

MAINE STATE LEGISLATURE

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ACTS, RESOLVES AND CONSTITUTIONAL RESOLUTIONS

AS PASSED BY THE

One Hundred and Sixth Legislature

OF THE

STATE OF MAINE

Published by the Director of Legislative Research in accordance with the Revised Statutes of 1964, Title 3, Section 164, Subsection 6.

THE KNOWLTON AND MCLEARY COMPANY
FARMINGTON, MAINE
1973

Messages
of
Governor Kenneth M. Curtis
to the
One Hundred and Sixth Legislature
January 18, 1973
January 30, 1973

MESSAGE OF GOVERNOR KENNETH M. CURTIS TO THE ONE HUNDRED AND SIXTH LEGISLATURE

Honorable Members of the 106th Maine Legislature:

When people speak of their frustration and downright anger over taxes that never seem to recognize any other direction than up, inevitably expressed is a warning of a "taxpayers' revolt." The remarkable thing is that the people talking about this kind of revolt are hardly revolutionary types but are ordinary folks who work hard for a living and obey and support society's laws.

Not too long ago, just such a citizen by the name of John Serrano filed a complaint in a California court against how property taxes finance schools. He argued that the existing system denies poorer communities equal protection under the law by making the quality of education dependent upon the value of property. While a final decision from the United States Supreme Court is awaited on this subject, the California case of John Serrano has had nationwide effects.

It has demonstrated that the wisdom of the writers of tax laws is not absolute, that the tax structure is impeachable. It has dramatized that while taxes may not be avoidable they must be malleable to keep them from being unfair. Finally, it has forced government to pay more than lip service to tax reform. And government is showing that it is ready to respond to what the people are saying: that they expect to pay their way, so long as they can afford the fare and equal money buys equal passage. This was the message of Maine people in their historic three to one referendum vote to retain the state income tax.

They reaffirmed the fairest tax is that based upon ability to pay. In Maine, the worst scofflaw of this principle is the property tax.

Maine businesses, which also must pay real estate taxes, are doubly burdened by personal property taxes such as those on inventories. By taxing items on the shelf, regardless of whether they are turned into a profit or a loss, we stifle Maine commerce, make it uncompetitive with states without such levies and diminish the attractiveness of Maine as a place to do business.

The real estate tax, though useful as a base for raising revenue for certain local services, becomes regressive, because of its lack of uniformity and the blind and cold way it is levied, when relied upon to carry so enormous a weight as the cost of education. So long as this system remains unchanged, we shall perpetuate inequality in education and excessively and inequitably burden property owners on the basis of nothing other than the happenstance of residence.

The inequities of the real estate property taxes are numerous. Some assessors are well trained, others have no training at all. Of 1,500 assessors in Maine, only about 25 work fulltime. There are difficulties appraising certain types of property and keeping appraisals up to date. The property tax base varies widely from one municipality to another, causing wide disparities of tax rates on property of comparable value.

Low income persons pay their taxes at the same rate as the rich. Nor is any regard given to retired persons, the handicapped, the unemployed.

Against this background and the national concern over local property taxes and the development of Federal Revenue Sharing, the Legislature and I have authorized several related tax studies. A committee to study the tax structure of Maine was established by Legislative Order. The Maine Education Council has undertaken a cooperative analysis of public school financing with the Maine Municipal Association, the Department of Educational and Cultural Services and the Maine School Management Association. A fine report recommending a business taxation policy was developed by an advisory committee of business and professional leaders. To coordinate the findings of the several studies and evaluate all alternatives being considered in our sister states, the State Planning office engaged ESCO Research. ESCO's report, "State of Maine Government Finances, Relief and Reform" was made public and transmitted to the Legislature this week. Carrying out the recommendations in the ESCO report and other studies, as listed in Appendix II, would do much to establish a desirable economic policy in Maine and correct a number of adverse features in our present tax structure.

