
- 31 ~~(7) Inheritance;~~
- 32 ~~(8) Life insurance proceeds paid on death of an insured;~~
- 33 ~~(9) Nontaxable lawsuit rewards resulting from lawsuits for actions such as~~
34 ~~slander, libel and pain and suffering, excluding reimbursements such as medical~~
35 ~~and legal expenses associated with the case;~~
- 36 (10) Support money;
- 37 ~~(11) Nontaxable strike benefits;~~

- 1 (12) The gross amount of any pension or annuity, including railroad retirement
- 2 benefits;
- 3 (13) All payments received under the federal Social Security Act and state
- 4 unemployment insurance laws;
- 5 (14) Veterans' disability pensions;
- 6 (15) Nontaxable interest received from the Federal Government or any of its
- 7 agencies or instrumentalities;
- 8 (16) Interest or dividends on obligations or securities of this State and its political
- 9 subdivisions and authorities;
- 10 (17) Workers' compensation and the gross amount of "loss of time" insurance;
- 11 ~~and~~
- 12 (18) Cash public assistance and relief, but not including relief granted under this
- 13 chapter; and
- 14 (19) The total nontaxable portion of the following items of income, determined as
- 15 if a federal income tax return were required, but only if the total of all of the
- 16 following income items exceeds \$5,000:
- 17 (a) Jury duty payments;
- 18 (b) Awards;
- 19 (c) Lawsuit awards resulting from lawsuits for actions such as slander, libel
- 20 and pain and suffering, excluding reimbursements such as medical and legal
- 21 expenses associated with the case;
- 22 (d) Strike benefits; and
- 23 (e) Life insurance proceeds paid on death of an insured.

- 24 B. Maine adjusted gross income must be decreased by the following amounts, to the
- 25 extent included in Maine adjusted gross income:
- 26 (1) ~~The first \$5,000 of proceeds from a life insurance policy, whether paid in a~~
 - 27 ~~lump sum or in the form of an annuity;~~
 - 28 (2) A rollover from an individual retirement account, pension or annuity fund or
 - 29 plan to an individual retirement account, pension or annuity fund or plan;
 - 30 (3) Gifts from nongovernmental sources; and
 - 31 (4) Surplus foods or other relief in kind supplied by a governmental agency.

32 **Sec. D-4. 36 MRSA §6203-A**, as amended by PL 2009, c. 213, Pt. S, §14 and

33 affected by §16, is repealed and the following enacted in its place:

COMMITTEE AMENDMENT

R. 018

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§6203-A. Procedure for reimbursement

1. Application periods beginning August 1, 2009 and August 1, 2010. For application periods beginning August 1, 2009 and August 1, 2010, at least monthly on or before the last day of the month, the State Tax Assessor shall determine the benefit for each claimant under this chapter and certify the amount to the State Controller to be transferred to the so-called circuit breaker reserve established, maintained and administered by the State Controller from General Fund undedicated revenue. At least monthly, the assessor shall pay the certified amounts to each approved applicant qualifying for the benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter.

2. Application periods beginning during or after January 2011; applications filed January 1st to June 30th. For application periods beginning during or after January 2011 and with respect to applications filed prior to July 1st, the State Tax Assessor shall determine the benefit for each claimant under this chapter and certify the amount to the State Controller at any time after June 30th, but no later than July 15th, to be transferred to the so-called circuit breaker reserve established, maintained and administered by the State Controller from General Fund undedicated revenue. No later than August 1st, the assessor shall pay the certified amounts to each approved applicant qualifying for the benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter.

3. Application periods beginning during or after January 2011; applications filed after June 30th. For application periods beginning during or after January 2011 and with respect to applications filed after June 30th but prior to the following November 15th, plus any time granted to file, at least monthly on or before the last day of the month, the State Tax Assessor shall determine the benefit for each claimant under this chapter and certify the amount to the State Controller to be transferred to the so-called circuit breaker reserve established, maintained and administered by the State Controller from General Fund undedicated revenue. At least monthly, the assessor shall pay the certified amounts to each approved applicant qualifying for the benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter.

