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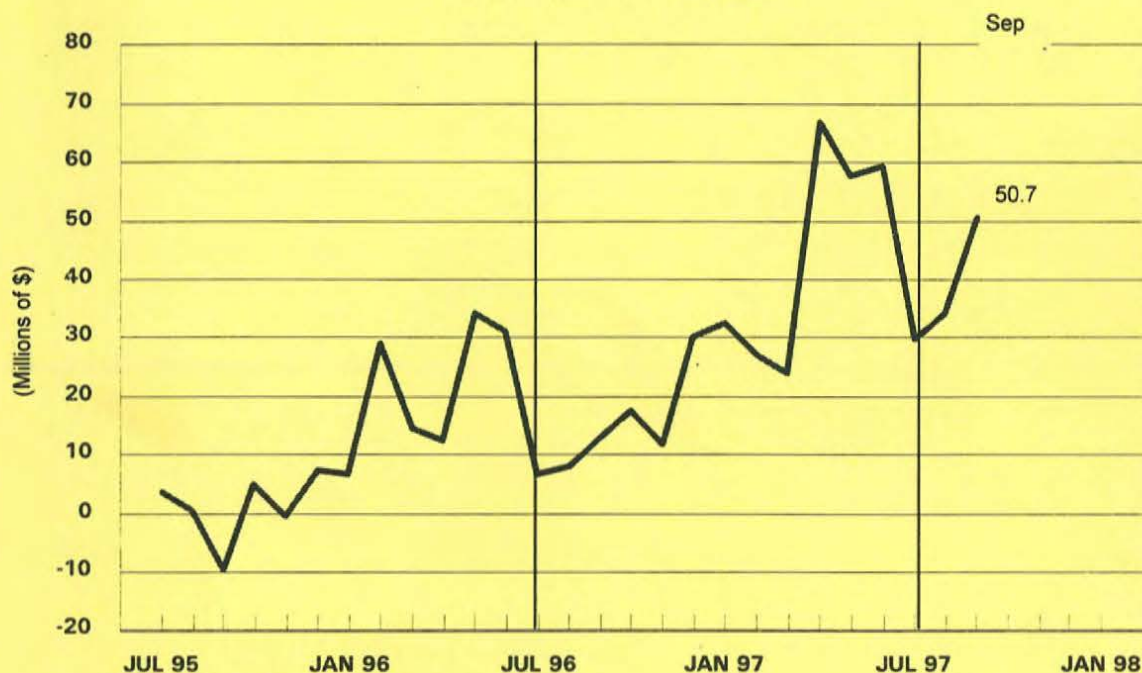
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REPORT OF THE MAINE STATE REVENUE FORECASTING COMMITTEE

December 1997

General Fund Revenues Fiscal Year-to-Date Surplus



Source: Maine Controller's Office

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REPORT OF THE MAINE STATE
REVENUE FORECASTING COMMITTEE

I. EXECUTIVE SUMMARY

II. OVERVIEW

- A. Background of the Revenue Forecasting Committee
- B. Methodology
- C. Underlying Assumptions
 - 1. Current Tax Law
 - 2. Consensus Economic Forecasting Commission

III. FY 1998 THROUGH FY 2001 REVENUE REPROJECTIONS

- A. General Fund
- B. Highway Fund
- C. Tax Relief Funds

Detailed Forecast Tables

IV. CONCLUSION

APPENDICES

- A. Tax Relief Fund for Maine Residents
- B. Shipbuilding Facility Credit
- C. Tobacco Tax Relief Fund
- D. Federal Taxpayer Relief Act
- E. Back-up Materials for November 4, 1997 Committee Meeting

I. EXECUTIVE SUMMARY

This report summarizes the Maine State Revenue Forecasting Committee's reprojections of General Fund, Highway Fund and Tax Relief Funds revenues for FY 1998 through FY 2001. As Table 1 highlights and this report details:

- Given the \$60 million General Fund surplus in FY97 and the first-quarter FY98 positive variance of \$45 million, the Consensus Economic Forecasting Commission met in October to review the underlying economic activity and the Revenue Forecasting Committee met in November to determine if a revision of its biennial forecast would be necessary.
- The Consensus Economic Forecasting Commission reported that economic conditions have improved dramatically during calendar 1997 in Maine, but the growth would likely slow through the following four years. Minimal population increases and extremely tight labor market conditions in southern Maine will constrain employment growth in the years ahead.
- Continued strength in the stock market has helped to bolster both the Individual Income Tax and the Estate Tax collections.
- The Federal Taxpayers Relief Act of 1997 (see Appendix D) could add as much as \$45 million to Maine's Tax Revenues over the upcoming four year period, with the largest impact likely to occur in FY98 and FY99.
- **With the combined positive effects of a stronger local economy, a surge in stock market activity, and a revision of the Federal Tax Laws that will benefit Maine tax rolls, the Revenue Forecasting Committee decided to reproject revenues upward in each of the 4 fiscal years 98-01.**
- Actions of the 118th Maine Legislature in both the First Regular and the First Special Session led to the creation of two new Tax Relief Funds and dictated into which funds this Committee's reprojections would flow (see Section II-C-1 of this report).
- The Committee's revisions are detailed below in Table 1.

TABLE 1

Reprojection by Revenue Fund
(millions of dollars)

General Fund	22.7	6.6	59.2	59.6
Highway Fund	-0.1	-0.1	-0.1	-0.1
Tax Relief Funds	56.6	56.8	0.8	0.0
Revenue Sharing	3.6	3.2	3.1	3.1
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TOTAL	82.8	66.5	63.0	62.6

- The Committee made a very minor technical adjustment to the Highway Fund in each year.
- Although the Revenue Forecasting Committee forecasts changes in the Sales, Individual Income and Corporate Income Tax lines **net** of Revenue Sharing with the municipalities, the current decision of this Committee to raise both the Individual and Corporate Income Tax projections does have implications for Revenue Sharing. Because the 5.1% Revenue Sharing takes place before excess or new monies are funneled into the General Fund or the Tax Relief Funds, municipalities are estimated to benefit by over \$3 million in each of the upcoming four years.
- Given the dynamic nature of the revenue streams and the many forces that propel and shape the growth in individual tax lines, it is extremely difficult to isolate “one-time” money as opposed to sustainable increases to the base. That said, in looking at the 4-year period FY98-FY01, one could infer that the diminishing level of our reprojections in each year from \$83 million in FY98 to \$63 million in FY01 suggests that approximately \$20 million is not likely to be ongoing.

II. OVERVIEW

A. Background of the Revenue Forecasting Committee

The Revenue Forecasting Committee was established by Governor John R. McKernan, Jr. on May 25, 1992 by Executive Order 14 FY91/92 in order to provide the Governor, the Legislature, and the State Budget Officer with an analysis and recommendations related to the projection of General Fund and Highway Fund revenue. Its creation was in response to a recommendation by the Special Commission on Government Restructuring. Committee membership includes the State Budget Officer, the State Tax Assessor, the State Economist, the Director of the Office of Fiscal and Program Review, and an economist on the faculty of the University of Maine System selected by the Chancellor.

The original Executive Order calls upon the Revenue Forecasting Committee to submit recommendations for State revenue projections for the upcoming fiscal biennium, as well as adjustments to current biennium General Fund and Highway Fund revenue estimates. In accomplishing its task, the Committee is directed to utilize the economic assumptions developed by the Consensus Economic Forecasting Commission.

In 1995, PL 1995, c. 368 enacted in statute the Consensus Economic forecasting Commission and the Revenue Forecast Committee, adopting both the structure and the intent of the original Executive Order.

B. Methodology

Both the General Fund and the Highway Fund revenue projections are actually an aggregation of several individual revenue line forecasts. There are over two dozen revenue lines which comprise total General Fund revenue and a half dozen components which sum to total Highway Fund revenues. Since each of these individual revenue lines is distinctly different in terms of size (and thus relative importance to total revenue) and factors that influence growth (such as tax law, economic growth, interest rates, size of lottery jackpot, number of patrolmen, etc.), the Committee uses different approaches for evaluating various revenue line forecasts.

In order to ensure that the Committee's review process is as efficient and effective as possible, it divides its revenue line review into three parts:

- Major revenue lines directly tied to economic activity
- Major revenue lines tied to other "non-economic" factors
- Minor revenue lines

In general, major revenue lines directly tied to economic activity are forecast using econometric equations. These equations define a mathematical relationship between historical revenue growth and relevant economic trends, then project revenue growth based on the defined relationship and expected future performance of the economic

variable chosen. For example, revenues derived from the collection of individual income tax are very closely tied to growth in Maine personal income. Thus, an equation is estimated that defines income tax revenue in terms of personal income, then the forecast of personal income growth in Maine is used to estimate future income tax collections. The Revenue Forecasting Committee then reviews the equation, the underlying economic assumptions and the overall revenue forecast level to ensure that they are logical and plausible given our knowledge of current economic conditions and revenue growth. It is the Committee's understanding, and truly the spirit of "consensus forecasting", that model results need not be blindly accepted and should be closely examined.

Both the major revenue lines tied to other "non-economic" factors and the minor revenue lines are generally prepared by the department or agency responsible for collecting the particular revenue stream. Their experience with and expertise in tracking revenue growth is used in place of an equation to project future revenue activity. For example, the level of participation in Maine's lottery is not easily or clearly tied to any particular economic indicator, like income or employment. Revenue derived from lottery ticket sales can, however, be projected based on past lottery sales and the likelihood of a large jackpot occurring within a twelve month period. Therefore, the Department of Finance and Administrative Services reviews past lottery trends and estimates the lottery's revenue performance over the upcoming biennium. Additional factors which are reviewed by the Committee include the projected Cost of Goods Sold and Administrative Expense to arrive at an estimated Net Profit to be transferred to the General Fund. The Revenue Forecasting Committee then reviews their forecast to ensure that their logic is sound and to ensure that this particular line forecast is consistent with expectations for other revenue lines.

When preparing a formal review of the biennial budget to decide if revisions are necessary, the Revenue Forecasting Committee uses a similar, though streamlined, process. As this report explains in greater detail, the reprojections put forth in this report are the result of a thorough review of the major revenue lines that, as of the end of the first full quarter of FY98, varied significantly from their original budget.

C. Underlying Assumptions

1. Current Tax Law

The Revenue Forecasting Committee bases all revenue projections on current tax law. The Committee does not attempt to second-guess how the law may be changed during the upcoming Legislative session.

In this particular forecast, the use of "Current Tax Law" has two implications:

Tax Relief Fund for Maine Residents and “An Act to Encourage Major Investments in Shipbuilding Facilities and to Encourage the Preservation of Jobs”

In the First Regular Session of the 118th Maine Legislature, a Tax Relief Fund for Maine Residents was created (Public Law Chapter 24, Sec.E-1 5 MRSA subsection 1518 - see Appendix A). This law specifies that any amount of individual income tax revenue collected in excess of the official forecast as of January 1997 for FY98 (\$724,428,622) and for FY99 (\$758,621,653) shall be deposited into the newly created Tax Relief Fund for Maine Residents. Therefore, the Revenue Forecasting Committee assumed that any upward revision of the Individual Income Tax Line in these 2 years would accrue to the Tax Relief Fund rather than the General Fund, with one exception. During the First Special Session of the 118th Legislature, lawmakers enacted An Act to Encourage Major Investments in Shipbuilding Facilities and to Encourage the Preservation of Jobs, (see Appendix B) which caused the official FY99 forecast of Individual Income Tax to be revised downward \$949,000. Thus, as of the late spring of 1997, the official forecast of Individual Income Tax for FY99 was \$757,672,653 rather than the \$758,621,653 that had been specified for triggering deposits into the Tax Relief Fund. **Because of this, the Revenue Forecasting Committee assumes that the first \$949,000 of our total upward revision of \$56,165,360 will accrue to the General Fund, and the remaining \$55,216,360 will go into the Tax Relief Fund in FY99. The Committee’s understanding of the law is that the entire amount of our upward revision to the Individual Income Tax line in FY00 and FY01 would accrue to the General Fund.**

Tobacco Tax Relief Fund

In the First Special Session of the 118th Maine Legislature, “An Act to Discourage Smoking, Provide Tax Relief and Improve the Health of Maine Citizens” was passed and put into Public Law Chapter 560, Part A. As Appendix C explains in greater detail, this law increased the tax on a package of cigarettes by 37 cents. Further, the law (Sec. A-1 22 MRSA subsection 1546) specifies that in both FY98 and FY99, all revenues in excess of the original projection of the Revenue Forecasting Committee (the original forecast did not include the tax increase) would be placed in the Tobacco Tax Relief Fund. In subsequent years, it appears that any Cigarette Tax Revenue in excess of the original FY99 budget less 3% each year thereafter will also be deposited in the Tobacco Tax

Relief Fund. **Therefore, for the purposes of this reprojection, the entire upward revision of the Cigarette and Tobacco Tax line was assumed to be placed in the Tax Relief Fund rather than the General Fund.**

2. Consensus Economic Forecasting Commission

As directed by the originating Executive Order and the subsequent statute, the Committee closely examined the economic assumptions developed by the Consensus Economic Forecasting Commission. Economic assumptions were used by the Committee in two ways. First, projected employment, income and inflation changes were used directly in the sales and income tax revenue estimating models maintained and operated by the Maine Revenue Service. Second, Committee members assessed revenue trends predicted by models and by other agencies against economic expectations offered by the Consensus Economic Forecasting Commission.