This is the opportune time for tax reform. For the first time in 20 years, we have a substantial amount of revenue available to help defray the additional State costs inherent in local property tax reform. Reform of public school finance will probably be ordered by the courts soon. Jobs are being lost and left uncreated because of our present tax policies which discriminate against Maine businesses and Maine industrial site locations. The Legislative and Executive branches of government have done their homework by authorizing comprehensive studies. The completed reports are in substantial agreement in urging more reliance on statewide general taxes. Maine people want tax reform and the platforms of both political parties pledge it. Maine communities are receiving more aid than ever before from the State. At the same time they are receiving Federal Revenue Sharing. It could be many more years before the conditions are so favorable to do something about reducing the property tax burden.

RECOMMENDED REFORMS — A MINIMUM APPROACH

Based on the several study reports out, and the most timely and important of the recommended reforms, I am proposing that this Legislature adopt a moderate but significant program that can be easily administered by the State and municipalities.

The School Fund

Basic operating funds for all public schools would be financed primarily by uniformly collected State taxes for administrative purposes. This proposal would become effective the second year of the biennium. The basic public school operating costs in the 1975 fiscal year of approximately \$183 millions are based on an average per-pupil cost of \$733 multiplied by the current school population of 249,522. Financing would be as follows:

| | |
|--|----------------|
| - State funds in the Current Service Budget for reimbursing public school operational costs. | \$ 59.4 |
| - Creation of a State school tax on property at 13 mills on 100% State valuation. | \$ 97.9 |
| - From the State Federal Revenue Sharing Fund | \$ 25.7 |
| TOTAL — | \$183.0 |

(Note: Additional allowance of \$2.5 million from State Federal Revenue Sharing Fund for adjustments while phasing in the State School tax program.)

How The State School Tax Works:

The State School Tax will be assessed upon the real estate in each municipality at a uniform rate of 13 mills on State valuation adjusted to 100% value. The tax will be assessed and collected in conformity with existing procedure for the collection of State taxes. The State Treasurer will issue warrants to each municipality to assess the required amount and remit them to the General Fund for subsequent distribution under a new school aid formula.

How The State Funds Are Distributed:

The State would phase the collection of the 13 mill levy by limiting the remitted increase in any one year. The proposal would also limit the amount of increased subsidy each year until the local system reaches the average per student level of \$733, \$630 per elementary student and \$945 per secondary school student. In addition to this distribution, the school units would be reimbursed for excess costs for vocational and special educational programs. The existing subsidies for transportation and construction would be continued at present levels. Those school systems now operating above the average per pupil cost would have their State aid frozen at that level. To ensure that our additional State funding will result in property tax decreases in **most** communities, municipalities would be subject to expenditure limits for education. Each municipality would be allowed to increase its expenditures but only **if approved by their town meetings or councils**. If adopted, this school finance reform would increase the State share of operating costs from non-property tax sources from the present 33 1/3% to 46%. I have included legislation to carry out these school financing recommendations in Appendix I of this message.

The full payment of school construction by the State is not a part of this proposal. Presently, we are paying the State's share of vocational and general construction from the \$50 million bond issue adopted four years ago. This Legislature may need to decide how to continue financing school construction and to assure that sufficient State funds are available for use during the 1976-77 biennium. This may require a new bond issue for the purpose of financing school construction.

Bureau of Property Taxation and Appeals Board

I am recommending an appropriation of \$100,000 for a new Bureau of Property Taxation to help to make the administration of property taxes as fair and effective as possible. As a further incentive toward equitable taxation, a Property Tax Appeals Board is included within the

Bureau to allow persons administrative review of their local assessment, subject to court appeal by either the taxpayer or the municipality.

The Elderly Householders Tax Relief Law

In addition to the measures mentioned above, I propose that the Elderly Householders Tax Relief Law be improved to increase benefits to Maine's senior citizens. Specifically, the income limit should be increased; the formula for computing the refund should be modified so as to tie it directly to the property taxes or rent charged; the age requirement should be reduced to 62 for both men and women, and the value of the homestead should be excluded in computing total assets.

These amendments to the existing law will provide additional relief to elderly householders and renters who have been particularly burdened by increasing property taxes. In addition, by relating the benefits directly to the amount of property taxes or rent paid, we will insure eligible applicants receive a refund that corresponds directly to their need.