Sec. D-5. 36 MRSA §6204, as amended by PL 2005, c. 2, Pt. E, §3 and affected by §§7 and 8, is repealed and the following enacted in its place:

§6204. Filing date

1. Application period beginning August 1, 2009. For the application period beginning August 1, 2009, a claim may not be paid unless the claim is filed with the bureau on or after August 1, 2009 and on or before May 31, 2010.

2. Application period beginning August 1, 2010. For the application period beginning August 1, 2010, a claim may not be paid unless the claim is filed with the bureau on or after August 1, 2010 and on or before November 30, 2010.

3. Application periods beginning on or after January 1, 2011. For application periods beginning on or after January 1, 2011, a claim may not be paid unless the claim is filed with the bureau during or after January and on or before the following November 15th.

1 **Sec. D-6. 36 MRSA §6207, sub-§1, ¶A-1**, as amended by PL 2009, c. 213, Pt.
2 XXX, §1, is further amended to read:

3 A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not
4 exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8%
5 of income ~~to a maximum payment of \$2,000; and~~ and calculated according to tables
6 established by the State Tax Assessor.

7 (1) Tables established by the assessor must be based on the benefit formula set
8 forth in this subsection and include benefit base brackets in increments of \$100
9 and household income brackets in increments of \$1,000.

10 (2) The maximum benefit under this subsection is limited to \$2,000;

11 **Sec. D-7. 36 MRSA §6207, sub-§1, ¶B**, as enacted by PL 2009, c. 213, Pt.
12 XXX, §2, is amended to read:

13 B. For application periods beginning on August 1, 2009 and on August 1, 2010, the
14 benefit is limited to 80% of the amount determined under paragraph A-1; and

15 **Sec. D-8. 36 MRSA §6207, sub-§1, ¶C** is enacted to read:

16 C. For application periods beginning on or after January 1, 2011, the benefit is
17 limited to 88% of the amount determined under paragraph A-1.

18 **Sec. D-9. 36 MRSA §6210, last ¶**, as amended by PL 2005, c. 218, §59, is
19 further amended to read:

20 The assessor shall include ~~a checkoff to request an~~ the application form and
21 instructions for the Maine Residents Property Tax Program ~~on~~ with the individual income
22 tax form. The assessor shall also provide a paperless option for filing an application for
23 the Maine Residents Property Tax Program.

24 **Sec. D-10. Report.** By January 15, 2012, the State Tax Assessor shall submit a
25 report to the joint standing committee of the Legislature having jurisdiction over taxation
26 matters providing information comparing the annual cost of the Maine Residents Property
27 Tax Program from 2005 to 2011, including the number of applicants for benefits under
28 the Maine Residents Property Tax Program and the average benefits provided, and
29 providing projections for the same information for 2012 to 2015. The report must
30 identify the extent of increased participation in and benefit cost of the Maine Residents
31 Property Tax Program as the result of coordination of the program with the income tax.
32 The committee may submit legislation related to the report to the Second Regular Session
33 of the 125th Legislature.

34 **Sec. D-11. Application.** Unless otherwise specified and except for that section of
35 this Part that amends the Maine Revised Statutes, Title 36, section 6210, this Part applies
36 to application filed with respect to program application periods of the Maine Residents
37 Property Tax Program beginning on or after August 1, 2010. That section of this Part that
38 amends Title 36, section 6210 applies to application filed with respect to program
39 application periods of the Maine Residents Property Tax Program beginning during or
40 after January 2011.

R. of S.

PART E

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Sec. E-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Revenue Services - Bureau of 0002

Initiative: Provides funding for 5 Tax Examiner positions and one Senior Tax Examiner position beginning October 1, 2010 to implement the individual income tax and rent and property refund tax law changes.

