

MAINE STATE LEGISLATURE

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124th MAINE LEGISLATURE

FIRST REGULAR SESSION-2009

Legislative Document

No. 1314

H.P. 917

House of Representatives, March 31, 2009

An Act To Reform and Lower Maine Taxes

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative CROCKETT of Augusta.
Cosponsored by Senator ALFOND of Cumberland and
Representatives: BERRY of Bowdoinham, BRYANT of Windham, FLEMINGS of Bar
Harbor, Speaker PINGREE of North Haven, PIOTTI of Unity, VALENTINO of Saco,
WATSON of Bath, Senator: PERRY of Penobscot.

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

2 PART A

3 Sec. A-1. 36 MRSA §5219-DD is enacted to read:

4 §5219-DD. Maine Residents Property Tax Program credit

5 A refundable credit is allowed against the taxes imposed by this Part in the amount of
6 benefits allowed under chapter 907. This credit is not available if the taxpayer has filed a
7 separate application for benefits under chapter 907.

8 Sec. A-2. 36 MRSA §6221 is enacted to read:

9 §6221. Income tax credit option

10 A person eligible for benefits under this chapter may elect to receive those benefits as
11 a credit against income tax as provided in section 5219-BB if the credit is claimed on the
12 claimant's annual income tax return.

13 Sec. A-3. Application. This Part applies to tax years beginning on or after
14 January 1, 2009.

15 PART B

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

18 1-B. Single individuals and married persons filing separate returns; tax years
19 beginning 2002 but before 2009. For tax years beginning on or after January 1, 2002
20 but before January 1, 2009, for single individuals and married persons filing separate
21 returns:

22	If Maine Taxable income is:	The tax is:
23	Less than \$4,200	2% of the Maine taxable income
24	At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
25	At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
26	\$16,700 or more	\$856 plus 8.5% of the excess over \$16,700

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

28 1-C. Single individuals and married persons filing separate returns; tax years
29 beginning 2009. For tax years beginning on or after January 1, 2009, for single
30 individuals and married persons filing separate returns:

31	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
32	<u>Less than \$5,050</u>	<u>2% of the Maine taxable income</u>
33	<u>At least \$5,050 but less than \$10,050</u>	<u>\$101 plus 4.5% of the excess over \$5,050</u>
34	<u>At least \$10,050 but less than \$20,150</u>	<u>\$326 plus 7% of the excess over \$10,050</u>

1 **3-C. Individuals filing married joint return or surviving spouses; tax years**
2 **beginning 2009.** For tax years beginning on or after January 1, 2009, for individuals
3 **filing married joint returns or surviving spouses permitted to file a joint return:**

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
4 <u>Less than \$10,150</u>	<u>2% of the Maine taxable income</u>
5 <u>At least \$10,150 but less than \$20,150</u>	<u>\$203 plus 4.5% of the excess over \$10,150</u>
6 <u>At least \$20,150 but less than \$40,350</u>	<u>\$653 plus 7% of the excess over \$20,150</u>
7 <u>\$40,350 or more</u>	<u>\$2,067 plus 7.5% of the excess over</u>
8	9 <u>\$40,350</u>

10 **Sec. B-7. 36 MRSA §5126, first ¶**, as amended by PL 2001, c. 583, §16, is
11 further amended to read:

12 For income tax years beginning on or after January 1, 1998 but before January 1,
13 1999, a resident individual is allowed \$2,400 for each exemption that the individual
14 properly claims for the taxable year for federal income tax purposes, unless the taxpayer
15 is claimed as a dependent on another return. For income tax years beginning on or after
16 January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for
17 each exemption that the individual properly claims for the taxable year for federal income
18 tax purposes, unless the taxpayer is claimed as a dependent on another return. For
19 income tax years beginning on or after January 1, 2000 but before January 1, 2009, a
20 resident individual is allowed \$2,850 for each exemption that the individual properly
21 claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed
22 as a dependent on another return. For tax years beginning on or after January 1, 2009, a
23 resident individual is allowed the same amount allowed under Section 151 of the Code
24 for each exemption that the individual properly claims for the taxable year for federal
25 income tax purposes, unless the taxpayer is claimed as a dependent on another return.