Replace Local Business Inventory Taxes with State Funds

Fortunately, the preceding reforms can be accomplished with available state revenues to compensate for the overall reduction in the tax burden on real property. It might be tempting to stop our reforms at this point. But I think we should consider one additional step.

All studies and surveys have shown inventory type taxes to be pernicious to Maine's efforts to be competitive in marketing products and attracting new business and industry. The Advisory Committee on Business Taxation in its report of last September said that Maine businessmen rated the corporate income tax as far and away the most equitable of the various business taxes and inventory taxes to be the least equitable. While the corporate tax is based on ability to pay, the businessmen said, the inventory tax ignores profit or loss and thus retards expansion.

Accordingly, in addition to the relief granted to businesses through a general reduction of real estate taxes, I recommend that the Legislature seriously consider extending further tax relief to commerce by eliminating inventory type taxes, beginning July 1, 1974.

In order to prevent this reduction, estimated at \$15 million in the initial year, from eroding the municipal tax base, replacement funds must be found. They could be found in surplus; however, as a recurring expense, it would mean a built-in increase in State Revenue needs during the next biennium or in other municipal taxes that would contradict the intent of reform. Therefore, I propose that the replacement funds come from corporate income tax adjustments yielding \$10.9 million a year, \$1.6 million from the State Federal Revenue Sharing Fund and from anticipated increases in the present State-Local Revenue Sharing Fund. This would mean a net tax reduction of about \$4.1 million for Maine businesses, not counting the lower levies on their real estate.

Objectives Accomplished by Reform Proposals:

These priority tax proposals would go far towards accomplishing **four** important objectives.

First, to provide a more equitable and constitutional means of support of public schools by requiring that all taxable property contribute at an equal rate to pay these costs.

Second, to assure that children receive a good quality education regardless of the wealth of their communities as measured by property.

Third, to improve the balance of our tax system by reducing the overall property tax burden.

Fourth, to improve the business climate in Maine by eliminating the personal property tax on business inventories and reducing taxes on real property.

Tables I and II summarize the cost and funding of the proposal.

Table I
Cost of Tax Reforms
Fiscal Year 1975
(Millions of Dollars)

| | |
|--|---------------|
| 1. Provide all basic operating funds for Public Schools, starting in the second year of the biennium including \$59.4 million in Current Service Budget. | \$183.0 |
| 2. Exclude from personal property taxation such categories as inventories, stock in trade, and similar items; and reimburse municipalities, for the second year of the biennium: | \$ 15.0 |
| TOTAL COST: | <hr/> \$198.0 |

Table II
Recommended Methods of Funding Tax Reforms
For Fiscal Year 1975
(Millions of Dollars)

| | |
|--|---------|
| 1. Revenue from Uniform State Property Tax (13 mills on 1973 100% State Valuation). | \$ 97.9 |
| 2. Added Revenue from increase in the Corporate Income Tax Rate from 4% to 6%, with additional 4% Surtax on profits in excess of \$25,000. | 10.9 |
| 3. To be appropriated from State funds which will be available after funding Part I, Part II | |

| | |
|---|------|
| and the capital program recommended in my budget. | 29.8 |
| 4. School subsidy — current service. | 59.4 |

TOTAL FUNDING PROVIDED: \$198.0

FURTHER REFORMS

As previously stated, I view the preceding recommendations as a modest beginning. If this Legislature chooses to go beyond my proposals, the following reforms might be instituted to further reduce the property tax and improve our tax structure.

1. To more nearly approximate the goal of full-funding of public education by the State, the cost of public school transportation should be totally State funded. This would require \$3.3 million in new funds in addition to the \$13.7 million now in the biennial budget

2. The Maine poll tax on males should be eliminated as it is regressive, discriminatory and expensive to collect. The tax now yields about \$650,000 each year.

3. During the last session of the Legislature a bill was introduced to bring the State Income Tax standard deductions into conformity with those of the Federal Income Tax law. Although enactment would decrease the amount of State Income Tax yield by about \$2.5 million, most beneficiaries would be relatively low income persons.