GENERAL FUND	2009-10	2010-11
POSITIONS - LEGISLATIVE COUNT	0.000	6.000
Personal Services	\$0	\$340,479
All Other	\$0	\$697,768
GENERAL FUND TOTAL	\$0	\$1,038,247

Revenue Services - Bureau of 0002

Initiative: Provides funding for one Account Associate II position, one Tax Examiner position and 3 Revenue Agent positions beginning October 1, 2009 to implement the sales and use tax law changes.

GENERAL FUND	2009-10	2010-11
POSITIONS - LEGISLATIVE COUNT	5.000	5.000
Personal Services	\$235,211	\$332,242
All Other	\$287,862	\$140,602
GENERAL FUND TOTAL	\$523,073	\$472,844

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS

	2009-10	2010-11
GENERAL FUND	\$523,073	\$1,511,091
DEPARTMENT TOTAL - ALL FUNDS	\$523,073	\$1,511,091

ECONOMIC AND COMMUNITY DEVELOPMENT, DEPARTMENT OF

Office of Tourism 0577

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

1	OTHER SPECIAL REVENUE FUNDS	2009-10	2010-11
2	All Other	\$0	\$740,000
3			
4	OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$0</u>	<u>\$740,000</u>
5	ECONOMIC AND COMMUNITY		
6	DEVELOPMENT, DEPARTMENT OF		
7	DEPARTMENT TOTALS	2009-10	2010-11
8			
9	OTHER SPECIAL REVENUE FUNDS	\$0	\$740,000
10			
11	DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$740,000</u>
12	SECTION TOTALS	2009-10	2010-11
13			
14	GENERAL FUND	\$523,073	\$1,511,091
15	OTHER SPECIAL REVENUE FUNDS	\$0	\$740,000
16			
17	SECTION TOTAL - ALL FUNDS	<u>\$523,073</u>	<u>\$2,251,091</u>
18			

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

21 **SUMMARY**

22 This amendment makes changes to Part A of the bill to add income tax credits for
 23 charitable contributions exceeding \$250,000 and an additional credit for persons who are
 24 65 years of age or older. The amendment also adjusts the formulas for calculation of the
 25 household credit and indexing for inflation of that credit. The amendment also requires
 26 that the State Tax Assessor report to the joint standing committee of the Legislature
 27 having jurisdiction over taxation matters by November 1, 2011 regarding the impact of
 28 the changes in the tax laws contained in the bill and authorizes the committee to submit
 29 legislation to the Second Regular Session of the 125th Legislature.

30 This amendment makes changes to Part B of the bill to clarify the definitions of
 31 taxable services and candy. The amendment creates sales tax exemptions for meals
 32 served at certain retirement facilities, sales of certain taxable services delivered outside
 33 the State, sales to affiliates, sales of services by a person that has made less than \$5,000 in
 34 sales of such services during the previous year and certain sales to a business that makes
 35 snow for skiing, snowmobiling or similar activities. The amendment reduces the sales
 36 tax rate for short-term rental of automobiles to 12.5% and makes changes to the taxation
 37 of leases. The amendment establishes an airport transportation fee of \$1 for each person
 38 transported to a commercial airport by taxicab or limousine. The amendment also
 39 requires the State Tax Assessor to report to and consult with the joint standing committee

1 of the Legislature having jurisdiction over taxation matters in the preparation of bulletins,
2 taxpayer guidance materials and major substantive rules relating to the implementation of
3 Part B.

4 This amendment makes changes in Part C to change the meaning of "residential
5 property."

6 This amendment adds Part D, which makes the following changes to the Maine
7 Residents Property Tax Program, or Circuitbreaker Program.

8 It simplifies the income calculation by excluding from household income the income
9 of dependents and certain miscellaneous income. It also excludes from household
10 income other income, such as nontaxable strike benefits, but only if the total of that
11 income is less than \$5,000.