The Consensus Economic Forecasting Commission met October 14, 1997 to prepare the economic assumptions that would become the basis of the Revenue Committee's revenue reprojections. Given that Maine's economic well being is so highly dependent on national economic activity, the Commission examined national economic trends and projections. They concluded that growth over the upcoming 5 years would be modest, at best, but a recession was unlikely. The Commission also concluded that inflation would be kept in check over the foreseeable future and would likely be even lower than they had originally forecast last December. They restated their belief that CPIU would not rise above the 3.5% threshold that triggers the indexing of Maine's individual income tax.

The majority of the Commission's deliberations focused on the current condition of and outlook for the Maine economy. A review of Maine's economic indicators raised many questions. Although the economic data were much improved since the Committee had last met in December of 1996, the data were still giving mixed messages as to Maine's current economic health and the sustainability of the recent surge in the statistics. On the positive side, the national outlook was for continued expansion, which bodes well for Maine as we tend to track U.S. economic performance quite closely. There was also a good deal of evidence that the southern and coastal counties were experiencing a fairly strong recovery and tight labor market conditions were beginning

to develop. Sales, individual income and corporate income taxes were all up and retail sales continued to grow. On the flip side, bankruptcy filings had been growing exponentially and those qualifying for food stamps remained at relatively high levels. Based on the significant upward revision of the 1996 employment data, the relatively low unemployment rates thus far in 1997 and the newfound strength in personal income growth, the Commission decided to revise both its employment and personal income projections upward throughout much of the forecast period. The largest revision was to employment growth in 1997 as the Commission changed their original outlook from 0.7% to 1.5%. Once the starting point had been revised upward, the Commission decided to basically keep the growth path they had originally projected, with only a minor revision upward in 2000 and 2001. In terms of personal income, the Commission changed its original estimate of growth in 1997 from 5.0% to 6.0% to reflect current income trends. In addition, each of the subsequent years was revised upward from the original projection of 5% annual growth to 5.5% in 1998 and 5.3% thereafter.

The Revenue Forecasting Committee directly adopted the Economic Commission's forecast of income and employment growth and inflation and incorporated these assumptions into our revenue forecasting models. Thus, the economic growth assumptions underlying these revenue reprojections are as follows:

TABLE 2
UNDERLYING ECONOMIC ASSUMPTIONS

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
ME Wage & Salary Employment	1.5%	1.0%	1.2%	1.2%	1.2%
ME Personal Income (Nominal)	6.0%	5.5%	5.3%	5.3%	5.3%
U.S. Consumer Price Index	2.7%	2.9%	3.0%	3.0%	3.0%

The members of the Consensus Economic Forecast Commission are listed below:

Charles Colgan, Chair - Muskie Institute

Leon Bein - KeyBank
John Davulis - CMP

Michael Donihue - Colby
Robert McMahon - USM

III. FY1998 THROUGH FY2001 REVENUE REPROJECTIONS

The Tables that follow include the complete detail of the Revenue Forecasting Committee's Reprojection of General Fund, Highway Fund, and Tax Relief Fund revenues for FY98-FY01. Table 3 contains the original budget projections, Table 4 provides the line by line revisions to each fund and Table 5 is the sum of Tables 3 and 4 and shows the new, reprojected levels. The paragraphs below explain the Committee's decision to reproject various revenue lines and highlight into which fund the rejections will accrue.

Please note, although the Revenue Forecasting Committee forecasts changes in the Sales, Individual Income and Corporate Income Tax lines net of Revenue Sharing with the Municipalities, the current decision of this Committee to raise the Individual and Corporate Income Tax projections does have implications for Revenue Sharing. **Because the 5.1% Revenue Sharing takes place before excess or new monies are funneled into the General Fund or the Tax Relief Fund, municipalities are estimated to benefit by over \$3 million in each of the upcoming 4 years.**

A. General Fund (net of Revenue Sharing)

REPROJECTION	FY98	+\$22.7 million
	FY99	+\$ 6.6 million
	FY00	+\$59.2 million
	FY01	+\$59.6 million

The Committee recommends that General Fund revenues be reprojected upward in each of the four years FY98-FY01. As TABLE 4 shows, a number of individual revenue lines were revised either upward or downward by over a million dollars. Highlights of the Committee's discussions follow:

Sales and Use Tax :

No Revision Recommended at This Time

Although fiscal year-to-date September sales tax collections were running 3% ahead of original projections, the Committee decided not to revise its forecast at this time. Weak sales tax performance over the prior two years and the volatile nature of this revenue source suggested that a reexamination in February would be the more prudent course to take.

Individual Income Tax :

REPROJECTION	FY98	+\$ 0 million
	FY99	+\$ 1.0 million
	FY00	+\$55.0 million
	FY01	+\$56.8 million

According to the Maine Revenue Service, Individual Income Tax receipts in FY 1997 were 6% above budget and fiscal year-to-date September 1997 figures indicated a continuation of this trend with tax receipts being \$12.9 million (or 8%) above budget. With the recent performance of this revenue source as compared to the original budget and an outlook for growth in Maine Personal Income that increased significantly in 1998 and somewhat in the remaining years of the forecast period, the Committee recommends that upward revisions in the Individual Income Tax projections of \$54.9 million, \$56.2 million, \$55.0 million and \$56.8 million in FY 1998 through FY 2001 respectively be adopted. **As Section II - C - 1 of this report explains, all of the FY98 revision and most of the FY99 revision accrue to the newly created Tax Relief Fund for Maine Residents.**

Corporate Income Tax:

REPROJECTION	FY98	+\$11.5 million
	FY99	+\$ 3.8 million
	FY00	+\$ 2.0 million
	FY01	+\$ 0.8 million

Corporate Income Tax receipts during FY 1997 were also significantly above original budget levels. In addition, Fiscal 98 year-to-date September Corporate Income Tax revenues are \$15.6 million above the original FY 1998 budget. Noting the highly volatile nature of this revenue stream and recognizing that nearly one-half of the year-to-date surplus in this line is due to one-time events (a large audit), the Committee decided that the forecast of this tax line should be revised upward significantly in FY98 but see smaller revisions in the years that follow.

Cigarette and Tobacco Tax:

Committee Revision has no General Fund Impact

Public Utilities Tax:

No Revision Recommended at This Time

Insurance Companies Tax:

No Revision Recommended at This Time

Estate Tax:

REPROJECTION	FY98	+\$12.9 million
	FY99	+\$ 2.5 million

FY00 +\$ 2.4 million
FY01 +\$ 2.3 million

As of September, fiscal year-to-date Estate Tax collections were \$11.6 million over budget. Given that nearly 100% of the annual forecast for this revenue line has been collected in the first quarter alone, the Committee doubled its original estimate of Estate Taxes to be collected in FY98. The large reprojection in FY98 is due to several extraordinary estates being settled. It is the Committee's belief, however, that much of the ongoing increase in this revenue line is due to the strong stock market activity which has increased the value of people's portfolios. The Committee was unwilling to speculate on how long the high level of stock market activity would continue and was, therefore, a bit more cautious in the outer years.

Property Tax - Unorganized Territories:

REPROJECTION	FY98 -\$2.3 million
	FY99 -\$0.9 million
	FY00 -\$1.7 million
	FY01 -\$1.7 million

The Revenue Forecasting Committee decided to accept the Department of Audit's recommendation that this line be reprojected downward over the upcoming four years. (see Appendix D).

Income from Investments:

REPROJECTION	FY98 +\$2.8 million
	FY99 +\$1.5 million
	FY00 +\$1.5 million
	FY01 +\$1.5 million

In an effort to reflect the significantly improved cash position of the General Fund, the Revenue Forecasting Committee accepted the recommendation of the State Treasurer to revise the forecast of Income from Investments upward in each of the years FY98 through FY01. (see Appendix D).

Transfer From Liquor Commission :

No Revision Recommended at This Time

Transfer From Lottery Commission:

REPROJECTION	FY98 -\$1.0 million
	FY99 -\$ 0 million
	FY00 -\$ 0 million

FY01 -\$ 0 million

The Revenue Forecasting Committee accepted the Director of the Lottery Commission's suggested downward revision of \$1.0 million for FY98. As the October 28, 1997 letter from Edward Karass explains (see Appendix D), the delay in launching the Player Select Game will prevent the Lottery Commission from realizing the ticket sales that had been originally projected for FY98.

All Other Revenue - Milk Handling Tax:

REPROJECTION	FY98 -\$1.2 million
	FY99 -\$1.2 million
	FY00 -\$ 0 million
	FY01 -\$ 0 million

The Milk Handling Tax, formerly the Dairy Farm Stabilization Tax, (included in the "Other Revenue" line) is a very volatile revenue stream that is entirely dependent on the price of milk. The tax is structured in such a way that when the price of milk is \$16.50 per hundred weight or above, no tax is collected. If the price is \$16.00 - \$16.49 per hundred weight, a tax of 1 cent per quart is levied. The tax increases to a maximum of 6 cents per quart as the price of milk falls to \$14 or below. During the fall of 1997, the Revenue Forecasting Committee was informed that the Northeast Dairy Compact had recently set the price of milk at \$16.94 through April 1999. This Compact would prevent the tax from triggering. Therefore, the Committee revised its original forecast to zero.

B. Highway Fund

At the suggestion of the State Budget Officer, the Committee recommends that Highway Fund revenues be revised downward slightly in each of the four years being reviewed. As the memorandum dated October 31, 1997 (see Appendix D) explains, this is a technical adjustment.

C. Tax Relief Funds

As Section II - C - 1 explains in some detail, the 118th Maine Legislature passed two laws that created tax relief funds. The Tax Relief Fund for Maine Residents channels any tax revenues derived from the Individual Income Tax line that are in excess of this Committee's original budget forecast for FY98 and FY99 into a newly created Tax Relief Fund. The Tobacco Tax Relief Fund was created when the Legislature voted to double the tax on cigarettes from 37 cents to 74 cents. The tax on tobacco was increased in an effort to curb smoking, not to raise new revenues, thus it was the intent of the Legislature to use these new monies primarily for some form of tax relief.

As Table 3 shows, prior to this reprojection, the only money that had been estimated for the Tax Relief Fund was the actual 37 cent increase. Table 4 details how the actions of this committee have affected the expected tax relief fund balances.

Tax Relief Fund for Maine Residents:

REPROJECTION	FY98	+\$54.9 million
	FY99	+\$55.2 million
	FY00	+\$ 0 million
	FY01	+\$ 0 million

The upward reprojection in FY98 and FY99 is the direct result of the Committee's decision to increase the forecast of the Individual Income Tax. As was explained above, virtually all of the revision in this revenue line accrues to the Tax Relief Fund rather than the General Fund.

Tobacco Tax Relief Fund:

REPROJECTION	FY98	+\$ 1.7 million
	FY99	+\$ 1.6 million
	FY00	+\$ 0.8 million
	FY01	-\$ 0 million

Increased Tobacco Tax collections in the first quarter of FY98 led the Committee to revise its original estimates. Given the way that the law was written, it is the Committee's understanding that this revision would accrue to the Tax Relief Fund rather than the General Fund.

TABLE 3

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**ORIGINAL BUDGET
GENERAL FUND REVENUE SUMMARY
FY98 - FY01**

REVENUE SOURCE	ORIGINAL FY98	ORIGINAL FY99	ORIGINAL FY00	ORIGINAL FY01
Sales and Use Tax - Gross	778,369,700	809,765,706	842,156,334	875,842,588
Revenue Sharing	39,696,855	41,298,051	42,949,973	44,667,972
Sales and Use Tax - Net GF	738,672,845	768,467,655	799,206,361	831,174,616
Individual Income Tax	763,359,981	798,390,572	833,539,000	873,129,272
Revenue Sharing	38,931,359	40,717,919	42,510,489	44,529,593
Individual Income Tax - Net GF	724,428,622	757,672,653	791,028,511	828,599,679
Corporate Income Tax	95,690,590	100,147,143	105,154,502	110,412,227
Revenue Sharing	4,880,220	5,107,504	5,362,880	5,631,024
Corporate Income Tax - Net GF	90,810,370	95,039,639	99,791,622	104,781,203
Cigarette and Tobacco Tax	44,890,210	43,503,205	42,159,825	40,858,660
Public Utilities Tax	28,475,000	28,925,000	29,375,000	29,750,000
Insurance Companies Tax	35,663,000	35,312,000	34,964,000	34,619,000
Estate Tax	12,397,521	12,831,434	13,280,534	13,745,353
Property Tax - Unorganized Territories	11,064,206	10,608,459	11,010,468	11,322,383
Income from Investments	3,480,000	(820,000)	(620,000)	(420,000)
Transfer from Liquor Commission	21,199,678	24,397,879	24,397,879	24,397,879
Transfer from Lottery Commission	38,637,870	41,112,981	41,112,981	41,112,981
All Other	116,138,201	116,262,708	115,314,475	116,352,603
Total General Fund - Gross	1,949,365,957	2,020,437,087	2,091,844,998	2,171,122,945
Total Revenue Sharing	83,508,434	87,123,474	90,823,342	94,828,588
Total General Fund - Net	1,865,857,523	1,933,313,613	2,001,021,656	2,076,294,357

Total Biennial General Fund Revs-Net	3,799,171,136	4,077,316,013
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**HIGHWAY FUND REVENUE SUMMARY
FY98 - FY01**

