

MAINE STATE LEGISLATURE

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L.D. 1762

Date: 2/11/14

(Filing No. S-387)

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STATE OF MAINE
SENATE
126TH LEGISLATURE
SECOND REGULAR SESSION

SENATE AMENDMENT " B " to H.P. 1264, L.D. 1762, Bill, "An Act Related to the Report of the Tax Expenditure Review Task Force"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

'PART A

Sec. A-1. PL 2013, c. 368, Pt. S, §8 is repealed.

Sec. A-2. PL 2013, c. 368, Pt. S, §9 is repealed.

Sec. A-3. State Controller; post-closing. The State Controller is authorized to keep open the official system of general accounts of State Government for fiscal year 2013-14 in order to make post-closing entries and adjustments to carry out the provisions of this Act.

PART B

Sec. B-1. 36 MRSA §5219-II, first ¶, as enacted by PL 2013, c. 368, Pt. L, §1, is amended to read:

For tax years beginning on or after January 1, 2013 and before January 1, 2104, a Maine resident individual is allowed a property tax fairness credit as computed under this section against the taxes imposed under this Part.

Sec. B-2. 36 MRSA §5219-KK is enacted to read:

§5219-KK. Property tax fairness credit on or after January 1, 2014

For tax years beginning on or after January 1, 2014, a Maine resident individual is allowed a property tax fairness credit as computed under this section against the taxes imposed under this Part.

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

1 A. "Benefit base" means property taxes paid by the resident individual during the tax
2 year on the individual's homestead in this State or rent constituting property taxes
3 paid by the resident individual during the tax year on a homestead in the State, not to
4 exceed \$4,000. In the case of resident married individuals filing separate returns,
5 each of whom claims the credit on the same homestead, the benefit base for each
6 spouse may not exceed \$2,000.

7 B. "Dwelling" means an individual house or apartment, duplex unit, cooperative unit,
8 condominium unit, mobile home or mobile home pad.

9 C. "Homestead" means the dwelling owned or rented by the taxpayer or held in a
10 revocable living trust for the benefit of the taxpayer and occupied by the taxpayer and
11 the taxpayer's dependents as a home, and may consist of a part of a multidwelling or
12 multipurpose building and a part of the land, up to 10 acres, upon which it is built.
13 "Owned" includes a vendee in possession under a land contract, one or more joint
14 tenants or tenants in common and possession under a legally binding agreement that
15 allows the owner of the dwelling to transfer the property but continue to occupy the
16 dwelling as a home until some future event stated in the agreement.

17 D. "Rent constituting property taxes" means 20% of the gross rent actually paid in
18 cash or its equivalent during the tax year solely for the right of occupancy of a
19 homestead in the State. "Rent constituting property taxes" does not include rent
20 subsidized by government programs that limit housing costs to a percentage of
21 household income except that this exclusion does not apply to persons receiving
22 social security disability or supplemental security income disability benefits. For the
23 purposes of this paragraph, "gross rent" means rent paid at arm's length solely for the
24 right of occupancy of a homestead, exclusive of charges for any utilities, services,
25 furniture, furnishings or personal property appliances furnished by the landlord as
26 part of the rental agreement, whether or not expressly set out in the rental agreement.
27 If the landlord and tenant have not dealt with each other at arm's length, and the
28 assessor is satisfied that the gross rent charged was excessive, the assessor may adjust
29 the gross rent to a reasonable amount for purposes of this section.

30 2. Credit. A resident individual filing a single or married separate return or resident
31 spouses filing joint returns are allowed a credit against the taxes imposed under this Part
32 in an amount equal to 50% of the amount by which the benefit base exceeds 8% of the
33 resident individual's or the resident spouses' total federal adjusted gross income. The
34 credit may not exceed \$1,000. In the case of resident married individuals filing separate
35 returns, each of whom claims the credit on the same homestead, the credit for each
36 spouse may not exceed \$500.

37 3. Refundability of credit. The tax credit is refundable after the application of
38 nonrefundable credits.