12 It changes the time for filing an application. For calendar year 2008 benefits, the
13 application period is August 1, 2009 through May 31, 2010. For calendar year 2009
14 benefits, the application period is August 1, 2010 through November 30, 2010. For
15 benefit periods after 2009, the application must be filed during or after January and on or
16 before November 15th of the following calendar year.

17 With respect to application periods beginning after 2010, benefits for applications
18 filed from January through June 30th will be paid in July of that year. Benefits for
19 applications filed after June will be paid at least monthly as is now done under current
20 law. For application periods beginning on or after August 1, 2010, the benefit will be
21 calculated on the basis of tables provided by the State Tax Assessor utilizing the benefit
22 formula in current law.

23 Beginning with the 2010 tax year, the Maine individual income tax booklets must
24 contain the Circuitbreaker Program application and instructions.

25 This amendment adds a Part E to the bill to add an appropriations and allocations
26 section.

27 **FISCAL NOTE REQUIRED**

28 **(See attached)**



124th MAINE LEGISLATURE

LD 1088

LR 1600(02)

An Act To Modernize the Tax Laws and Provide over \$75,000,000 to Residents of the State in Tax Relief

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	2009-10	2010-11	Projections 2011-12	Projections 2012-13
Net Cost (Savings)				
General Fund	(\$8,166,927)	\$8,111,091	\$5,667,304	(\$3,664,336)
Appropriations/Allocations				
General Fund	\$523,073	\$1,511,091	\$967,304	\$1,015,664
Other Special Revenue Funds	\$0	\$740,000	\$1,860,000	\$1,850,000
Revenue				
General Fund	\$8,690,000	(\$6,600,000)	(\$4,700,000)	\$4,680,000
Other Special Revenue Funds	\$350,000	\$310,000	\$1,510,000	\$1,970,000

Fiscal Detail and Notes

Individual Income Tax, Net General Fund Revenue

Flat Tax Rate @ 6.5% and various new credits	(\$35,650,000)	(\$94,130,000)	(\$94,950,000)	(\$89,540,000)
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Sales and Use Tax, Net General Fund Revenue

Meals and Lodging @ 8.5%	\$13,318,867	\$34,382,265	\$35,243,073	\$36,559,336
Candy @ 8.5%	\$1,413,600	\$3,453,820	\$3,427,809	\$3,533,610
Short-term auto rentals @ 12.5% 10/01/09	\$627,000	\$1,254,000	\$1,282,500	\$1,330,000
Expands Sales and Use Tax base *	\$27,100,533	\$46,059,915	\$46,536,618	\$48,457,055
Sales and Use Tax - Net	\$42,460,000	\$85,150,000	\$86,490,000	\$89,880,000

* Includes: amusement, entertainment and recreation services; certain installation, repair or maintenance services; personal property services; transportation and courier services and other sales tax areas.

Real Estate Transfer Tax, General Fund Revenue

Graduated Tax Based on Value > \$500,000	\$1,880,000	\$3,190,000	\$3,760,000	\$4,340,000
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Tax and Rent Refund Program, General Fund Revenue

Tax and Rent Refund Program Changes	\$0	(\$810,000)	\$0	\$0
Net General Fund Revenue	<u>\$8,690,000</u>	<u>(\$6,600,000)</u>	<u>(\$4,700,000)</u>	<u>\$4,680,000</u>

General Fund Appropriation Summary

Maine Revenue Services administrative costs	\$523,073	\$1,511,091	\$967,304	\$1,015,664
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Other Special Revenue Fund Summary

Local Government Fund	\$350,000	(\$430,000)	(\$350,000)	\$120,000
Tourism Marketing Promotion Fund		\$740,000	\$1,860,000	\$1,850,000
Total Other Special Revenue	<u>\$350,000</u>	<u>\$310,000</u>	<u>\$1,510,000</u>	<u>\$1,970,000</u>