4. There is support for legislation to amend the Sales and Use Tax law to exempt machinery and industrial equipment used in producing tangible goods. The cost of this exemption would be about \$5 million a year. The gain in encouraging capital investment should exceed the apparent loss of revenue.

5. A number of states have attempted to give assistance to parents of children who have chosen to attend private schools. The ESCO report recommends that the State Legislature provide a tuition credit, amounting to not more than 70 percent of the tuition paid for each of the estimated 12,000 children whose parents are residents of Maine and who are enrolled in private schools, grades kindergarten - 12 with a maximum credit of \$200 per enrolled child.

6. Two years ago we adopted a "Circuit Breaker" type of tax and rent relief for low income persons over 65. According to our reports our social system would be made more fair if a 20 percent rental relief subsidy were provided for those 30 percent of Maine's residents who live in rental units. This would help compensate people who rent in the same manner that the proposed property tax relief will assist homeowners.

7. During the 103rd and 104th Legislatures, bills were introduced to improve the administration of the local property tax by providing for assessing districts and full-time professional assessors. This needed reform has not taken place and remains high on the agenda of this or subsequent Legislatures.

8. Legislation enacted during the past 153 years has exempted many categories of real estate from Property Taxation. Most of the exemptions may have been justified at the time of enactment, but circumstances have changed, making some of them no longer advisable.

As the entire problem is too complex for specific recommendations at this time, I suggest that this Legislature fund an adequate study so that a definite proposal may be made to the 107th Legislature.

These are but a few alternatives that may face you as you deliberate and improve a tax policy for the State of Maine. I believe they reflect considerable judgment on measures that would help us achieve a tax system that encourages **economic growth, equity, constitutionality** and **good administration**. Other proposals will be made which I'm sure deserve your attention and consideration.

IMPACT ON MUNICIPAL BUDGETS

In conclusion, I wish to point out the impact of my minimum tax reform proposals and budget recommendations on municipal budgets during the second year of the biennium, fiscal year 1975, over the current year, fiscal year 1973.

| | Gain 1975 |
|--|----------------------|
| Support of Schools Under Current Law | \$13.1 |
| State-Local Revenue Fund Increase | 2.4 |
| Loss of Personal Property Tax Revenue | (15.0) |
| Gain from Corporate Income Tax Adjustments | 10.9 |
| State Share of Federal Revenue Returned to Towns for Schools | 29.7 |
| Increased Local Share of Federal Revenue Sharing | 2.5 |
| <hr/> | |
| Total Gains to Municipalities in 1975 including Federal and State Revenue Sharing | \$43.6 Million |
| Reduction in Municipal Tax Load 20% (% of \$215 million) | |

To summarize, if my tax reform proposals and budget recommendations are adopted, the average Municipal Tax burden would be reduced by 20% in the fiscal year starting July 1, 1974. And, if municipalities apply one-half of their \$20.8 million annual portion of Federal Revenue Sharing for current expenditures paid by local taxes, the combined reduction in the 1975 fiscal year would amount to approximately \$53 million or an average 25 percent reduction of the current property tax load.

To accomplish the aim of Federal Revenue Sharing, I have recommended to the Legislature that all the State's share of about \$38.6 million for the next biennium be expended to support municipal activities, with about \$28.7 million used to support public schools which would otherwise have to be raised through local property tax collections. The balance of \$9.9 million of the State share of Federal Revenue is budgeted for teacher retirement costs and part of loss of local inventory tax revenue.

I believe it is time to begin to set our tax system in order. I have emphasized the highest priority items as I see them. I am not wedded

to any single tax change or concept, other than the desire to join with you in modifying our present tax structure. Let us make the long-awaited beginning.

APPENDIX I

AN ACT Providing For Financing Operating Costs of Public Schools.

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

Section 1. Payment of Basic Operating Costs for Public Schools by the State.