26 **Sec. B-8. 36 MRSA §5219-S**, as repealed and replaced by PL 2007, c. 693, §31,
27 is repealed.

28 **Sec. B-9. 36 MRSA §5219-DD** is enacted to read:

29 **§5219-DD. Earned income credit**

30 A taxpayer is allowed a refundable credit against the taxes otherwise due under this
31 Part equal to:

32 **1. Tax years before 2009.** For tax years beginning before January 1, 2009, 5% of
33 the federal earned income credit for the same taxable year;

34 **2. Tax year beginning in 2009.** For the tax year beginning January 1, 2009 and
35 ending December 31, 2009, 8% of the federal earned income credit for the same taxable
36 year;

37 **3. Tax year beginning in 2010.** For the tax year beginning January 1, 2010 and
38 ending December 31, 2010, 11% of the federal earned income credit for the same taxable
39 year;

1 C. The collection of unpaid service charges must be carried out in the same manner
2 as provided in Title 38, section 1208.

3 D. Municipalities shall use the revenues accrued from service charges to reduce the
4 municipality's tax commitment as provided in section 709-C.

5 E. The total service charges levied by a municipality on a tax-exempt entity under
6 this section may not exceed the lesser of 1.5% of the tax-exempt entity's annual
7 receipts and 50% of the amount that would have been assessed as taxes on the
8 property concerned if it were not exempt from taxation. To qualify for this
9 limitation, the tax-exempt entity must file with the municipality a report of the annual
10 receipts of the entity for the year immediately prior to the year for which the service
11 charge is levied. The municipal officers shall abate the service charge amount that is
12 in excess of the applicable limitation. For the purposes of this paragraph, "annual
13 receipts" means any streams of income received in the most recent fiscal year by the
14 tax-exempt entity from any source, including receipts of goods and services provided
15 at the exempt property. "Annual receipts" does not include amounts received by a
16 tax-exempt entity in the form of governmental or corporate grants, private charitable
17 donations or trust or endowment earnings to the extent all receipts in those categories
18 are actually spent to provide tangible and direct services to those people benefiting
19 from the services provided by the organization.

20 F. A municipality may establish a payment schedule that is annual, semiannual or
21 quarterly.

22 G. Municipalities shall adopt any necessary ordinances to carry out the provisions of
23 this subsection regarding service charges.

24 H. Any service charges calculated under this subsection must be phased in as
25 follows:

26 (1) For the tax year commencing April 1, 2010, the municipality may charge
27 35% of the total service charge calculated;

28 (2) For the tax year commencing April 1, 2011, the municipality may charge
29 70% of the total service charge collected; and

30 (3) For the tax year commencing April 1, 2012, and for each tax year after that
31 date, the municipality may charge 100% of the total service charge calculated.

32 Service charges levied pursuant to this subsection may be applied only to improved tax-
33 exempt property, which is any parcel of land containing a building or other principal-use
34 structure that is exempt from taxation pursuant to this section.

35 **Sec. C-2. 36 MRSA §652, last ¶,** as amended by PL 2007, c. 627, §20, is
36 repealed.

37 **Sec. C-3. 36 MRSA §652-A** is enacted to read:

38 **§652-A. Application schedules**

39 An organization or institution that desires to secure exemption under section 652
40 must make written application and file written proof of entitlement for each parcel to be

1 considered on or before April 1st in the year in which the exemption is first requested
2 with the assessors of the municipality in which the property would otherwise be taxable
3 and every 3 years thereafter. If granted, the exemption continues in effect unless the
4 assessors determine that the organization or institution is no longer qualified. Proof of
5 entitlement must indicate the specific basis upon which exemption is claimed.

6 Any organization or institution that is established as exempt pursuant to section 652
7 on or before January 1, 2010 must reapply for continuing exemption according to the
8 following schedule.