REVENUE SOURCE	ORIGINAL FY98	ORIGINAL FY99	ORIGINAL FY00	ORIGINAL FY01
Fuel Taxes	146,135,554	147,860,834	149,635,164	151,430,786
Motor Vehicle Registration & Fees	58,909,665	59,448,808	64,339,693	64,530,631
Inspection Fees	1,740,312	1,740,312	1,740,312	1,740,312
Other Revenues	9,404,564	9,680,466	9,299,620	9,279,620
Total Highway Fund Revenues	216,190,095	218,730,420	225,014,789	226,981,349

Total Biennial Highway Fund Revenues	434,920,515	451,996,138
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**TAX RELIEF FUNDS REVENUE SUMMARY
FY98 - FY01**

REVENUE SOURCE	ORIGINAL FY98	ORIGINAL FY99	ORIGINAL FY00	ORIGINAL FY01
Individual Income Tax	0	0	0	0
Cigarette and Tobacco Tax	18,084,786	30,775,864	29,852,589	28,957,011
Total Tax Relief Funds Revenues	18,084,786	30,775,864	29,852,589	28,957,011

Total Biennial Tax Relief Funds Revenues	48,860,650	58,809,600
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TABLE 4

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**GENERAL FUND REVENUE REVISION BY SOURCE
FY98-FY01**

REVENUE SOURCE	REVISION FY98	REVISION FY99	REVISION FY00	REVISION FY01
Sales and Use Tax - Gross				
Revenue Sharing				
Sales and Use Tax - Net				
Individual Income Tax	2,949,758	3,967,370	57,969,665	59,861,827
Revenue Sharing	2,949,758	3,018,370	2,956,453	3,052,953
Individual Income Tax - Net	0	949,000	55,013,212	56,808,874
Corporate Income Tax	12,069,542	3,997,875	2,072,407	794,307
Revenue Sharing	615,547	203,892	105,693	40,510
Corporate Income Tax - Net	11,453,995	3,793,983	1,966,714	753,797
Cigarette and Tobacco Tax	0	0	0	0
Public Utilities Tax				
Insurance Companies Tax				
Estate Tax	12,890,319	2,525,481	2,431,183	2,262,549
Property Tax - Unorganized Territories	(2,287,340)	(912,660)	(1,685,143)	(1,684,727)
Income from Investments	2,796,409	1,458,240	1,458,240	1,458,240
Transfer from Liquor Commission				
Transfer from Lottery Commission	(1,000,000)	0	0	0
All Other (Adj. for Milk Handling Tax)	(1,202,576)	(1,208,333)	0	0
Total General Fund Revision - Gross	26,216,111	9,827,973	62,246,352	62,692,196
Total Revenue Sharing Revision	3,565,304	3,222,262	3,062,146	3,093,463
Total General Fund Revision - Net	22,650,807	6,605,711	59,184,206	59,598,733

Total Biennial General Fund Revision-Net	29,256,518	118,782,939
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**HIGHWAY FUND REVENUE REVISION
FY97 - FY01**

REVENUE SOURCE	REVISION FY97	REVISION FY98	REVISION FY99	REVISION FY00
Fuel Taxes				
Motor Vehicle Registration & Fees				
Inspection Fees				
Other Revenues	(60,860)	(63,970)	(65,700)	(67,500)
Total Highway Fund Revision	(60,860)	(63,970)	(65,700)	(67,500)

Total Biennial Highway Fund Revision	(124,830)	(133,200)
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**TAX RELIEF FUNDS REVENUE REVISION
FY98 - FY01**

REVENUE SOURCE	REVISION FY98	REVISION FY99	REVISION FY00	REVISION FY01
Individual Income Tax	54,888,625	55,216,360	0	0
Cigarette and Tobacco Tax	1,662,920	1,602,577	757,976	(37,192)
Total Tax Relief Funds Revision	56,551,545	56,818,937	757,976	(37,192)

Total Biennial Tax Relief Funds Revision	113,370,482	720,784
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TABLE 5

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**GENERAL FUND REVENUE REPROJECTION
FY98 - FY01**

REVENUE SOURCE	REVISED FY98	REVISED FY99	REVISED FY00	REVISED FY01
Sales and Use Tax - Gross	778,369,700	809,765,706	842,156,334	875,842,588
Revenue Sharing	39,696,855	41,298,051	42,949,973	44,667,972
Sales and Use Tax - Net	738,672,845	768,467,655	799,206,361	831,174,616
Individual Income Tax	766,309,739	802,357,942	891,508,665	932,991,099
Revenue Sharing	41,881,117	43,736,289	45,466,942	47,582,546
Individual Income Tax - Net	724,428,622	758,621,653	846,041,723	885,408,553
Corporate Income Tax	107,760,132	104,145,018	107,226,908	111,206,533
Revenue Sharing	5,495,767	5,311,396	5,468,572	5,671,533
Corporate Income Tax - Net	102,264,365	98,833,622	101,758,336	105,535,000
Cigarette and Tobacco Tax	44,890,210	43,503,205	42,159,825	40,858,660
Public Utilities Tax	28,475,000	28,925,000	29,375,000	29,750,000
Insurance Companies Tax	35,663,000	35,312,000	34,964,000	34,619,000
Estate Tax	25,287,840	15,356,915	15,711,717	16,007,902
Property Tax - Unorganized Territories	8,776,866	9,695,799	9,325,325	9,637,656
Income from Investments	6,276,409	638,240	838,240	1,038,240
Transfer from Liquor Commission	21,199,678	24,397,879	24,397,879	24,397,879
Transfer from Lottery Commission	37,637,870	41,112,981	41,112,981	41,112,981
All Other	114,935,625	115,054,375	115,314,475	116,352,603
Total General Fund - Gross	1,975,582,068	2,030,265,060	2,154,091,349	2,233,815,141
Total Revenue Sharing	87,073,738	90,345,736	93,885,487	97,922,051
Total General Fund - Net	1,888,508,330	1,939,919,324	2,060,205,862	2,135,893,090

Total Biennial General Fund Revenues	3,828,427,654	4,196,098,952
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**HIGHWAY FUND REVENUE REPROJECTION
FY98 - FY01**

REVENUE SOURCE	REVISED FY98	REVISED FY99	REVISED FY00	REVISED FY01
Fuel Taxes	146,135,554	147,860,834	149,635,164	151,430,786
Motor Vehicle Registration & Fees	58,909,665	59,448,808	64,339,693	64,530,631
Inspection Fees	1,740,312	1,740,312	1,740,312	1,740,312
Other Revenues	9,343,704	9,616,496	9,233,920	9,212,120
Total Highway Fund Revenues	216,129,235	218,666,450	224,949,089	226,913,849

Total Biennial Highway Fund Revenues	434,795,685	451,862,938
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**TAX RELIEF FUNDS REVENUE REPROJECTION
FY98 - FY01**

REVENUE SOURCE	REVISED FY98	REVISED FY99	REVISED FY00	REVISED FY01
Individual Income Tax	54,888,625	55,216,360	0	0
Cigarette and Tobacco Tax	19,747,706	32,378,441	30,610,565	28,919,819
Total Tax Relief Funds Revision	74,636,331	87,594,801	30,610,565	28,919,819

Total Biennial Tax Relief Funds Revision	162,231,132	59,530,384
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V. CONCLUSION

The Maine Economy has grown much more rapidly during the first three quarters of 1997 than had been originally projected. This trend along with the surge in stock market activity have led to significant tax revenue surpluses in FY97 as well as in the first quarter of FY98. In an effort to formally recognize the existence and likely continuation of excess revenues, the Revenue Forecasting Committee decided to reproject several of the tax lines. The Committee has recommended an upward revision of nearly \$80 million in FY98 and approximately \$60 million in each of the following three years. Legislation enacted by the 118th Legislature effectively channeled a large portion of both the FY98 and FY99 reprojections into the Tax Relief Funds rather than into the General Fund.

APPENDIX A

years beginning after April 1, 1996. Property affected by that section of this Part that amends Title 36, section 6651, subsection 1 that was eligible for reimbursement pursuant to Title 36, chapter 915 of property taxes paid for the 1996 property tax year is grandfathered into the program and continues to be eligible for reimbursements for up to 12 years, unless it subsequently becomes ineligible.

Sec. C-18. Application date. That section of this Part that amends the Maine Revised Statutes, Title 36, section 578, subsection 1 applies to claims based on property tax years beginning on or after April 1, 1998.

PART D

Sec. D-1. Maine Court Facilities Authority. Pursuant to the Maine Revised Statutes, Title 4, section 1606, the Maine Court Facilities Authority is authorized to issue securities in its own name in an amount up to \$2,500,000 for the purpose of paying the cost of all or part of a courthouse project in Springvale and in other locations designated by the Maine Court Facilities Authority.

PART E

Sec. E-1. 5 MRSA §1518 is enacted to read:

§1518. Tax Relief Fund for Maine Residents

1. Tax Relief Fund for Maine Residents. There is created the Tax Relief Fund for Maine Residents, which must be used for the following purposes.

A. In the 1998-1999 biennium, all resources appropriated to the fund must be used to increase the personal exemption amount authorized pursuant to Title 36, section 5126. The State Tax Assessor shall annually determine the amount of the increase allowable rounded down to the nearest \$50. If any increase is allowable, it is effective for the current taxable year and is incorporated into the income tax forms and instructions of the State Tax Assessor for that taxable year. Any increase pursuant to this section must be determined before the adjustment authorized in Title 36, section 5126. The adjustment otherwise required by this paragraph is not in effect for any taxable year in which the increase in the personal exemption for state income tax purposes would result in a personal exemption amount higher than that allowed for federal income tax purposes.

B. All resources transferred to the fund pursuant to subsection 2 must remain in the fund until the joint standing committee of the Legislature having jurisdiction over taxation matters makes rec-

ommendations to the Legislature on the method or methods to provide tax relief to citizens of the State utilizing all resources transferred to the Tax Relief Fund for Maine Residents.

2. Transfers to the Tax Relief Fund for Maine Residents. Notwithstanding any other provision of law, the State Controller shall transfer money to the Tax Relief Fund for Maine Residents as follows.

A. At the end of fiscal year 1996-97, the State Controller shall transfer from the unappropriated surplus of the General Fund to the Tax Relief Fund for Maine Residents 75% of the excess of total General Fund revenue received over accepted estimates for that fiscal year, except that, if 75% of the excess of total General Fund revenue received over accepted estimates is less than \$10,000,000, then 100% of the excess of total General Fund revenue received over accepted estimates must be transferred to the Tax Relief Fund for Maine Residents. The remaining 25% of the excess revenue must be transferred to the Retirement Allowance Fund established in section 17251.

B. At the end of fiscal year 1997-98, the State Controller shall transfer to the Tax Relief Fund for Maine Residents all undedicated General Fund individual income tax revenue in excess of \$724,428,622.

C. At the end of fiscal year 1998-99, the State Controller shall transfer to the Tax Relief Fund for Maine Residents all undedicated General Fund individual income tax revenue in excess of \$758,621,653.

D. At the end of fiscal year 1999-2000 and each fiscal year thereafter, the State Controller shall transfer to the Tax Relief Fund for Maine Residents all undedicated General Fund individual income tax revenue in excess of the first accepted individual income tax revenue estimates for that fiscal year.

3. Nonlapsing fund. Any unexpended balance in the Tax Relief Fund for Maine Residents may not lapse, but must be carried forward to be used pursuant to subsection 1.

Sec. E-2. 36 MRSA §5126, as repealed and replaced by PL 1989, c. 878, Pt. D, §12, is amended to read:

§5126. Personal exemptions

A resident individual shall be allowed \$2,000 \$2,100 for each exemption to which the individual is entitled for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a depend-

APPENDIX B

O.F.P.R.
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APPROVED	CHAPTER
JUN 11 '97	449
STATE OF MAINE BY GOVERNOR	PUBLIC LAW

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-SEVEN

S.P. 641 - L.D. 1863

**An Act to Encourage Major Investments in Shipbuilding
Facilities and to Encourage the Preservation of Jobs**

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

Sec. 1. 36 MRSA c. 919 is enacted to read:

CHAPTER 919

SHIPBUILDING FACILITY CREDIT

§6850. Purpose and intent

The Legislature finds that encouragement of major investments in shipbuilding facilities in this State and the preservation of substantial numbers of jobs are in the public interest and promote the general welfare of the people of the State. The Legislature further finds that the enactment of incentives as set forth in this chapter to promote major shipbuilding investments in the State and substantial job retention is necessary in order to ensure the long-term survival of the shipbuilding industry in this State, to preserve numerous opportunities for jobs for the people of the State, to make this State more competitive in the shipbuilding industry and thus to ensure the preservation and betterment of the economy of the State for the benefit of its people. The Legislature further finds that the foregoing benefits to the State and its people far exceed the costs to the State of providing the incentives set forth in this chapter. The Legislature further finds that the provisions of this chapter are necessary to accomplish these objectives.

The Legislature recognizes that the incentives offered by the State pursuant to this chapter are intended to induce major investments in shipbuilding facilities and that any party who accepts and reasonably relies upon these inducements in making qualified investments is entitled to the full realization of these incentives without impairment by subsequent changes in law. The Legislature recognizes that when determining whether a project is financially feasible, an investing party must rely in good faith upon the Legislature to assure that the promised incentives of this law will be available for a period of up to 20 years and that a party's confidence in the full realization of these benefits is a critical factor in inducing it to make the desired investment. It is the intent of this Legislature that all successor Legislatures honor the commitments held out by this chapter.