R. S., T. 20 § 3731 to 3734 inclusive of Title 20 of the Revised Statutes is repealed and the following enacted in place thereof:

3711. Intent

To insure a relatively equal educational opportunity to all public school students, to provide a significant measure of relief to property tax payers and to distribute the tax burden more equitably, it is declared that it be the intent of the Legislature that the State provide all basic operating funds for public schools. The basic operating cost subsidy will be derived from existing General Fund tax sources and from revenues generated by a new source of undedicated General Fund revenue, a state property tax applied at a uniform rate upon the State valuation. Municipalities shall continue to raise and appropriate funds for non-operational costs.

3712. Definitions

Adjusted Elementary Per Pupil Operating Cost: Elementary shall include a two year childhood educational program as defined by Title 20, § 859, through to grade 8. Adjusted elementary per pupil operating cost shall mean the elementary per pupil operating cost established by the Commissioner of Educational and Cultural Services. The current adjusted elementary per pupil operating cost shall be Six Hundred Thirty Dollars (\$630.00) for the 1974-75 fiscal year.

Adjusted Secondary Per Pupil Operating Cost: Secondary shall include grades 9 through 12. Adjusted secondary per pupil operating cost shall mean the secondary per pupil operating cost established by the Commissioner of Educational and Cultural Services. The current adjusted secondary per pupil operating cost shall be Nine Hundred Forty-Five Dollars (\$945.00) for the 1974-75 fiscal year.

Average Number of Enrolled Students: Average number of enrolled students in reference to elementary or secondary pupils shall mean the average number of pupils officially registered or enrolled, regardless of whether such pupils are in actual attendance, on October 1st and April 1st of each school year.

Excess Operating Costs: Excess operating costs are defined as expenditures in excess of the adjusted elementary and secondary per pupil operating cost and applicable Federal subsidies, if any.

Operating Costs: Operating costs shall include all items except transportation, community services, capital outlay items, debt service and excess operating costs.

Special Education for Subsidy Purposes: Special Education for subsidy purposes shall include educational programs for the benefit of mentally or physically handicapped children.

Vocational Education for Subsidy Purposes: Vocational Education for subsidy purposes shall mean training in trade, industrial, agricultural, technical and service occupations. It shall not include business education, consumer education or home economics programs.

3713. Computation

The State shall pay a subsidy covering the basic operating cost for public school education to each eligible administrative unit. The basic operating cost subsidy paid to each administrative unit shall total the following:

- A. The product of the average number of enrolled elementary pupils by the adjusted elementary per pupil operating cost.
- B. The product of the average number of enrolled secondary pupils by the adjusted secondary per public operating cost.
- C. The excess operating cost for special education during the current year.
- D. The excess operating cost for vocational education during the current year.

E. Excess operating cost attributable to the geographic isolation of an administrative unit.

3714. Adjustments

Deficiency Adjustments: Administrative units expending less than the adjusted elementary and secondary per pupil operating cost in the school year 73-74 shall be raised to the adjusted subsidy level over a three year period as follows:

A. For the school year 74-75 such school administrative units shall receive one hundred and seven per cent (107%) of the amount expended per pupil in 73-74, plus one-third of the difference between that amount and the adjusted elementary and secondary per pupil operating cost.

B. For the school year 75-76 such units shall receive one hundred and seven percent (107%) of the 74-75 subsidy, plus one-half of the difference between that amount and the adjusted elementary and secondary per pupil operating cost.

C. For the school year 76-77 and subsequent years, such units shall receive the full subsidy.

Expenditures in Excess of Subsidy: Administrative units expending more for operating costs per elementary and secondary pupil for the school year 73-74 than the adjusted State elementary and secondary per pupil operating cost shall be paid the difference until such time as the adjusted State elementary and secondary per pupil operating costs equals or exceeds the expenditures for operating costs of such unit for elementary and secondary pupils for the school year 73-74.

3715. Biennial Review

The commissioner shall biennially compute the per pupil operating costs for both elementary and secondary schools based upon audited reports from the various administrative units. These per pupil costs shall become the basis for the preparation of the biennial budget. The established adjusted elementary and secondary per pupil operating cost subsidy shall be applicable for the next two fiscal years of the State, July 1st to June 30th.