9 1. Exempt for 5 years or less. If on January 1, 2010 the organization or institution
10 has been exempt under section 652 for 5 years or less, the organization or institution must
11 reapply for continuing exemption on or before April 1, 2010 and every 3 years thereafter.

12 2. Exempt for more than 5 and less than 10 years. If on January 1, 2010 the
13 organization or institution has been exempt under section 652 for a period of more than 5
14 years but less than 10 years, the organization or institution must reapply for continuing
15 exemption on or before April 1, 2011 and every 3 years thereafter.

16 3. Exempt for 10 years or more. If on January 1, 2010 the organization or
17 institution has been exempt under section 652 for a period of 10 years or more, the
18 organization or institution must reapply for continuing exemption on or before April 1,
19 2012 and every 3 years thereafter.

20 **Sec. C-4. 36 MRSA §709-C** is enacted to read:

21 **§709-C. Service charges**

22 The assessors shall deduct from the total amount required to be assessed an amount
23 equal to the amount of service charges to be levied under section 652 for the municipal
24 fiscal year.

25 **Sec. C-5. Commission established.** The Commission on Municipal Services and
26 Tax-exempt Property, referred to in this section as "the commission," is established.

27 **1. Commission membership.** The commission consists of the following 13
28 members:

29 A. Five members, appointed by the Governor:

- 30 (1) A state official experienced in property tax assessment;
31 (2) A state official experienced in tax policy;
32 (3) A county official;
33 (4) A state official responsible for the disposition and acquisition of state
34 property; and
35 (5) A representative of the private sector with experience in organizational
36 restructuring;

37 B. Four members, appointed by the President of the Senate:

- 1 (1) A municipal officer;
2 (2) A municipal manager;
3 (3) A representative of a nonprofit entity; and
4 (4) A representative of an organization representing municipal officials; and
5 C. Four members, appointed by the Speaker of the House of Representatives:
6 (1) A municipal financial official;
7 (2) A representative of an organization representing the education community;
8 and
9 (3) Two representatives of the general public without ties to any entity that is
10 exempt from property tax assessments.

11 **2. Appointments.** All appointments must be made no later than 30 days following
12 the effective date of this Part. The President of the Senate and the Speaker of the House
13 of Representatives jointly shall determine the chair and cochair of the commission. The
14 appointing authorities shall notify the Executive Director of the Legislative Council upon
15 making their appointments. The cochairs shall convene the first meeting of the
16 commission no later than 15 days after the appointment of all members is complete.

17 **3. Duties.** The commission shall develop a formula or process for municipalities to
18 use to determine a municipal cost component. The commission shall analyze the extent
19 of entities exempt from property tax and the impact of those tax-exempt entities on the
20 costs of municipal services. The commission may consider any other options it
21 determines necessary to fulfill its responsibilities.

22 **4. Staff assistance.** The Executive Department, State Planning Office shall provide
23 necessary staffing services to the commission.

24 **5. Compensation.** Compensation may not be paid to members of the commission.
25 Members of the commission who are not otherwise compensated by their employers or
26 other entities that they represent are entitled to receive reimbursement of necessary
27 expenses incurred for their attendance at authorized meetings of the commission.

28 **6. Report.** The commission shall submit its report, together with any recommended
29 implementing legislation, to the First Regular Session of the 125th Legislature no later
30 than December 6, 2010. If the commission requires an extension of time to make its
31 report, it may apply to the Legislative Council, which may grant the extension.

32 **Sec. C-6. Application.** Those sections of this Part that repeal the Maine Revised
33 Statutes, Title 36, section 652, last paragraph and enact Title 36, section 652, subsection
34 2, and Title 36, sections 652-A and 709-C apply to property tax years beginning on or
35 after April 1, 2010.