§6851. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Certified applicant. "Certified applicant" means a qualified applicant that has received a certificate of approval from the commissioner pursuant to this chapter and does not participate in the Employment Tax Increment Financing Program established in section 6752 while receiving this credit.

2. Commissioner. "Commissioner" means the Commissioner of Economic and Community Development.

3. Employment. "Employment" means, for each calendar year, the amount determined by adding the total number of qualified employees of a certified applicant on each of 6 consecutive measurement days of that calendar year as chosen by the certified applicant and then dividing that sum by 6.

4. Exception year. "Exception year" means the first calendar year in which a certified applicant has employment of less than 5,000 if the total Maine income taxes deducted and withheld by the certified applicant from qualified employees for that year totals at least \$6,000,000. Beginning January 1, 2003, "exception year" means the first calendar year in which a certified applicant has employment of less than 3,500 if the total Maine income taxes deducted and withheld by the certified applicant from qualified employees for that year totals at least \$6,000,000. A certified applicant is allowed 2 exception years between January 1, 1999 and December 31, 2018.

5. Facility. "Facility" includes real estate, tangible personal property, fixtures, machinery and equipment.

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applicant has a con- et value of at least

ation; certificate of

ted applicant may ac- certificate of approval. ommissioner informa- applicant is a qualified it may hold only one

commissioner. The ys of receipt of the information contained in then determination as to if applicant. If the at the applicant is a missioner shall issue a qualified applicant at the If the commissioner nt is not a qualified shall issue a denial of the determination.

reement. Upon issuance a qualified applicant. e an agreement on beha qualified applicant. The the State shall allow the chapter as it is in effect approval issues for as long the credit provided for certificate issues.

icate. If a certified ap- including, without limit of law, all or substantial ability in which a qualified another person, or a person

proposes to acquire 50% or more of the voting stock of the certified applicant, application may be made to the commissioner to approve transfer of the certificate to that person in connection with the transfer of the stock or facility. The commissioner shall grant the transfer of the certificate only if one of the following conditions is satisfied.

A. The transferee of the shipbuilding facility or of the certified applicant's stock is a member of the certified applicant's affiliated group as defined in section 5102, subsection 1-B at the time of the transfer.

B. The transferee of the shipbuilding facility or of the certified applicant's stock is not a member of the certified applicant's affiliated group as defined in section 5102, subsection 1-B at the time of the transfer and the commissioner finds that the transferee intends to continue the operations of the shipbuilding facility in substantially the same manner as prior to the transfer and has the financial capability to do so. In addition, prior to approval of any transfer, the commissioner may request and be provided with the report and audit of the transferor pursuant to section 6854. The commissioner may condition the approval of the transfer based upon the findings of the report and audit.

If the commissioner grants a transfer of the certificate, the transferee must be treated as the certified applicant for all purposes of this chapter. For purposes of calculation of employment, withholding taxes, qualified investment expenditures and the number of qualified ships of the certified applicant, the qualified employees of the transferor prior to transfer, the state income taxes deducted and withheld by the transferor from the wages of those qualified employees pursuant to chapter 827 prior to transfer, the qualified investment expenditures of the transferor prior to transfer and the qualified ships of the transferor prior to transfer must be considered the qualified employees, withholding taxes, qualified investment expenditures and qualified ships of the transferee, respectively.

5. **Revocation of certificate.** A certificate of approval must be revoked by the commissioner if the certified applicant has not made qualified investment expenditures of at least \$150,000,000 within 5 years and \$200,000,000 within 10 years after issuance of the certificate of approval or if the shipbuilding facility is moved or transferred in an unapproved transfer within 1 year after issuance of the certificate of approval. A certified applicant whose certificate of approval is revoked within 5 years after issuance of the certificate of approval shall pay to the State the amount of any tax credits claimed by the certified applicant under this chapter prior to revocation of the certificate. A certified applicant whose certificate of approval is

revoked between 6 and 10 years after issuance of the certificate of approval shall pay to the State the amount of any credit claimed by the certified applicant under this chapter between the 6th year and the year in which the certificate is revoked.

6. **Appeal.** The applicant or certified applicant may appeal in accordance with Title 5, chapter 375, subchapter VII any determination, action or failure to act by the commissioner or the State Tax Assessor.

§6853. Credit against withholding taxes allowed

1. **Generally.** Subject to the provisions of subsection 2 and notwithstanding any contrary provisions of chapter 827, a certified applicant is allowed a credit equal to \$3,000,000 for each calendar year, beginning with the 1999 calendar year, against \$3,000,000 that otherwise would be required to be remitted to the State Tax Assessor on or after July 1st of each calendar year by the certified applicant pursuant to chapter 827 for state income taxes deducted and withheld from wages of qualified employees by the certified applicant. The credit taken with respect to withholding taxes not remitted must be reflected on the withholding returns submitted by the certified applicant pursuant to chapter 827 and constitutes a credit against the applicant's liability for and obligation to remit the withholding tax against which the credit is taken.

✓ 1-A. **Calendar year 1999 credit.** Notwithstanding subsection 1, the credit to be taken in calendar year 1999 may be taken in 2 parts. The first part is a credit against the first \$1,000,000 that otherwise would be required to be remitted to the assessor on or after January 1, 1999. The remainder of the credit allowed for 1999 pursuant to this section and section 6856, if applicable, may not be taken until after July 1, 1999.

2. **Limitations.** The following are limitations on the credit allowed under subsection 1.

A. A credit is not allowed for any calendar year beginning after the earlier of the following:

(1) December 31, 2018; or

(2) December 31st of the calendar year during which the certified applicant has launched its 30th qualified ship.

B. A credit is not allowed for a calendar year in which the qualified applicant has employment of less than 5,000 unless that calendar year is an exception year. Beginning January 1, 2003, a credit is not allowed for a calendar year in which the qualified applicant has employment of less than 3,500 unless that calendar year is an exception year.

APPENDIX C

and approval by the Governor, for the fiscal years ending June 30, 1998 and June 30, 1999, the 41 positions authorized in Private and Special Law 1995, chapter 71. It is the intent of the Legislature that these positions terminate on June 30, 1999.

See title page for effective date.

CHAPTER 560

H.P. 1357 - L.D. 1904

An Act to Discourage Smoking, Provide Tax Relief and Improve the Health of Maine Citizens

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

PART A

Sec. A-1. 22 MRSA §1546 is enacted to read:

§1546. Tobacco Tax Relief Fund

1. Tobacco Tax Relief Fund established. The Tobacco Tax Relief Fund, referred to in this section as "the fund," is established as part of a program to address urgent tax relief needs of citizens of the State. Expenditures from the fund must be made as provided in this section.

2. Transfers to fund. Beginning November 1, 1997, the State Controller shall transfer to the fund money representing 37 mills per cigarette from the tax levied under Title 36, section 4365.

3. Payments from fund. After depositing funds under subsection 2, the State Controller shall make the following payments in the following order:

A. The State Controller shall transfer to the department for the Tobacco Prevention and Control Program established in section 272 funds sufficient for all allocations from the fund; and

B. No other funds may be expended without the recommendations of the joint standing committee of the Legislature having jurisdiction over tax matters and enacted by the full Legislature.

4. Nonlapsing fund. Any unexpended balance in the fund may not lapse, but must be carried forward to be used pursuant to subsection 3.

5. Transfer to General Fund. The State Controller shall transfer into the General Fund the revenues necessary to maintain the level of cigarette tax revenue at the level that was budgeted for the General Fund in fiscal years 1997-98 and 1998-99.

Beginning in fiscal year 1999-2000, the State Controller shall transfer to the General Fund the revenues necessary to maintain the level of cigarette tax revenue in the previous year less 3%. The Treasurer of State shall annually review the recommendations of the Consensus Revenue Forecasting Committee to determine whether any change in the reduction rate is required and, if so, shall change the rate accordingly.

Sec. A-2. 36 MRSA §4365, as repealed and replaced by PL 1997, c. 458, §6, is amended by adding a new 2nd paragraph to read:

Beginning November 1, 1997, as a public health measure, the tax imposed under this section is 37 mills per cigarette. The tax imposed pursuant to this section is dedicated to the Tobacco Tax Relief Fund established in Title 22, section 1546.

Sec. A-3. 36 MRSA §4365-D is enacted to read:

§4365-D. Rate of tax beginning November 1, 1997

Beginning November 1, 1997, the following provisions apply to cigarettes held for resale on that date.

1. Stamped rate. Cigarettes stamped at the rate of 18.5 mills per cigarette and held for resale after October 31, 1997 are subject to tax at the rate of 37 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 37 mills per cigarette and the tax rate of 18.5 mills per cigarette in effect before November 1, 1997. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of November 1, 1997, except that cigarettes held in vending machines as of that date do not require that stamp.

3. Vending machines. Notwithstanding any other provision of this chapter, it is presumed that all cigarette vending machines are filled to capacity on November 1, 1997 and the tax imposed by this section must be reported on that basis. A credit against this inventory tax must be allowed for cigarettes stamped at the 37 mill rate placed in vending machines before November 1, 1997.

4. Payment. Payment of the tax imposed by this section must be made to the State Tax Assessor by February 1, 1998, accompanied by forms prescribed by the assessor and must be credited to the Tobacco Tax Relief Fund established in Title 22, section 1546.

APPENDIX D

Impact on Maine State Revenues of the Federal "Taxpayer Relief Act of 1997"

The attached table presents revenue estimates of the impact of the federal "Taxpayer Relief Act of 1997" (TRA97) on Maine state tax revenues. Although TRA made many changes to federal tax law, only those changes that are estimated to have a measurable impact on state revenues were included in the table. Some of these changes will have a direct affect on state revenues because Maine tax law conforms to federal. In other instances the impact is more indirect, resulting from taxpayers responding to the federal changes in such a way that state revenues are affected. A brief description of each tax change follows.

(1) Increase Estate Tax Exemption - The current \$600,000 estate and gift tax exemption is raised so that by the year 2006 every taxpayer may transfer assets during their lifetime and at death valued in the aggregate at \$1 million from estate and gift tax. Since the state "piggybacks" off of the federal estate tax, state revenues will be reduced.

(2) Expand Individual Retirement Accounts (IRAs) - There are three changes to IRAs;

(i) Beginning in 1998, deductible IRAs will not be affected by whether an individual spouse is an active participant in an employer retirement plan, unless the couple have an AGI above \$150,000.

(ii) The new Roth IRA allows non-deductible contributions of up to \$2,000 per year. The qualified distributions come out tax free, rather than tax deferred.

(iii) New education IRAs will allow taxpayers to contribute up to \$500 per year per student. Earnings on the education IRA are tax free. When withdrawals are made, the earnings will be included in a taxpayers income.

If the legislature decides to conform to these changes, state individual income tax revenue will be reduced.

(3) Education Loan Interest - Beginning in 2001, annual deduction of up to \$2,500 is available for interest paid on qualified education loans. The deduction is limited to \$1,000 in 1998, \$1,500 in 1999, and \$2,000 in 2000. If the legislature decides to conform to these changes, state individual income tax revenues will be reduced.

(4) Capital Gains - The maximum tax rate on net capital gains is reduced to 20 percent for gains currently taxed at 28 percent, and 10 percent for gains currently taxed at 15 percent. In addition, individuals are permitted to exclude from taxable income up to \$250,000 of gain (\$500,000 for joint filers) realized on the sale or exchange of a principal residence. If the legislature decides to conform to the change in the taxation of gain on principal residences, then state individual income tax revenues will be reduced. The reduction in the federal capital gains tax rate will induce taxpayers to realize additional capital gains, and therefore increase their taxable income which will increase state individual income tax revenue.

(5) Conform AMT Depreciation Lives to Regular Tax Lives - Depreciation lives under the Alternative Minimum Tax (AMT) are generally longer than under the regular tax. TRA97 changes the AMT lives so that they are the same as under the regular tax. If the legislature decides to conform to these changes, state corporate and individual income tax revenues will be reduced.

(6) Expansion of Home Office Deduction - New Rules allow more taxpayers who spend much of the time working at various locations outside the home to deduct expenses of an office in the home in which they conduct their administrative and management activities. The ability of more taxpayers to take a home office deduction will reduce state individual income tax revenues.

(7) Increase Self-Employed Health Insurance Deduction - In 1997, with some restrictions, self-employed individuals can deduct 40 percent of the premiums they pay for health insurance covering themselves and their families. This deduction, which was scheduled to rise to 80 percent in 2006, will now increase to 100 percent by 2007. If the legislature decides to conform to these changes, state individual income tax revenues will be reduced.

(8) NOLs 2 Year Carryback and 20 Year Carryforward - TRA97 reduces the carryback period of a net operating loss (NOL) from three years to two years and increases the carryover period from 15 years to 20 years. If the legislature decides to conform to these changes, state corporate and individual income tax revenues will be reduced.

(9) Increase Cigarette Tax by \$.10 Per Pack - The federal excise tax on cigarettes is increased by \$.10 per pack effective January 1, 2000, an additional \$.05 per pack increased is planned for January 1, 2002. The increase in the federal excise tax on cigarettes will reduce cigarette consumption and therefore reduce state tax revenues from cigarettes.