39 PART C

40 **Sec. C-1. 30-A MRSA §5681, as amended by PL 2013, c. 368, Pt. J, §1, is**
41 **repealed.**

1 **Sec. C-2. 36 MRSA §683, sub-§1**, as amended by PL 2009, c. 213, Pt. YYY, §1
2 and affected by c. 652, Pt. A, §63, is further amended to read:

3 **1. Exemption amount.** Except for assessments for special benefits, the lesser of
4 \$50,000 and 50% of the just value of \$10,000 of the homestead of a permanent resident
5 of this State who has owned a homestead in this State for the preceding 12 months is
6 exempt from taxation. In determining the local assessed value of the exemption, the
7 assessor shall multiply the amount of the exemption by the ratio of current just value
8 upon which the assessment is based as furnished in the assessor's annual return pursuant
9 to section 383. If the title to the homestead is held by the applicant jointly or in common
10 with others, the exemption may not exceed \$10,000 the lesser of \$50,000 and 50% of the
11 just value of the homestead, but may be apportioned among the owners who reside on the
12 property to the extent of their respective interests. A municipality responsible for
13 administering the homestead exemption has no obligation to create separate accounts for
14 each partial interest in a homestead owned jointly or in common.

15 **Sec. C-3. 36 MRSA §683, sub-§3**, as amended by PL 2005, c. 2, Pt. F, §3 and
16 affected by §5, is repealed and the following enacted in its place:

17 **3. Effect on state valuation.** The percentage of just value of exempt homestead
18 property to be included in the annual determination of state valuation under sections 208
19 and 305 is the percentage specified in section 685, subsection 2.

20 **Sec. C-4. 36 MRSA §683, sub-§4**, as amended by PL 2005, c. 2, Pt. F, §3 and
21 affected by §5, is further amended to read:

22 **4. Property tax rate.** ~~Fifty percent of the value of homestead exemptions under this~~
23 ~~subchapter~~ The percentage of just value of exempt homestead property specified in
24 section 685, subsection 2 must be included in the total municipal valuation used to
25 determine the municipal tax rate. The municipal tax rate as finally determined may be
26 applied to only the taxable portion of each homestead qualified for that tax year.

27 **Sec. C-5. 36 MRSA §685, sub-§2**, as amended by PL 2005, c. 2, Pt. F, §4 and
28 affected by §5, is repealed and the following enacted in its place:

29 **2. Entitlement to reimbursement by the State; calculation.** A municipality that
30 has approved homestead exemptions under this subchapter may recover from the State
31 the applicable percentage of property tax revenue lost by reason of the exemptions, upon
32 proof in a form satisfactory to the bureau, as follows.

33 A. The bureau shall reimburse the Unorganized Territory Education and Services
34 Fund for 50% of taxes lost by reason of the exemptions.

35 B. For municipalities with a full value property tax mill rate at or below the
36 statewide average, the bureau shall reimburse the municipality for 50% of taxes lost
37 by reason of the exemptions.

38 C. For municipalities with a full value property tax mill rate that is between one and
39 2 times the statewide average, the bureau shall reimburse the municipality for a
40 percentage of taxes lost by reason of the exemptions that is half of the ratio of the full
41 value property tax mill rate of the municipality divided by the statewide average
42 property tax mill rate.

1 estimated costs of the charges imposed by government authority for title fees, inspection
 2 fees, local excise tax and agent fees on all vehicles in its rental fleet registered in the
 3 State. All fees must be disclosed when an estimated quote is provided to the lessee. This
 4 paragraph is repealed October 1, 2014.

5 **Sec. D-2. 36 MRSA §1811**, as amended by PL 2013, c. 368, Pt. M, §2 and Pt. N,
 6 §2, is further amended by inserting after the first paragraph a new paragraph to read:

7 Beginning October 1, 2014, a tax is imposed on the value of all tangible personal
 8 property and taxable services sold at retail in this State. The rate of tax is 8% on the
 9 value of liquor sold in licensed establishments as defined in Title 28-A, section 2,
 10 subsection 15, in accordance with Title 28-A, chapter 43; 10% on the value of rental of
 11 living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of
 12 rental for a period of less than one year of an automobile, of a pickup truck or van with a
 13 gross vehicle weight of less than 26,000 pounds rented from a person primarily engaged
 14 in the business of renting automobiles or of a loaner vehicle that is provided other than to
 15 a motor vehicle dealer's service customers pursuant to a manufacturer's or dealer's
 16 warranty; 8% on the value of prepared food; and 5% on the value of all other tangible
 17 personal property and taxable services. Notwithstanding the other provisions of this
 18 section, from October 1, 2014 to June 30, 2015, the rate of tax is 5.5% on the value of all
 19 other tangible personal property and taxable services. Value is measured by the sale
 20 price, except as otherwise provided. The value of rental for a period of less than one year
 21 of an automobile or of a pickup truck or van with a gross vehicle weight of less than
 22 26,000 pounds rented from a person primarily engaged in the business of renting
 23 automobiles is the total rental charged to the lessee and includes, but is not limited to,
 24 maintenance and service contracts, drop-off or pick-up fees, airport surcharges, mileage
 25 fees and any separately itemized charges on the rental agreement to recover the owner's
 26 estimated costs of the charges imposed by government authority for title fees, inspection
 27 fees, local excise tax and agent fees on all vehicles in its rental fleet registered in the
 28 State. All fees must be disclosed when an estimated quote is provided to the lessee.

29 **PART E**

30 **Sec. E-1. 36 MRSA §1752, sub-§1-I** is enacted to read:

31 **1-I. Amusement, entertainment and recreation services.** "Amusement,
 32 entertainment and recreation services" is defined pursuant to this subsection.

33 A. "Amusement, entertainment and recreation services" means the following, unless
 34 excluded under paragraph B:

- 35 (1) Admission fees to entertainment venues and performances, including but not
 36 limited to theaters, movies, lectures, concerts, festivals, amusement parks, water
 37 parks, fairs other than licensed agricultural fairs, race tracks, carnivals, circuses,
 38 sports activities, stadiums, amphitheaters, museums, planetariums, animal parks,
 39 petting zoos, aquariums, historical sites and convention centers;
- 40 (2) Fees charged for participation in or entry to sporting and gaming activities,
 41 including but not limited to golf, skiing, tennis, miniature golf courses, arcades,
 42 billiard parlors, go-cart courses and paintball;

1 (3) Admission fees charged for exhibition shows, including but not limited to
2 automobile, boat, camping, home, garden, animal and antique shows;

3 (4) Fees charged for scenic and sight-seeing excursions, including but not
4 limited to aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and
5 wagon rides, whitewater rafting and guided recreation, but excluding scenic and
6 sight-seeing excursions on federally navigable waters; and

7 (5) Entertainment service, including but not limited to those provided by bands,
8 orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and
9 ventriloquists.

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

11 (1) Fees charged for admission to a licensed agricultural fair or charges for
12 participation in any events or activities occurring at the fair organized by a school
13 or incorporated nonprofit organization if all the proceeds from the event or
14 activity are used for the charitable purposes of the school or organization;

15 (2) Fees charged for lessons or training in dance, music, theater, arts and
16 gymnastics, martial arts and other athletic pursuits;

17 (3) Fees charged for admission to:

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

22 (b) Festivals and special events organized by governmental entities, schools
23 or incorporated, nonprofit organizations or charges for participation in any
24 events or activities occurring at the festival or special event organized by the
25 governmental entity, school or incorporated, nonprofit organization if all the
26 proceeds of the festival or special event are directed to support a purpose of
27 the governmental entity, school or organization; or

28 (4) Fees charged for children's summer camps.

29 **Sec. E-2. 36 MRSA §1752, sub-§§2-F and 2-G are enacted to read:**

30 **2-F. Fabrication facility.** "Fabrication facility" means a site consisting of at least 35
31 acres at which the primary business is the performance of fabrication services and any
32 activities associated with or in support of fabrication services.

33 **2-G. Fabrication services.** "Fabrication services" means the production of tangible
34 personal property for a consideration for a person who furnishes, either directly or
35 indirectly, the materials used in that production.

36 **Sec. E-3. 36 MRSA §1752, sub-§8-D is enacted to read:**

37 **8-D. Personal property services.** "Personal property services" is defined pursuant
38 to this subsection.