36 **PART D**

37 **Sec. D-1. 5 MRSA §13090-K, sub-§2,** as enacted by PL 2001, c. 439, Pt.
38 UUUU, §1, is amended to read:

1 **2. Source of fund.** Beginning July 1, ~~2003~~ 2010 and every July 1st thereafter, the
2 State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as
3 certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%~~ tax imposed on
4 ~~tangible personal property and taxable services~~ the value of liquor sold in licensed
5 establishments, rental of living quarters in a hotel, rooming house or tourist or trailer
6 camp and prepared food pursuant to Title 36, section 1811, for the first 6 months of the
7 prior fiscal year after the reduction for the transfer to the Local Government Fund as
8 described by Title 30-A, section 5681, subsection 5. Beginning on October 1, ~~2003~~ 2010
9 and every October 1st thereafter, the State Controller shall transfer to the Tourism
10 Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is
11 equivalent to 5% of the ~~7%~~ tax imposed on ~~tangible personal property and taxable~~
12 ~~services~~ the value of liquor sold in licensed establishments, rental of living quarters in a
13 hotel, rooming house or tourist or trailer camp and prepared food pursuant to Title 36,
14 section 1811, for the last 6 months of the prior fiscal year after the reduction for the
15 transfer to the Local Government Fund. The tax amount must be based on actual sales
16 for that fiscal year and may not consider any accruals that may be required by law. The
17 amount transferred from General Fund sales and use tax revenues does not affect the
18 calculation for the transfer to the Local Government Fund.

19 **Sec. D-2. 36 MRSA §1752, sub-§1-I** is enacted to read:

20 **1-I. Amusement and recreational services.** "Amusement and recreational services"
21 means all services provided in this State to the general public or through private clubs
22 that involve exchanging a right to access to any amusement, recreational, exhibitivie,
23 cultural or athletic activity for any user fee, price of admission, gate fee or equivalent
24 form of remuneration;

25 **Sec. D-3. 36 MRSA §1752, sub-§1-J** is enacted to read:

26 **1-J. Construction services.** "Construction services" means services provided in this
27 State to the general public by a person engaged in the activity of building. The activity of
28 building pertains to any building, highway, road, railroad, excavation, manufactured
29 building or other structure and involves any act of construction, alteration, repair,
30 substantial maintenance, addition, subtraction, improvement, movement or demolition or
31 the construction of scaffolding or other structures or work related to the activity of
32 building. "Construction services" includes, but is not limited to, the services typically
33 provided by building contractors, road and driveway contractors, concrete contractors,
34 excavators, carpenters, masons, electricians, plumbers, roofers, siding applicators and
35 house painters.

36 **Sec. D-4. 36 MRSA §1752, sub-§1-K** is enacted to read:

37 **1-K. Consumer purchases of memberships in social organizations.** "Consumer
38 purchases of memberships in social organizations" includes, but is not limited to,
39 consumer purchases of professional association, club and fraternal organization
40 memberships and employment agency fees. "Consumer purchases of memberships in
41 social organizations" does not include donations made to charitable organizations or labor
42 union dues.

1 **Sec. D-5. 36 MRSA §1752, sub-§7-F** is enacted to read:

2 **7-F. Personal services.** "Personal services" means services provided in this State to
3 the general public by a person of specialized skill, talent or experience. A provider of
4 "personal services" characteristically provides attendant care to the recipient of the
5 service or care or maintenance or repair services to the recipient's real or personal
6 property. "Personal services" includes, but is not limited to, such services as:

7 A. Personal attendant services, including, but not limited to, barbering, beautician,
8 manicure, tattooing, body piercing, massage, reflexology, tanning and exercise or
9 fitness services;

10 B. Laundering and dry cleaning services;

11 C. Painting, papering and interior decoration services;

12 D. Jewelry, camera, watch and gun cleaning and repair services;

13 E. Pet grooming and kennel services;

14 F. Musical instrument tuning and repair services;

15 G. Swimming pool installation, repair, cleaning and maintenance services;

16 H. Radio, television and sound system repair services;

17 I. Furniture, rug and upholstery cleaning and repair services;

18 J. Locksmith services;

19 K. Personal property and self-storage services, including storage and mooring
20 services for noncommercial watercraft;