Impact on Maine State Taxes of the Federal "Taxpayer Relief Act of 1997"

Effective Date: Varies by Proposal	Fiscal Years (Millions of Dollars)						
	1998	1999	2000	2001	1998-99	2000-01	1998-01
Increase Estate Tax Exemption /1	0.000	-0.466	-0.665	-0.942	-0.466	-1.607	-2.073
Expand IRAs /2	0.041	-0.043	-0.567	-1.007	-0.002	-1.574	-1.575
Education Loan Interest Deduction /3	-0.021	-0.219	-0.263	-0.320	-0.239	-0.583	-0.822
Capital Gains /4	14.233	13.330	10.931	11.156	27.563	22.088	49.650
Conform AMT Depreciation Lives to Regular Tax Lives /5	0.000	-0.074	-0.180	-0.247	-0.074	-0.427	-0.501
Expansion of Home Office Deduction	0.000	-0.083	-0.283	-0.317	-0.083	-0.600	-0.683
Increase Self-Employed Health Insurance Deduction /6	0.000	0.000	-0.033	-0.147	0.000	-0.180	-0.180
NOLs - 2 Year Carryback and 20 Year Carryforward /7	0.000	0.993	1.117	0.822	0.993	1.939	2.932
Increase Cigarette Tax by \$.10 /8	0.000	0.000	-0.449	-0.870	0.000	-1.319	-1.319
Total	14.253	13.437	9.608	8.129	27.690	17.738	45.428

1/ The estate tax exemption is increased from \$600,000 to \$1M in \$25,000 increments. The effective date is deaths occurring on or after January 1, 1998.

2/ The income thresholds and phase-out ranges for deductible IRAs are doubled. A new "Special IRA" that is back-loaded and an education IRA are introduced. Effective date is January 1, 1998.

3/ Above the line student loan interest deduction of \$1,000 in 1998, \$1,500 in 1999, \$2,000 in 2000, \$2,500 in 2001 and thereafter. Phased out for joint taxpayers with AGI above \$60K and single filers with AGI above \$40K. Effective date is interest due on or after January 1, 1998.

4/ Separate rate schedule of 10% and 20%, with some modifications based on holding periods. Includes \$250K per person exclusion on sale of principal residence. Effective date is May 7, 1997.

5/ For property placed in service after 12/31/97, the depreciable lives used for purposes of the AMT is conformed to the depreciable lives used for regular tax purposes.

6/ The deduction for health insurance of self-employed individuals increases to 50% in 2000 and 2001.

7/ For NOLs generated in taxable years beginning after the date of enactment, the carryback period is reduced to 2 years, and the carryforward period extended to 20 years.

8/ The federal excise on cigarettes is increased by \$.10 per pack effective 1/1/2000 and an additional \$.05 per pack effective 1/1/2002.

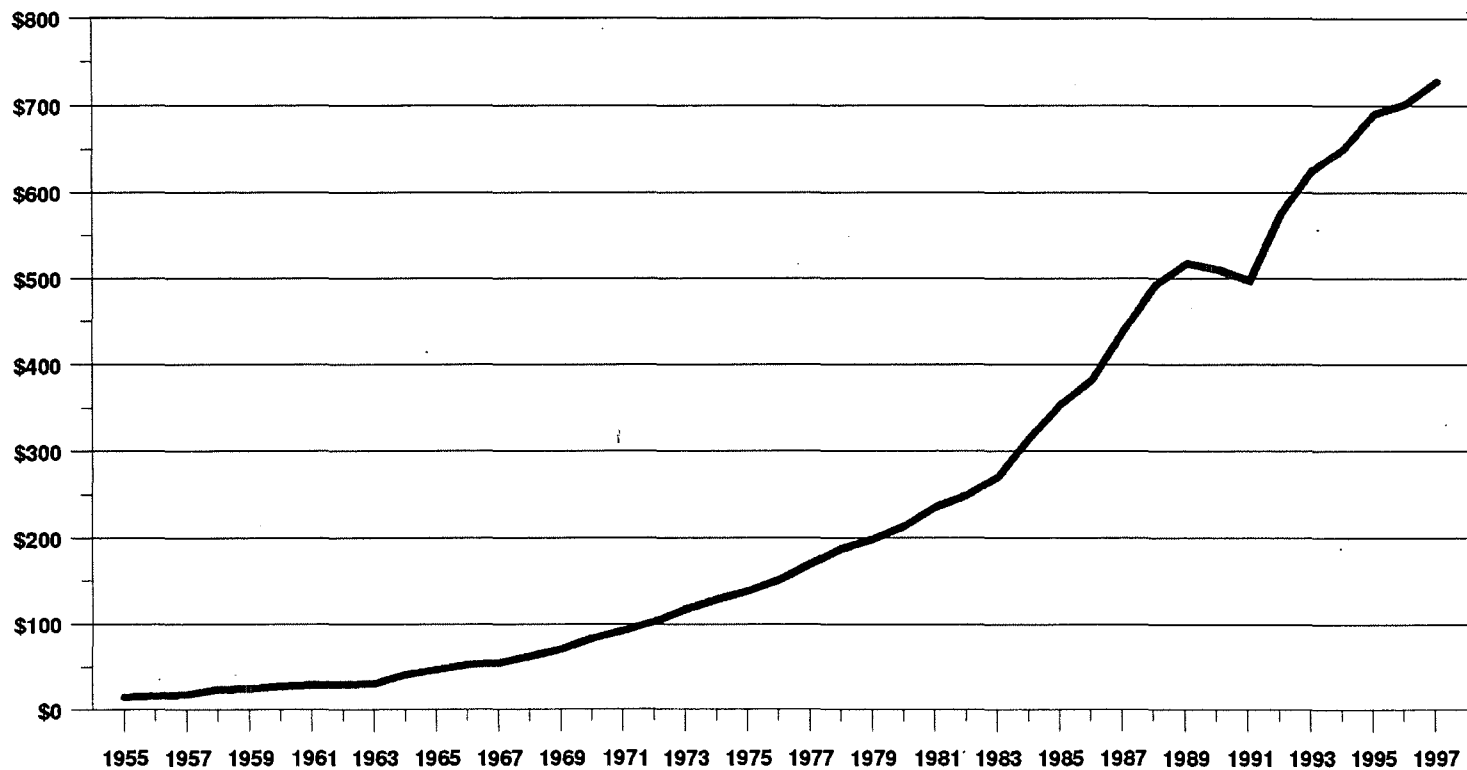
APPENDIX E

Appendix E

Sales and Use Tax

Total Sales & Use Tax Revenue
Fiscal Years 1955 Through 1997

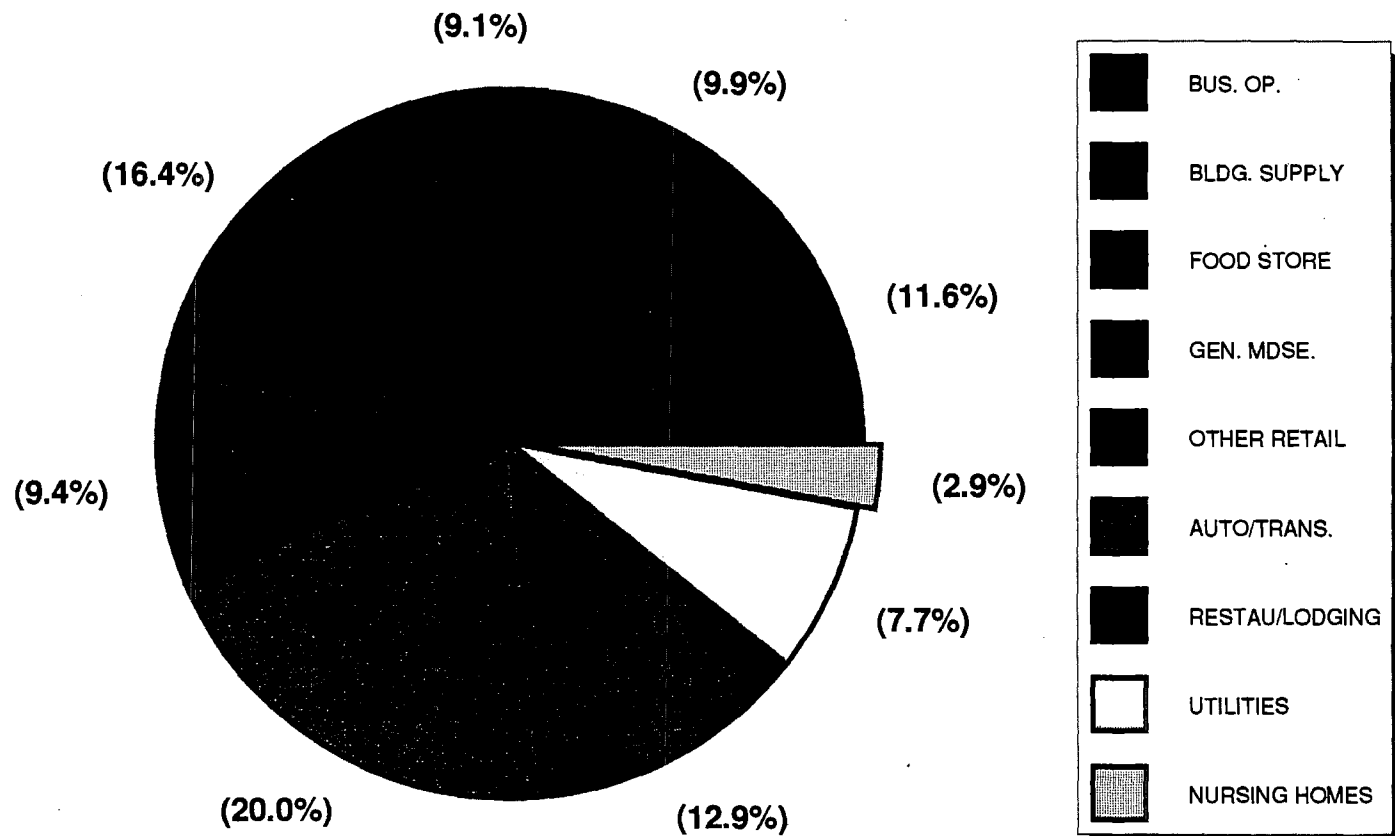
Dollars (in Millions)



Total Sale Tax Revenue Including Gross Receipts Tax on 7% Meals FY'94 - FY'97

Maine Revenue Services							
August Taxable Sales							
In Thousands of Dollars							
	August 1997	% Ch.	August 1996	% Ch.	August 1995	Average	Mov. Total
						Last 3 Mos.	Last 12 mos.
						Vs. Last Yr.	Vs. Prior
						% Change	% Change
Building Supply	\$114,675	-4%	\$119,034	3%	\$115,017	-2%	0%
Food Store	\$112,895	4%	\$108,873	-2%	\$111,003	4%	3%
General Merchandise	\$212,072	10%	\$192,811	3%	\$187,463	7%	4%
Other Retail	\$116,695	-5%	\$122,813	22%	\$100,809	3%	6%
Auto/Transportation	\$252,330	11%	\$227,225	3%	\$221,447	6%	5%
Restaurant/Lodging	\$256,660	7%	\$240,166	7%	\$223,487	5%	3%
Consumer Sales	\$1,065,327	5%	\$1,010,922	5%	\$959,226	4%	4%
Business Operating	\$121,993	5%	\$116,017	13%	\$103,081	10%	0%
Total	\$1,187,319	5%	\$1,126,938	6%	\$1,062,306	5%	3%
Utilities	\$85,904	4%	\$82,811	12%	\$73,969		
Total including Utilities	\$1,273,223	5%	\$1,209,749	6%	\$1,136,275		
Augusta taxable sales reflect a good tourist season and strong sales in the General Merchandise and Auto/Transportation Sectors.							
August taxable sales were 5% ahead of August 1996 lead by strong growth in the General Merchandise (up 10%), Auto/Transportation (up 11%) and Restaurant/Lodging (up 7%) Sectors. Within the Restaurant/Lodging Sector, restaurant sales were up 5% and lodging sales were up 10%. The Other Retail Sector was down 5% from August 1996, but this does not reflect weakness in this sector since sales in August 1996 were 22% over 1995. This sector is up 6% over the last 12 months.							
The Business Operating sector was up 5% in August and up 10% over 1996 for the June through August period. The Building Supply Sector continues to be weak, down 4% in August and down 2% over the last 3 months.							