- 1 A. "Personal property services" means the following services related to tangible
- 2 personal property:
- 3 (1) Dry cleaning, laundry and diaper services not including self-service laundry
- 4 services;
- 5 (2) Embroidery and monogramming;
- 6 (3) Car washing;
- 7 (4) Pressure cleaning and washing;
- 8 (5) Pet services such as exercising, sitting, training, grooming and boarding for
- 9 nonmedical purposes;
- 10 (6) Picture framing;
- 11 (7) Furniture cleaning, repair and restoration;
- 12 (8) Rug cleaning;
- 13 (9) Art restoration;
- 14 (10) Installation, repair or maintenance of jewelry, cameras, guns, musical
- 15 instruments, electronic and mechanical equipment, lawn and garden equipment,
- 16 computer hardware and appliances; and
- 17 (11) Tailoring and clothing and shoe repair.

- 18 B. "Personal property services" does not include:
- 19 (1) Fabrication services;
- 20 (2) Services performed on tangible personal property used or held for use at or
- 21 located at a manufacturing facility or fabrication facility; or
- 22 (3) Services performed on a motor vehicle or aircraft.

23 **Sec. E-4. 36 MRSA §1752, sub-§14, ¶B,** as amended by PL 2011, c. 211, §22,
 24 is further amended to read:

- 25 B. "Sale price" does not include:
- 26 (1) Discounts allowed and taken on sales;
- 27 (2) Allowances in cash or by credit made upon the return of merchandise
- 28 pursuant to warranty;
- 29 (3) The price of property returned by customers, when the full price is refunded
- 30 either in cash or by credit;
- 31 (4) ~~The~~ Except for labor or services included in personal property services, the
- 32 price received for labor or services used in installing or applying or repairing the
- 33 property sold, if separately charged or stated;

- 1 (5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically
- 2 stated service charge, when that amount is to be disbursed by a hotel, restaurant
- 3 or other eating establishment to its employees as wages;
- 4 (6) The amount of any tax imposed by the United States on or with respect to
- 5 retail sales, whether imposed upon the retailer or the consumer, except any
- 6 manufacturers', importers', alcohol or tobacco excise tax;
- 7 (7) The cost of transportation from the retailer's place of business or other point
- 8 from which shipment is made directly to the purchaser, provided that those
- 9 charges are separately stated and the transportation occurs by means of common
- 10 carrier, contract carrier or the United States mail;
- 11 (8) The fee imposed by Title 10, section 1169, subsection 11;
- 12 (9) The fee imposed by section 4832, subsection 1;
- 13 (10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection
- 14 2-B;
- 15 (11) Any amount charged or collected by a person engaged in the rental of living
- 16 quarters as a forfeited room deposit or cancellation fee if the prospective
- 17 occupant of the living quarters cancels the reservation on or before the scheduled
- 18 date of arrival;
- 19 (12) The premium imposed on motor vehicle oil by Title 10, section 1020,
- 20 subsection 6-A; or
- 21 (13) Any amount charged for the disposal of used tires.

22 **Sec. E-5. 36 MRSA §1752, sub-§17-B**, as amended by PL 2013, c. 156, §2, is
 23 repealed.

24 **Sec. E-6. 36 MRSA §1752, sub-§17-C** is enacted to read:

25 **17-C. Taxable service.** "Taxable service" means:

- 26 **A. The rental of living quarters in a hotel, rooming house or tourist or trailer camp;**
- 27 **B. The transmission and distribution of electricity;**
- 28 **C. The rental or lease of an automobile, camp trailer or motor home as defined in**
 29 **Title 29-A, section 101;**
- 30 **D. The rental or lease of a pickup truck or van with a gross vehicle weight of less**
 31 **than 26,000 pounds from a person primarily engaged in the business of renting**
 32 **automobiles;**
- 33 **E. The sale of an extended service contract on an automobile or truck that entitles the**
 34 **purchaser to specific benefits in the service of the automobile or truck for a specific**
 35 **duration;**
- 36 **F. The sale of prepaid calling service;**
- 37 **G. Amusement, entertainment and recreation services; and**

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H. Personal property services.

Sec. E-7. 36 MRSA §1760, sub-§34, as amended by PL 2005, c. 218, §23, is repealed.'