3716. Payment

One-twelfth of the subsidy reflecting adjusted elementary and secondary per pupil operating costs and estimated excess, special, vocational costs and costs attributable to geographic isolation shall be paid to the treasurer of each eligible administrative unit each month. Adjustments reflecting actual excess special education, vocational education costs and costs attributable to geographic isolation shall be made with the applicable administrative units during the last month of the State's financial year. Unexpended subsidy balances at the end of the fiscal year of any administrative unit may be carried forward and credited to the subsidy for the subsequent year in an amount not in excess of ten per cent (10%) of the total subsidy. Unexpended balances in excess of ten per cent (10%) shall be returned to the State Treasurer, except for unexpended balances reflecting municipally contributed "cost-of-living" increases.

3717. Appeal

The basic operating cost subsidy allocated to an administrative unit may be appealed to the State Board of Education by the School Committee or Board of Directors of an administrative unit. The Board of Education shall review the appeal and shall have the power to revise the total operating subsidy in conformity with the provisions of this subchapter. The Board of Education's decision shall be final.

3718. Rules and Regulations

The State Board of Education may make all rules and regulations necessary to administer the provisions of this chapter.

3719. Cost of Living Increase

Municipalities may raise and appropriate funds to provide a "cost-of-living" increase supplementing the basic operating cost subsidy. Such increase shall not exceed seven percent (7%) of the current operating cost subsidy allocable to the applicable administrative unit.

3720. Municipality's Responsibility for Non-Operating Cost.

Municipalities shall raise and appropriate money for all non-operating costs including, but not limited to, construction costs, debt service, transportation and community services in conformity with the statutory power of appropriation as provided in Chapter 241, Title 30, Section 5104 of the Maine Revised Statutes as Amended.

Section 2. R. S., T. 36 § 453, repealed and replaced. Section 453 of Title 36 is repealed and replaced by the following section:

Section 453. Payment of State Tax by Municipalities.

The Treasurer of State, in his said warrants, shall require the said mayor and aldermen, selectmen or assessors, respectively, to pay or to issue their several warrants requiring the collectors of their several municipalities to collect and to pay to the treasurers of their respective municipalities the sums against said municipalities required by this subchapter.

Said municipal treasurer shall pay to the Treasurer of State on or before the 1st day of December next, the following sum:

A. If the amount expended by said municipality for the school year 1973-74 for elementary and secondary school operating costs equals or exceeds the revenue yield of a mill rate of 10.5 (applied to a 100% valuation as determined by the State Tax Assessor) said municipal treasurer shall pay a sum equivalent to 13 mills applied to a 100% valuation as determined by the State Tax Assessor, from the proceeds of the tax assessed under Section 451, or

B. If the amount expended by said municipality for the school year 1973-74 for elementary and secondary school operating costs is less than the revenue yield of a mill rate of 10.5 applied to a 100% valuation as determined by the State Tax Assessor, said municipal treasurer shall each year pay a sum equivalent to the following:

(1) the mill rate (applied to a 100% valuation as determined by the State Tax Assessor) equivalent to the revenue yield of the amount expended by such municipality for the school year 1973-74 for elementary and secondary school operating costs plus (2) an increment increase of 2.5 mills (applied to a 100% valuation as determined by the State Tax Assessor) for the initial and each successive year until the sum of (1) and (2) total 13 mills, from the proceeds of the tax assessed under Section 451.

The balance of the sums so assessed in each municipality shall be disbursed by the treasurer thereof for necessary expenses of local government as determined or appropriated for the public welfare within the purposes specified in Title 30 which title sets forth these purposes for the public welfare for which municipalities are themselves authorized to raise money by taxation.

C. For the year 1974, the municipal treasurer shall pay $\frac{1}{2}$ of the sum provided for in subsection A or B, whichever is applicable to the State Treasurer.

Section 3. R. S., T. 36, § 891-A, additional. Title 36 is amended by adding a new section, 891-A to read as follows:

Section 891-A. School Subsidies Withheld from Delinquent Municipalities.