1987 MAINE TAXABLE SALES BY PRODUCT GROUP

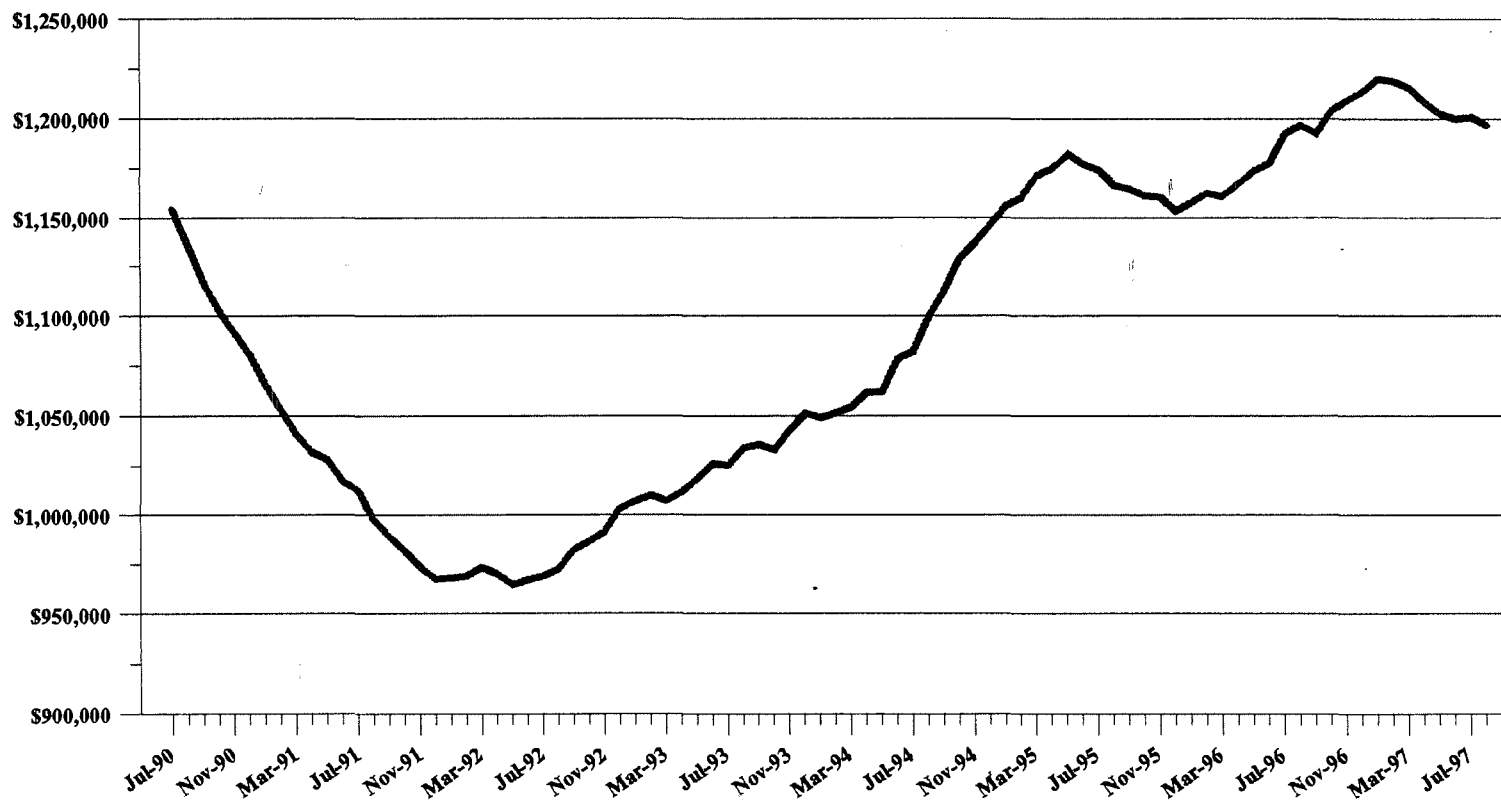


Definition of Store-Type Groups

Building Supply	Includes hardware stores, lumber yards, plumbing and electrical materials, commercial heating, air conditioning & refrigeration, paint, glass, & decorating stores, roofing & sheet metal fabrication, commercial contractors' sales and nurseries.
Food Stores	All food stores. The values here are for non-food items and "snack food".
General Merchandise	Product lines carried in large department stores. Includes clothing, furniture, shoes, radios, TVs, household durable goods, home furnishings & tools.
Other Retail	Wide selection of taxable sales. Includes drug stores, jewelry stores, sporting goods stores, antique dealers, book stores, photo shops, gift shops, toy stores & others.
Automobile/Transportation	Includes auto & truck dealers, auto parts, marine sales, aircraft, motorcycles, ATVs, travel trailers, snowmobiles, auto leasing & rentals and transportation manufacturing. Auto sales are dominant in this group.
Restaurant/Lodging	Sales of prepared food for immediate consumption. Lodging includes only the sales tax on rentals.
Consumer Sales	Total taxable retail sales to consumers.
Business Operating	Includes sales and rentals to businesses where the tax is paid directly by the buyer. Most of the use tax paid by businesses is reported here. It also includes sales of fishing supplies, stationery, computers, construction equipment, farm supplies and machinery, heating oil, printing, machinery manufacturing and machine shop sales, sales by durable and nondurable wholesalers, paper manufacturers and food processors.
Total Taxable Sales	Includes consumers sales and business operating sales.