SUMMARY

This amendment strikes and replaces the bill.

Part A repeals the contingent transfer of \$40,000,000 from state-municipal revenue sharing and the inclusion in the cascade of transfers to state-municipal revenue sharing for fiscal year 2014-15 in Public Law 2013, chapter 368, Part S.

Part B changes the formula for the property tax fairness credit, lowering the eligibility threshold from a tax burden of 10% of income to 8% of income, increasing the maximum benefit to \$1,000, providing a gradual phase-out in the maximum benefit as income rises and basing eligibility on federal adjusted gross income.

Part C increases the homestead property tax exemption from \$10,000 to the lesser of \$50,000 and 50% of the just value of the homestead for property tax years beginning on or after April 1, 2015. This Part also replaces state-municipal revenue sharing with a municipal homestead reimbursement payment. The new municipal reimbursement formula provides larger reimbursement rates to municipalities with more resident homestead exemptions and higher property tax mill rates.

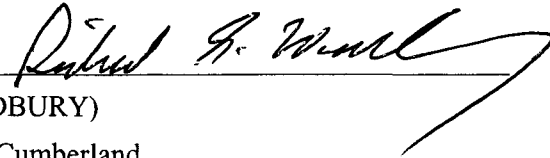
Part D makes permanent the temporary sales tax of 8% imposed on prepared meals and 10% imposed on lodging.

Part E expands the base of the sales tax to include defined amusement, entertainment and recreation services and personal property services and repeals the exemption from the sales tax of vending machine sales.

FISCAL NOTE REQUIRED

(See attached)

SPONSORED BY:



(Senator WOODBURY)

COUNTY: Cumberland



126th MAINE LEGISLATURE

LD 1762

LR 2721(10)

An Act Related to the Report of the Tax Expenditure Review Task Force

Fiscal Note for Senate Amendment 'G' to Original Bill

Sponsor: Sen. Woodbury of Cumberland

Fiscal Note Required: Yes

Fiscal Note

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	\$0	\$39,738,110	(\$105,077,165)	(\$74,277,188)
Appropriations/Allocations				
General Fund	\$0	\$0	\$96,000,000	\$130,688,000
Revenue				
General Fund	\$0	(\$14,738,110)	\$201,077,165	\$204,965,188
Other Special Revenue Funds	\$0	(\$775,690)	(\$156,381,280)	(\$149,612,814)
Transfers				
General Fund	\$0	(\$25,000,000)	\$0	\$0

Fiscal Detail and Notes

This amendment increases the General Fund cost of the bill by \$39,738,110 in fiscal year 2014-15, and reduces the General Fund cost of the bill by \$105,077,165 in fiscal year 2015-16 and \$74,277,188 in fiscal year 2016-17. It eliminates the transfers from the Maine Budget Stabilization Fund and the Tax Relief Fund to the General Fund unappropriated surplus contained in the bill. It increases the homestead property tax exemption from \$10,000 to \$50,000 or 50% of the just value of the homestead, requiring a General Fund appropriation to the Department of Administrative Services of \$96,000,000 in fiscal year 2015-16 and \$130,688,000 in fiscal year 2016-17. It also makes the following changes to General Fund revenue and transfers for Municipal Revenue Sharing and Tourism.

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Expand the sales tax base to certain services				
- General Fund	\$0	\$15,530,790	\$25,650,000	\$26,640,000

- Municipal Revenue Sharing	\$0	\$817,410	\$0	\$0
Increase sales tax on prepared meals and lodging				
- General Fund	\$0	\$6,515,100	\$48,674,245	\$48,656,288
- Municipal Revenue Sharing	\$0	\$342,900	\$0	\$0
- Tourism		\$0	\$325,755	\$2,433,712
Change the formula for the property tax fairness credit				
- General Fund	\$0	(\$36,784,000)	(\$29,954,115)	(\$22,377,626)
- Municipal Revenue Sharing		(\$1,936,000)	0	0
Repeals municipal revenue sharing effective July 1, 2015				
- General Fund	\$0	\$0	\$156,724,180	\$152,062,814
- Municipal Revenue Sharing		\$0	(\$156,724,180)	(\$152,062,814)