When any state tax assessed upon any city, town or plantation remains unpaid, such city, town or plantation may be precluded from drawing from the State Treasurer the school subsidy set apart for such city, town or plantation so long as such tax remains unpaid.

APPENDIX II

MAJOR FINANCIAL REFORMS PROPOSED BY RECENT STUDIES

| TAXATION REFORM PROPOSALS: | RECOMMENDATION BY: | | | | | | |
|---|--------------------|--|---|---------------------------|-------|-----------------------------------|--------------|
| | ESCO Report 1 | Task Force on Municipal and State Revenues 2 | Advisory Committee on Business Taxation 3 | Maine Education Council 4 | AIM 5 | Bureau of Public Administration 6 | ARCO Study 7 |
| 1. State provide all basic operating funds for public schools. | X | | | X | | | |
| 2. Fund the entire cost of transportation for public school pupils. | X | | | X | | | |
| 3. Provide a measure of tuition credit for parents of private school children. | X | | | X | | | |
| 4. Eliminate selected personal property tax classifications and reimburse the municipalities. | X | X | X | | | | |
| 5. Eliminate the Bank Stock Tax. | X | | | | | | |
| 6. Amend the Sales and Use Tax Law to exempt machinery and equipment used directly and solely in the manufacture of tangible personal property for sale or in research and development. | X | | X | | | | |
| 7. Provide a measure of rent relief through a cash subsidy for tenants. | X | | | | | | |
| 8. Eliminate the Poll Tax. | X | | | | | | |
| 9. Bring State Income Tax standard deduction into conformity with Federal Income Tax standards. | X | | | | | | |
| 10. Establish a uniform State property school tax based on State valuation. | X | | | X | X | | |
| 11. Establish or increase the State Corporate Income Tax. | X | X | X | | | | X |
| 12. Establish or increase the State Personal Income Tax rates. | X | X | | | | | X |
| 13. Increase the revenue from the Sales and Use Tax by broadening the base or increasing the rate. | X | X | | | | | X |
| 14. Establish a Property Tax Bureau within the Department of Finance and Administration. | X | | | | | X | |
| 15. Establish a State Board of Property Tax Appeals. | X | X | X | | | X | |

TAXATION REFORM PROPOSALS:

16. Undertake Land Use Tax study, similar to Vermont.
17. State should provide unrestricted grants-in-aid to municipalities.
18. State should raise municipal debt limits.
19. State should encourage increased use of bonding for capital improvements.
20. State should insure equitable and uniform assessment practices.
21. State provide reasonable homestead property tax relief in cases of need.
22. Eliminate non-business personal property taxes.
23. Elimination of property tax exemptions for profit-making activities.
24. Eliminate part-time assessors.
25. Replace property tax on utilities with a gross earnings tax.
26. State takeover of all costs of school construction.
27. Mandated school districts for small units.
28. Create a Financial Planning Unit.
29. Improve training of assessors.

RECOMMENDATION BY:

| ESCO Report 1 | Task Force on Municipal and State Revenues 2 | Advisory Committee on Business Taxation 3 | Maine Education Council 4 | AIM 5 | Bureau of Public Administration 6 | ARCO Study 7 |
|---------------|--|---|---------------------------|-------|-----------------------------------|--------------|
| X | X X X X X X | X X X X | X | | X | |
| X | X | | X | X | | |
| X | X | X | | | X | |
| X | X | X | | | X | |

1. ESCO Report, *State of Maine Government Finances, Relief and Reform*, 1972.
2. *Report of the Citizens Task Force on Municipal and State Revenues*, 1968.
3. Advisory Committee on Business Taxation, *Report*, 1972.
4. Maine Education Council, *The State Investment in Maine Education*, 1968, and Report on School Finances, 1973.
5. Associated Industries of Maine, *Legislative Project, 1970*, Legislative Research Committee of the 104th Legislature, 1970.
6. Bureau of Public Administration, *A Study of Property Tax Administration*, 1969.
7. ARCO, Inc., *The Maine Economy and Its Revenue Resources*, Legislative Research Committee, 1967.