**BUILDING SUPPLY TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE**

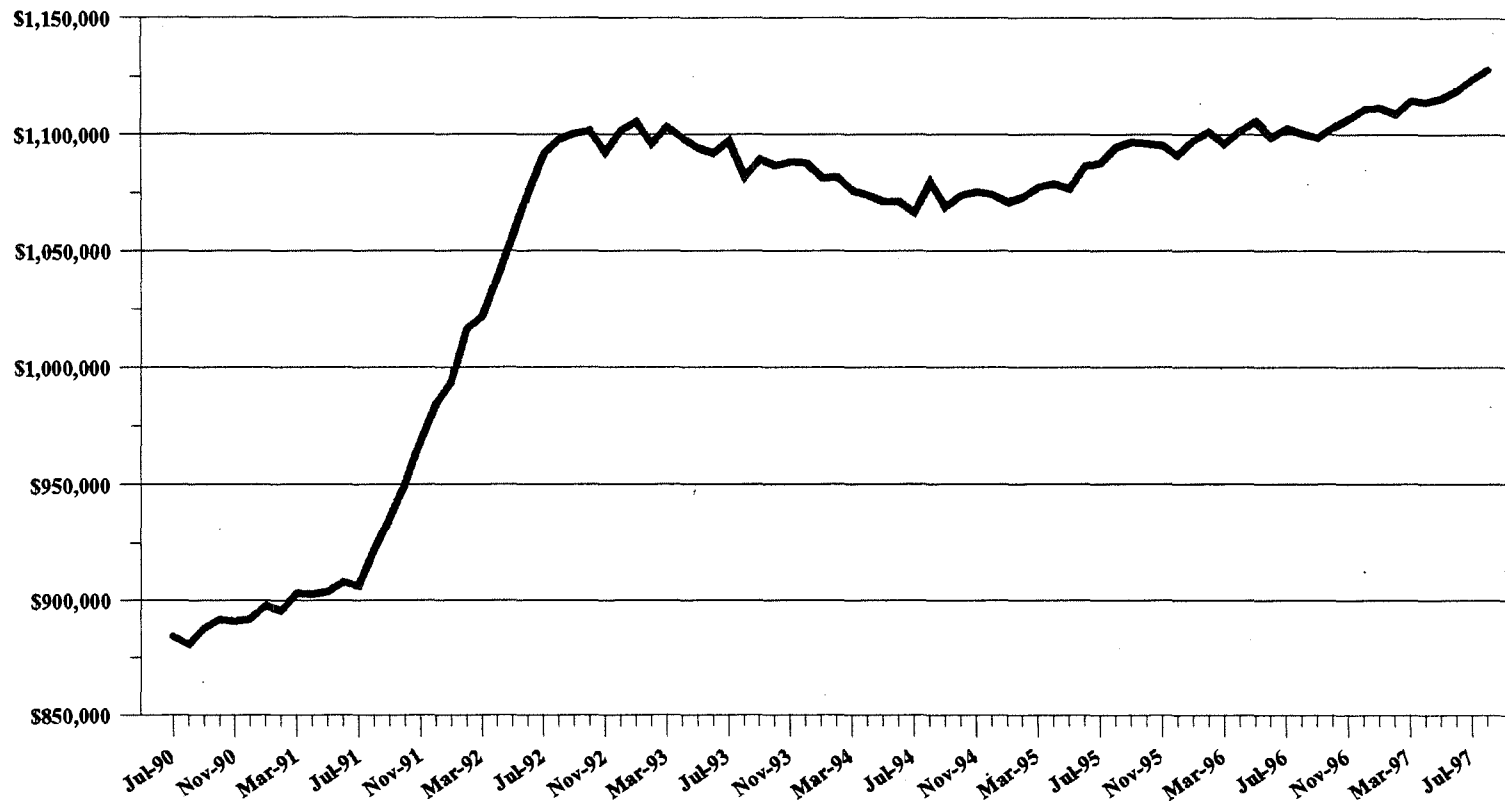
THOUSANDS OF DOLLARS



BUILDING SUPPLY 12 MO. MOVING TOTAL

**FOOD STORE TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE**

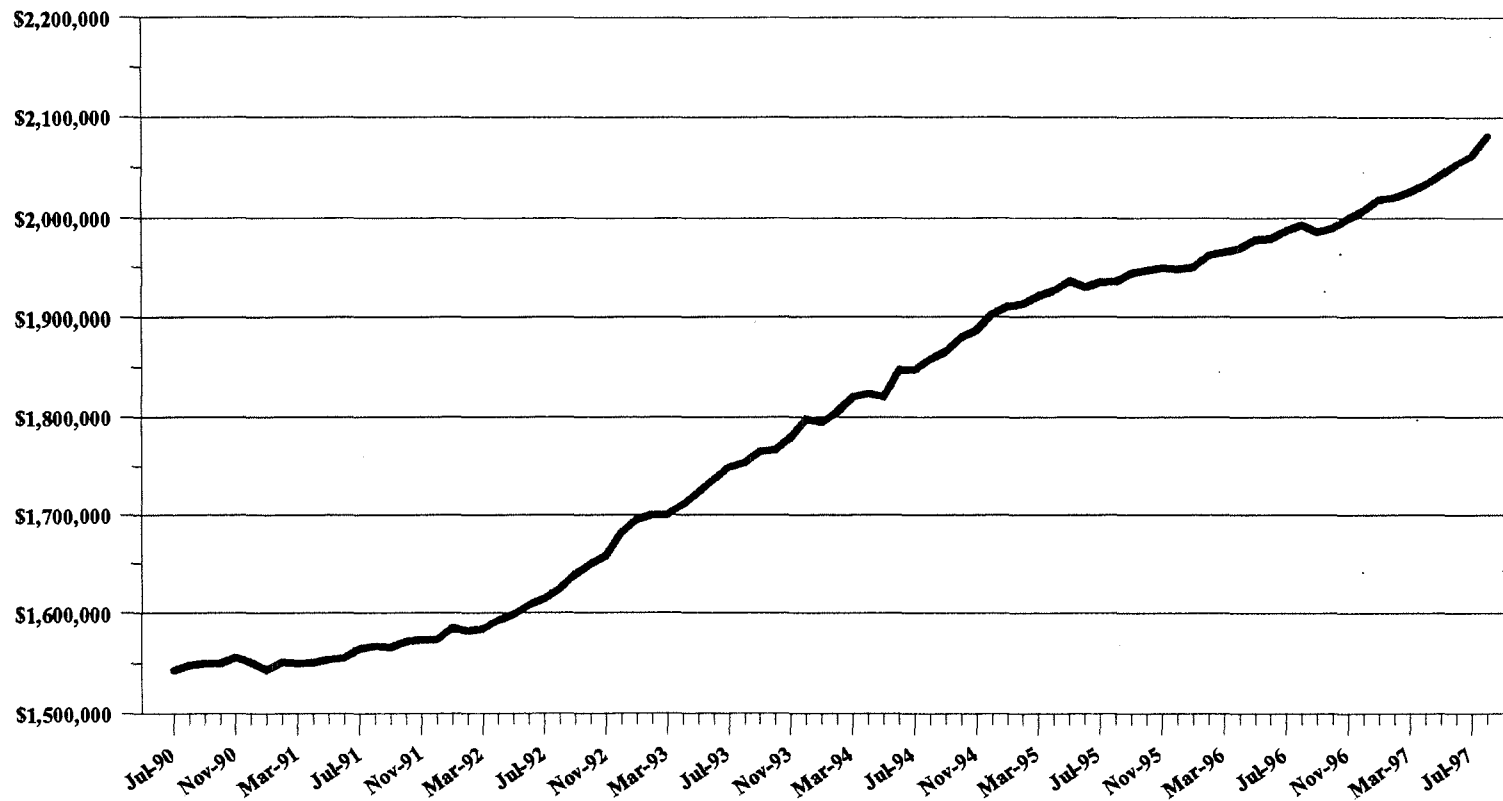
THOUSANDS OF DOLLARS



FOOD STORE 12 MO. MOVING TOTAL

**GENERAL MERCHANDISE TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE**

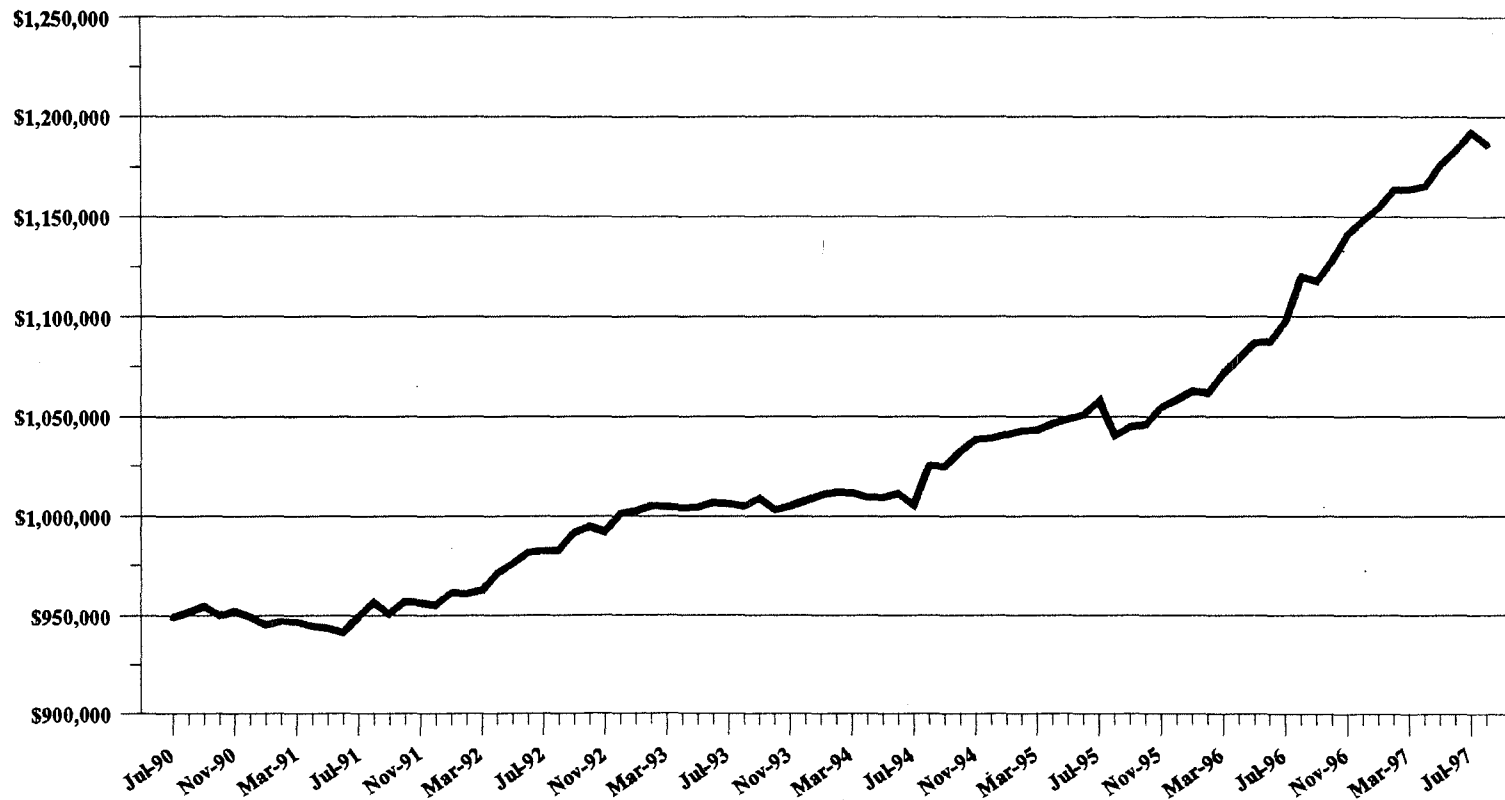
THOUSANDS OF DOLLARS



GENERAL MERCHANDISE 12 MO. MOVING TOTAL

**OTHER RETAIL TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE**

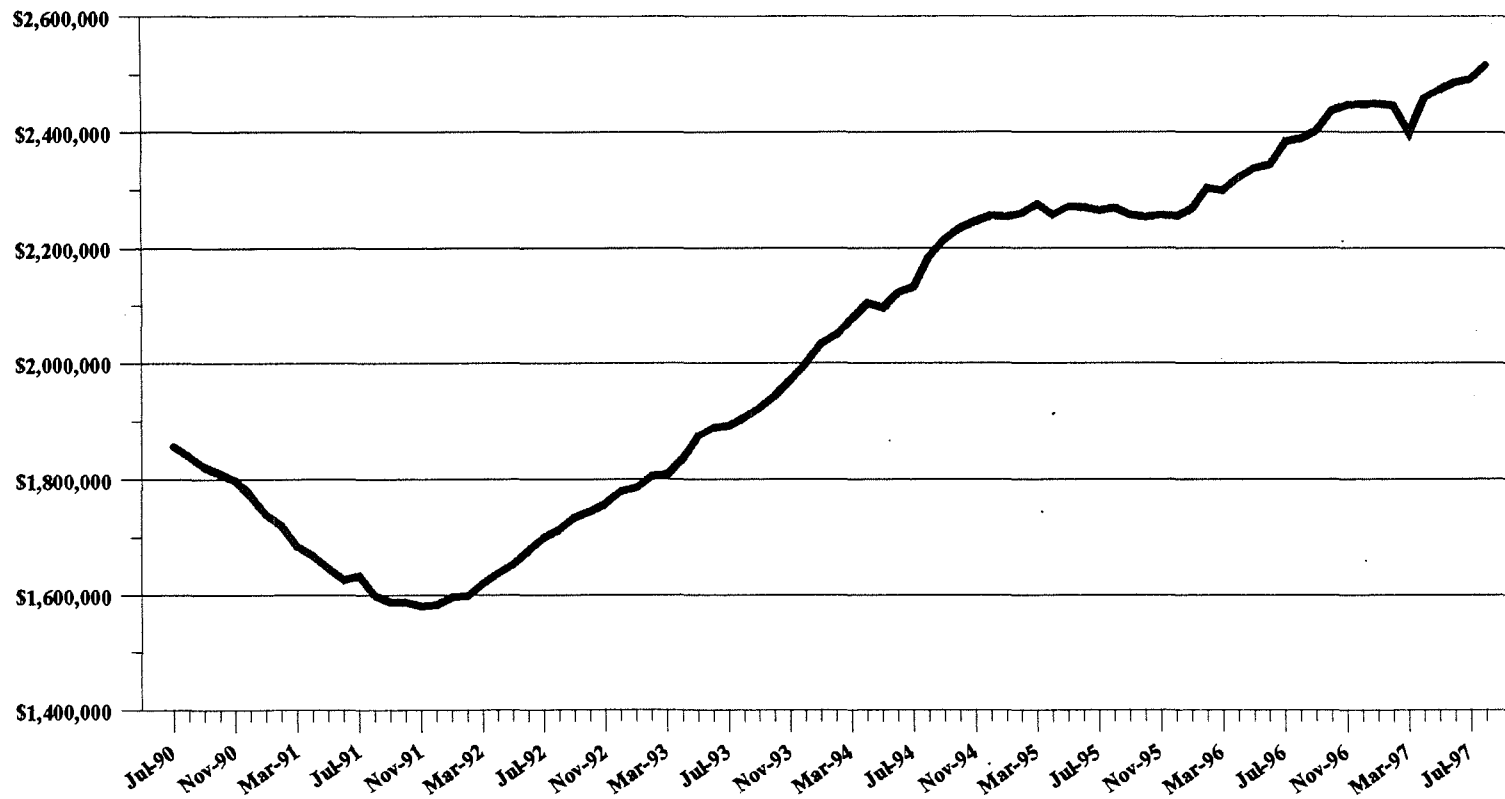
THOUSANDS OF DOLLARS



OTHER RETAIL 12 MO. MOVING TOTAL

AUTOMOBILE/TRANSPORTATION TAXABLE SALES **12 MONTH MOVING TOTAL JULY 1990 TO DATE**

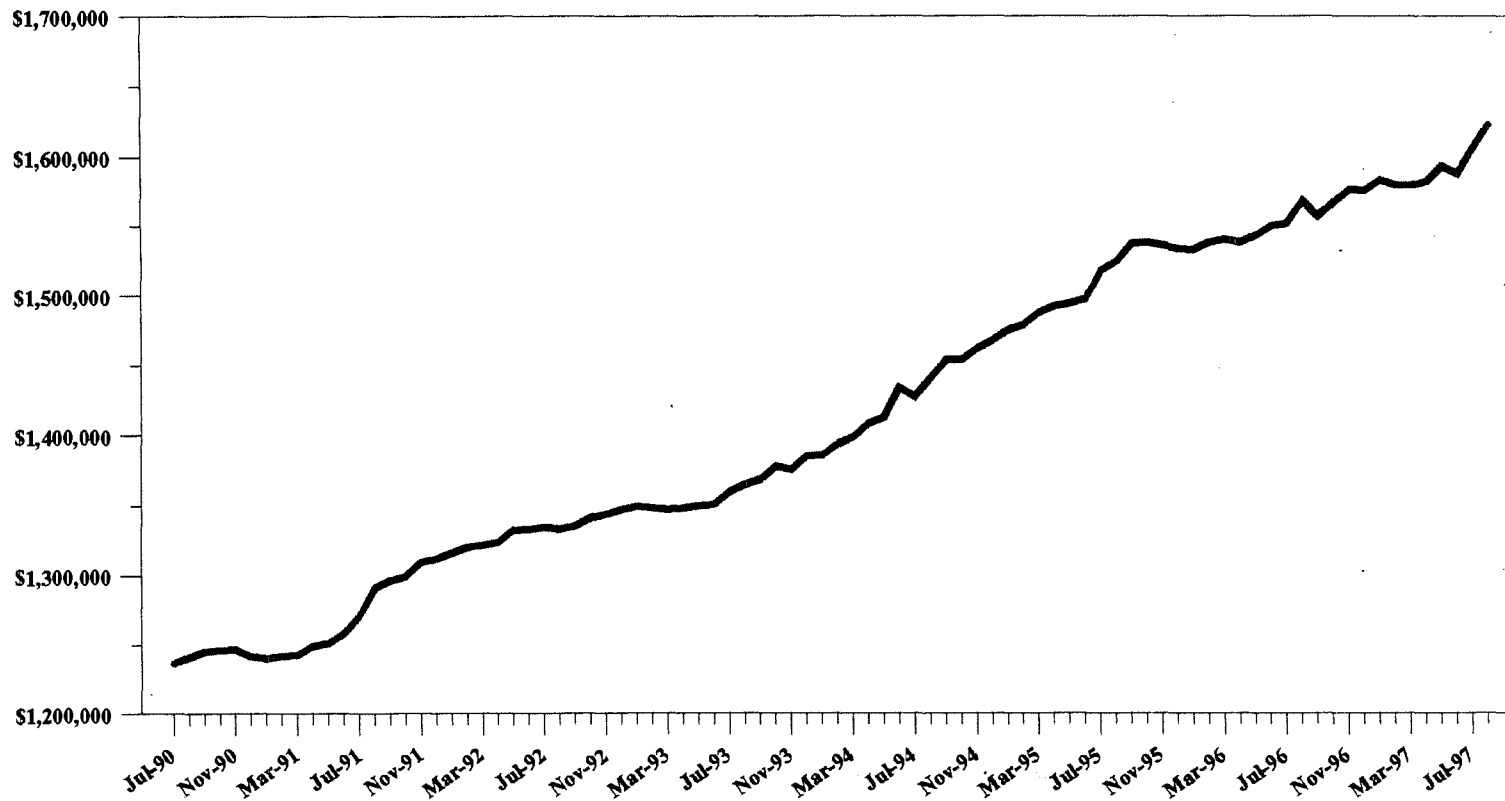
THOUSANDS OF DOLLARS



AUTO/TRANS 12 MO. MOVING TOTAL

RESTAURANT/LODGING TAXABLE SALES **12 MONTH MOVING TOTAL JULY 1990 TO DATE**

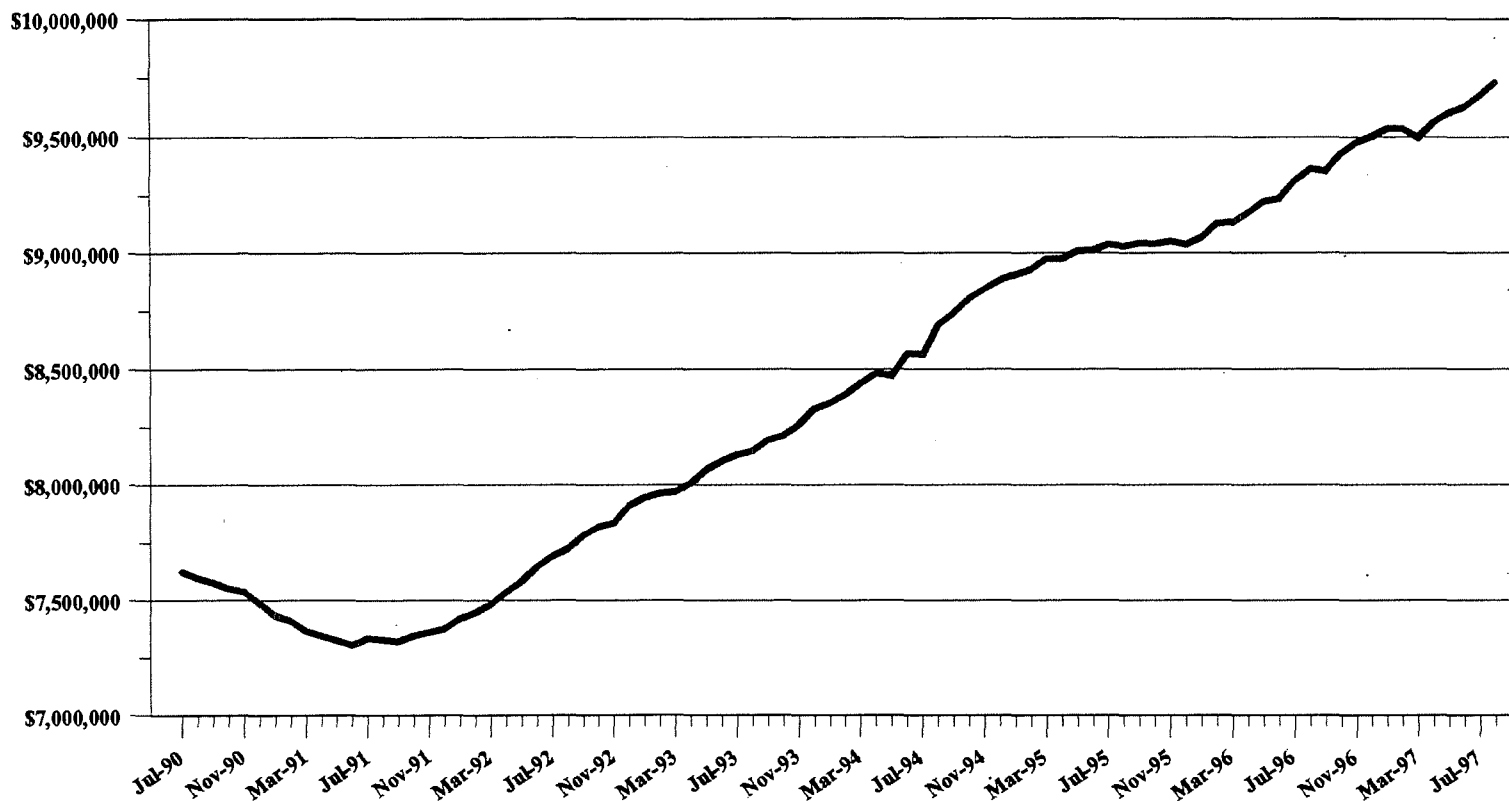
THOUSANDS OF DOLLARS



RESTAURANT/LODGING 12 MO. MOVING TOTAL

**TOTAL CONSUMER TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE**

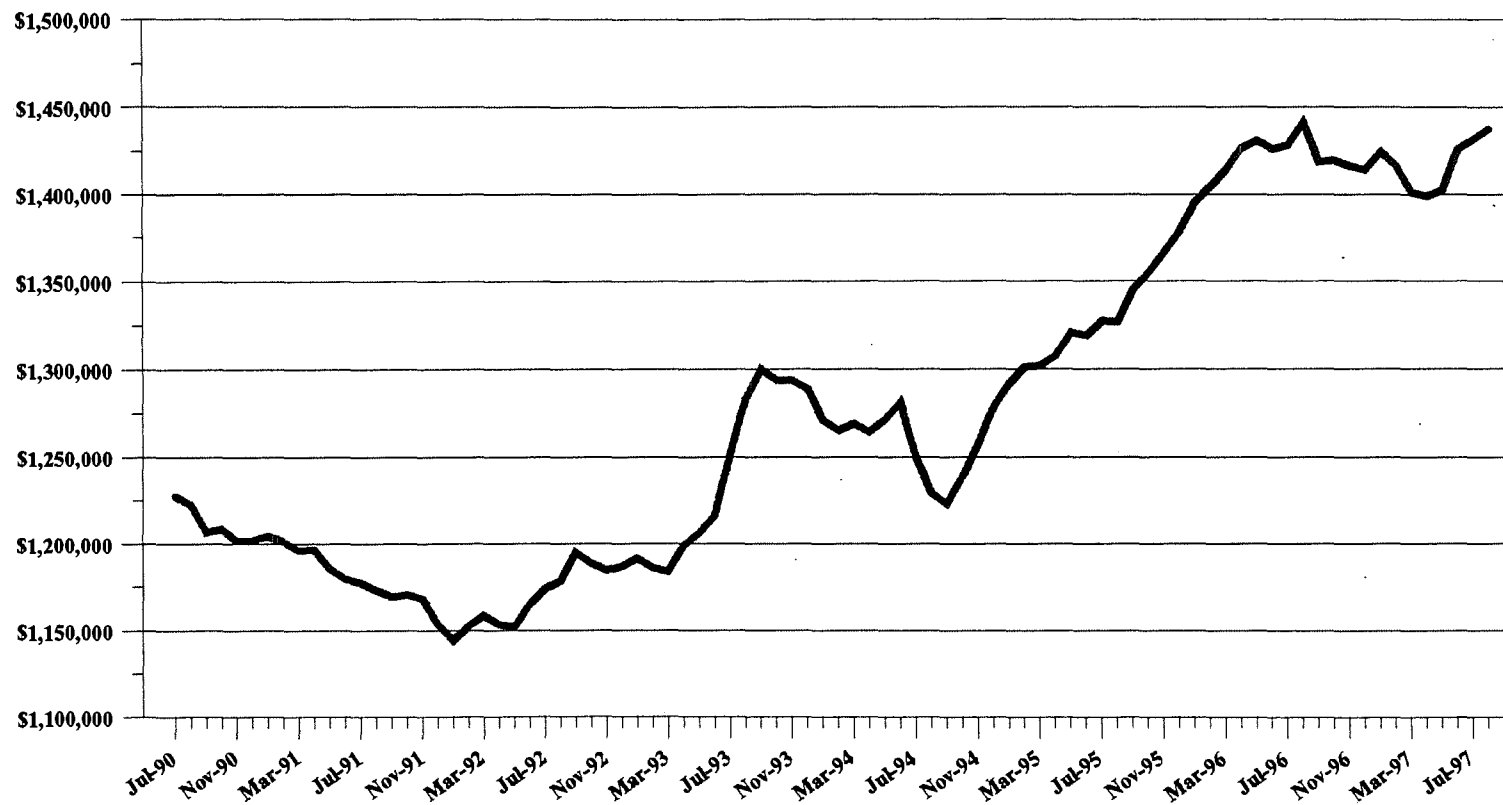
THOUSANDS OF DOLLARS



TOTAL CONSUMER 12 MO. MOVING TOTAL

BUSINESS OPERATING TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE

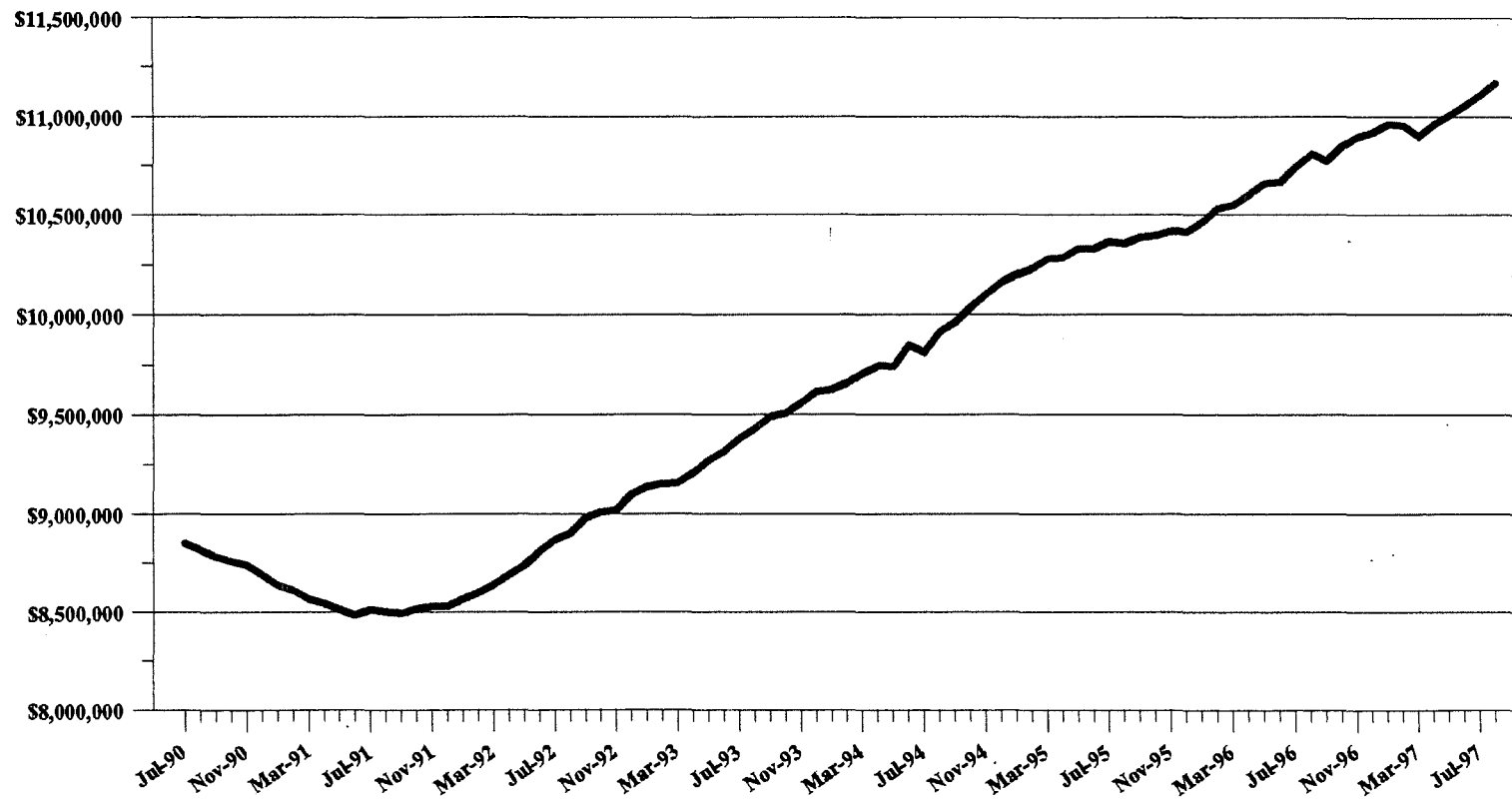
THOUSANDS OF DOLLARS



BUSINESS OPERATING 12 MO/ MOVING TOTAL

TOTAL TAXABLE SALES
12 MONTH MOVING TOTAL JULY 1990 TO DATE

THOUSANDS OF DOLLARS



TOTAL 12 MO. MOVING TOTAL

Maine Revenue Services								
General Fund Sales & Use Tax Revenue - Includes Gross Receipts Tax on Restaurant Sales*								
For comparison purposes FY'97 & FY'96 actuals include the ADDITIONAL \$7.5 Million (\$7.1175 net General Fund)								
that was set aside for reserves in each year.**								
Month	FY'98 Actual	FY'98 Budget	FY'97 Actual*	FY'96 Actual*	FY'98 Actual vs. Budget	FY'98 Budget vs. FY'97 Actual	FY'98 Actual vs. FY'97 Actual	FY'97 Actual vs. FY'96 Actual