21 L. Services related to the washing, cleaning, polishing, lubrication, painting or
22 detailing of motor vehicles;

23 M. Disinfection and pest extermination or control services;

24 N. Landscaping, lawn care, grounds maintenance and tree removal services;

25 O. Photography and photographic studio services;

26 P. Printing, imprinting, painting or lettering tangible personal property for persons
27 who furnish tangible personal property for that service;

28 Q. Any fabrication, printing or production of tangible personal property by special
29 order when tangible personal property is not intended for resale;

30 R. Repair services for noncommercial watercraft;

31 S. Dance instruction and dance studio services;

32 T. Dating, escort and personal introduction services;

33 U. Flower or balloon delivery services and services similarly provided as a
34 demonstration of personal appreciation;

35 V. Taxidermy services;

36 W. Flight instruction services;

- 1 X. Antique or art auctioning or dealership services;
- 2 Y. Domestic services, such as meal preparation, housecleaning or household
- 3 operation services;
- 4 Z. Moving and storage services; and
- 5 AA. Veterinarian services.

6 "Personal services" does not include construction services;

7 **Sec. D-6. 36 MRSA §1752, sub-§11, ¶A**, as amended by PL 2007, c. 437, §10,
8 is further amended to read:

9 A. "Retail sale" includes:

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

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

17 (3) A sale in the ordinary course of business by a retailer to a purchaser who is
18 not engaged in selling that kind of tangible personal property or taxable service in
19 the ordinary course of repeated and successive transactions of like character; **and**

20 (4) The sale or liquidation of a business or the sale of substantially all of the
21 assets of a business, to the extent that the seller purchased the assets of the
22 business for resale, lease or rental in the ordinary course of business, except
23 when:

24 (a) The sale is to an affiliated entity and the transferee, or ultimate transferee
25 in a series of transactions among affiliated entities, purchases the assets for
26 resale, lease or rental in the ordinary course of business; or

27 (b) The sale is to a person that purchases the assets for resale, lease or rental
28 in the ordinary course of business or that purchases the assets for transfer to
29 an affiliate, directly or through a series of transactions among affiliated
30 entities, for resale, lease or rental by the affiliate in the ordinary course of
31 business.

32 For purposes of this subparagraph, "affiliate" or "affiliated" includes both direct
33 and indirect affiliates; **and**

34 (5) Any taxable service to the extent the taxable service is provided in this State
35 and only if the relationship between the provider and the recipient of the taxable
36 service is not an employment relationship with respect to the provision of the
37 service.

38 **Sec. D-7. 36 MRSA §1752, sub-§14**, as amended by PL 2007, c. 627, §43, is
39 further amended to read:

1 **14. Sale price.** "Sale price" means the total amount of a retail sale valued in money,
2 whether received in money or otherwise.

3 A. "Sale price" includes:

- 4 (1) Any consideration for services that are a part of a retail sale; and
5 (2) All receipts, cash, credits and property of any kind or nature and any amount
6 for which credit is allowed by the seller to the purchaser, without any deduction
7 on account of the cost of the property sold, the cost of the materials used, labor or
8 service cost, interest paid, losses or any other expenses.

9 When a taxable service is provided for a fee that is contingent on an ultimate award,
10 settlement or similar financial result and the fee is a certain percentage of that
11 ultimate award or settlement, the fee is deemed to include both the sale price and the
12 applicable tax.

13 B. "Sale price" does not include:

- 14 (1) Discounts allowed and taken on sales;
15 (2) Allowances in cash or by credit made upon the return of merchandise
16 pursuant to warranty;
17 (3) The price of property returned by customers, when the full price is refunded
18 either in cash or by credit;
19 (4) The price received for labor or services used in installing or applying or
20 repairing the property sold, if separately charged or stated;
21 (5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically
22 stated service charge, when that amount is to be disbursed by a hotel, restaurant
23 or other eating establishment to its employees as wages;
24 (6) The amount of any tax imposed by the United States on or with respect to
25 retail sales, whether imposed upon the retailer or the consumer, except any
26 manufacturers', importers', alcohol or tobacco excise tax;
27 (7) The cost of transportation from the retailer's place of business or other point
28 from which shipment is made directly to the purchaser, ~~provided that~~ as long as
29 those charges are separately stated and the transportation occurs by means of
30 common carrier, contract carrier or the United States mail;
31 (8) The fee imposed by Title 10, section 1169, subsection 11;
32 (9) The fee imposed by section 4832, subsection 1;
33 (10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection
34 2-B;
35 (11) Any amount charged or collected by a person engaged in the rental of living
36 quarters as a forfeited room deposit or cancellation fee if the prospective
37 occupant of the living quarters cancels the reservation on or before the scheduled
38 date of arrival; or

