

MAINE STATE LEGISLATURE

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Date 6/22/23 Minority

L D 1743
(Filing No H-704)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
131ST LEGISLATURE
FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1122, L.D. 1743, "An Act to Eliminate the Personal Property Tax"

Amend the bill by inserting after section 39 the following

'Sec. 40. Study of related issues. The Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy shall study the impact of eliminating the imposition of property tax on personal property and shall report to the Joint Standing Committee on Taxation no later than February 1, 2024 regarding

1 The impact of the elimination of the tax on municipal revenue, including the impact of changes in state valuation and changes in the distribution of state-municipal revenue sharing and the impact on education funding and other calculations that involve consideration of state property tax valuation,

2 The identification of references to taxation of personal property in the Maine Revised Statutes that need to be repealed or amended,

3 The impact of provisions in the Constitution of Maine that affect the taxation of personal property, including the constitutional requirement under Article IV, Part Third, Section 23 of state reimbursement to municipalities of 50% of the tax loss attributable to property tax exemptions and the need for reimbursement under the mandate provision of the Constitution of Maine for additional costs imposed on municipal governments, and

4 The impact of the elimination of the property tax on personal property on the State's economy and the need for enactment or repeal of statutory provisions necessary or desirable to achieve and maximize the benefit of the elimination

The office shall include in its report any suggested legislation considered desirable to accomplish the goals of this Act. The committee may report out legislation to the Second Regular Session of the 131st Legislature related to the report.

Amend the bill in section 40 in the last line (page 9, line 39 in L.D.) by striking out the following: "2024" and inserting the following '2025'

COMMITTEE AMENDMENT

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COMMITTEE AMENDMENT "A" to H P 1122, L D 1743

1 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section
2 number to read consecutively

3 **SUMMARY**

4 This amendment delays the beginning of the elimination of the personal property tax
5 from property tax years beginning on or after April 1, 2024 to property tax years beginning
6 on or after April 1, 2025. It requires the Department of Administrative and Financial
7 Services, Bureau of Revenue Services, Office of Tax Policy to study the impact of
8 eliminating the imposition of property tax on personal property and to report to the Joint
9 Standing Committee on Taxation by February 1, 2024 regarding the impact of eliminating
10 the personal property tax and methods for maximizing the benefit of the elimination of the
11 tax

12 **FISCAL NOTE REQUIRED**
13 (See attached)



131st MAINE LEGISLATURE

LD 1743

LR 1009(02)

An Act to Eliminate the Personal Property Tax

Fiscal Note for Bill as Amended by Committee Amendment *A (H-704)*

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

Future revenue decrease - Municipalities

| | FY 2023-24 | FY 2024-25 | Projections FY 2025-26 | Projections FY 2026-27 |
|---------------------------|------------|------------|---------------------------|---------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | \$0 | (\$75,639,000) | (\$83,619,000) |
| Revenue | | | | |
| General Fund | \$0 | \$0 | \$75,639,000 | \$83,619,000 |

Fiscal Detail and Notes

This bill eliminates the imposition of taxes on personal property and repeals the business equipment tax exemption (BETE) and the Business Equipment Tax Reimbursement (BETR) program, effective for property tax years beginning on or after April 1, 2025

Repealing BETE and BETR will eliminate state reimbursement to municipalities under BETE and to taxpayers under BETR. This is anticipated to result in General Fund savings of \$75,639,000 in fiscal year 2025-26 and \$83,619,000 in fiscal year 2026-27. The fiscal note assumes that, consistent with the December 29, 2005 opinion issued by the Office of the Attorney General, state reimbursement to municipalities for 50% of lost personal property tax revenue is not required by Article IV, Part 3, section 23 of the Maine Constitution. However, given this bill eliminates the entire personal property tax, there is legal uncertainty as to whether the 50% reimbursement to municipalities would be required. If 50% reimbursement to municipalities is required, there would be a significant General Fund cost to reimburse municipalities which would offset the savings associated with BETR and BETE.

Eliminating the taxation of personal property will result in significant revenue loss to municipalities beginning in fiscal year 2025-26 due to the direct impact on property tax revenue and associated impacts on state funding provided to municipalities that is based on municipal valuations, including revenue sharing and state aid for education.