1 (12) The premium on motor vehicle oil changes imposed by Title 10, section
2 1020, subsection 6-; or

3 (13) With respect to any fee for a taxable service, any portion of that fee
4 representing direct reimbursement charged to the recipient of the taxable service
5 for commodities or services previously paid by the person providing the service,
6 as long as any tax on those commodities or services, if any tax applies, has been
7 previously paid.

8 **Sec. D-8. 36 MRSA §1752, sub-§17-B**, as amended by PL 2007, c. 410, §2 and
9 affected by §6, is further amended to read:

10 **17-B. Taxable service.** "Taxable service" means the rental of living quarters in a
11 hotel, rooming house; or tourist or trailer camp; the transmission and distribution of
12 electricity; the rental or lease of an automobile; the sale of an extended service contract
13 on an automobile that entitles the purchaser to specific benefits in the service of the
14 automobile for a specific duration; amusement and recreational services except those
15 offered or operated by a nonprofit organization for the benefit of that nonprofit
16 organization; consumer purchases of memberships in social organizations; personal
17 services; transportation services purchased by consumers; and the sale of prepaid calling
18 service.

19 **Sec. D-9. 36 MRSA §1752, sub-§20-B** is enacted to read:

20 **20-B. Transportation services purchased by consumers.** "Transportation services
21 purchased by consumers" includes, but is not limited to, consumer purchases of services
22 such as airline, passenger railroad, taxicab, limousine, ferry and toll-road services.

23 **Sec. D-10. 36 MRSA §1760**, as amended by PL 2007, c. 529, §§1 to 3 and c. 627,
24 §§47 to 49 and c. 675, §1 and affected by §2 and amended by c. 691, §1 and affected by
25 §2 and amended by c. 693, §15 and affected by §37 and amended by c. 695, Pt. A, §44, is
26 repealed.

27 **Sec. D-11. 36 MRSA §1760-C**, as amended by PL 2007, c. 437, §11, is repealed.

28 **Sec. D-12. 36 MRSA §1760-D** is enacted to read:

29 **§1760-D. Exemption**

30 A tax on sales, storage or use may not be collected upon or in connection with:

31 **1. Exemptions by constitutional provisions.** Sales that this State is prohibited from
32 taxing under the United States Constitution, the laws of the United States or the
33 Constitution of Maine; or

34 **2. Certain governmental entities.** Sales to the State or any political subdivision of
35 the State, or to the Federal Government, or to any unincorporated agency or
36 instrumentality of the State or the Federal Government or to any incorporated agency or
37 instrumentality of the State or the Federal Government wholly owned by the State or
38 Federal Government. This exemption does not apply to corporations organized under

1 Title IV, Part E of the Farm Credit Act of 1971, 12 United States Code, Sections 2211 to
2 2214a.

3 **Sec. D-13. 36 MRSA §1811, first ¶**, as repealed and replaced by PL 2007, c.
4 627, §51 and affected by §96, is amended to read:

5 A tax is imposed on the value of all tangible personal property and taxable services
6 sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed
7 establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title
8 28-A, chapter 43; ~~7%~~ 10% on the value of rental of living quarters in any hotel, rooming
9 house or tourist or trailer camp; 10% on the value of rental for a period of less than one
10 year of an automobile, including a loaner vehicle that is provided other than to a motor
11 vehicle dealer's service customers pursuant to a manufacturer's or dealer's warranty; 7%
12 on the value of prepared food; and 5% on the value of all other tangible personal property
13 and taxable services. Value is measured by the sale price, except as otherwise provided.
14 The value of rental for a period of less than one year of an automobile is the total rental
15 charged to the lessee and includes, but is not limited to, maintenance and service
16 contracts, drop-off or pick-up fees, airport surcharges, mileage fees and any separately
17 itemized charges on the rental agreement to recover the owner's estimated costs of the
18 charges imposed by government authority for title fees, inspection fees, local excise tax
19 and agent fees on all vehicles in its rental fleet registered in the State. All fees must be
20 disclosed when an estimated quote is provided to the lessee.

21 **Sec. D-14. 36 MRSA §1811, 2nd ¶**, as amended by PL 2007, c. 438, §48, is
22 further amended to read:

23 The tax imposed upon the sale and distribution of gas, water or electricity, or
24 telecommunications services, by any public utility, the rates for which sale and
25 distribution are established by the Public Utilities Commission, must be added to the rates
26 so established.

27 **Sec. D-15. Revisor's review; cross-references.** The Revisor of Statutes shall
28 review the Maine Revised Statutes and include in the errors and inconsistencies bill
29 submitted to the Second Regular Session of the 124th Legislature pursuant to Title 1,
30 section 94 any sections necessary to correct and update any cross-references in the
31 statutes to provisions of law repealed in this Act.

32 **Sec. D-16. Effective date.** This Part takes effect January 1, 2010.

33 SUMMARY

34 This bill implements tax reform in the following areas.

35 PART A

36 This Part allows persons eligible for benefits under the Maine Residents Property Tax
37 Program, also known as the Circuitbreaker Program, to file for a refundable credit using
38 the individual income tax form.

1 **PART B**

2 This Part affects individual income taxes by decreasing the top rate from 8.5% to
3 7.5%, conforming the personal exemption to the federal personal exemption and
4 increasing the earned income tax credit from 5% to 20% over a 5-year period and
5 allowing the credit to exceed the amount of income taxes actually paid.

6 **PART C**

7 This Part affects the ability of a municipality to impose service charges on tax-
8 exempt properties located in that municipality in the following ways:

9 1. It expands the existing service charges statute in the following ways: service
10 charges are applied to all improved exempt property except churches, federal property
11 and municipal and quasi-municipal property; service charges are phased in over a 3-year
12 period; and the service charge may not exceed the lesser of 1.5% of the organization's
13 annual receipts and 50% of the amount that would have been assessed as taxes if the
14 organization were not exempt;

15 2. It provides a schedule for all existing properties currently exempt under the law to
16 reapply for eligibility under the new standards of eligibility in a phased-in manner over
17 the next 3-year period;

18 3. It specifies that revenues derived from service charges must be used to reduce the
19 municipal assessment in the same fashion as funds received under the municipal revenue
20 sharing program; and

21 4. It establishes the Commission on Municipal Services and Tax-exempt Property, a
22 commission consisting of appointees of the Governor, President of the Senate and
23 Speaker of the House. The commission is required to develop a formula or process for
24 municipalities to use to determine a municipal cost component. The commission shall
25 analyze the extent of entities exempt from property tax and the impact of those tax-
26 exempt entities on the costs of municipal services and consider any other options the
27 commission determines are necessary to fulfill its responsibilities.

28 **PART D**

29 This Part affects the imposition of sales tax in the following ways:

30 1. It expands the definition of "taxable service" for purposes of the imposition of
31 sales tax to include amusement, recreational and personal services and consumer
32 purchases of transportation services and professional, club or fraternal memberships. It
33 subjects those services to the 5% sales tax. The term "construction services" is also
34 defined for the purpose of distinguishing nontaxable construction services from taxable
35 personal services;

36 2. It eliminates all the current statutory sales tax exemptions except those that are
37 required by the Constitution of the United States, federal law or the Constitution of Maine
38 and sales to the State or the Federal Government and any political subdivisions of the
39 State or the United States; and

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3. It increases the so-called "lodging tax" from 7% to 10%.