July	\$73,894,610	\$66,552,211	\$64,353,109	\$58,587,757	11.0%	3.4%	14.8%	9.8%
August	\$71,392,139	\$73,186,953	\$70,123,311	\$65,942,363	-2.5%	4.4%	1.8%	6.3%
September	\$72,331,602	\$71,338,498	\$69,555,467	\$65,115,724	1.4%	2.6%	4.0%	6.8%
=====								
YTD	\$217,618,351	\$211,077,662	\$204,031,887	\$189,645,844	3.1%	3.5%	6.7%	7.6%
=====								
October	\$0	\$64,921,103	\$62,728,075	\$61,700,802		3.5%		1.7%
November	\$0	\$60,626,984	\$56,429,563	\$54,587,895		7.4%		3.4%
December	\$0	\$65,484,463	\$65,506,972	\$57,446,304		-0.0%		14.0%
January	\$0	\$66,414,937	\$60,574,244	\$63,956,921		9.6%		-5.3%
February	\$0	\$49,107,960	\$44,600,046	\$45,730,822		10.1%		-2.5%
March	\$0	\$52,176,888	\$49,877,388	\$47,289,160		4.6%		5.5%
April	\$0	\$55,312,444	\$50,863,215	\$51,089,939		8.7%		-0.4%
May	\$0	\$56,367,332	\$49,645,339	\$52,033,483		13.5%		-4.6%
June	\$0	\$57,183,072	\$55,703,518	\$50,891,048		2.7%		9.5%
Total	\$217,618,351	\$738,672,845	\$699,960,247	\$674,372,218		5.5%		3.8%
*Includes Gross Receipts Tax revenue from 7% restaurant sales. Following the repeal of the Gross Receipts Tax on January 1, 1997, the tax on 7% restaurant meals reverted to a sales tax.								
**Total reserved in each year was \$15 million - \$7.5 per year was included in the budget.								

Sales & Use Tax: General Fund Baseline Forecast FY98 - FY01

	FY97	FY98	FY99	Biennium	FY00	FY01	Biennium
Prior Forecast + Enacted Legislation /1	\$699,960,247	\$738,672,845	\$768,467,655	\$1,507,140,500	\$799,206,361	\$831,174,616	\$1,630,380,977
Growth Rate		5.5%	4.0%		4.0%	4.0%	
Technical Adjustments to Prior Forecast /2	\$0	(\$10,007,353)	(\$10,411,005)	(\$20,418,358)	(\$10,827,446)	(\$11,260,544)	(\$22,087,989)
(i) FY97 Revenues /3		(\$10,007,353)	(\$10,411,005)	(\$20,418,358)	(\$10,827,446)	(\$11,260,544)	(\$22,087,989)
New Economic Assumptions /4	\$0	\$3,422,930	\$8,952,391	\$12,375,321	\$11,151,308	\$13,516,232	\$24,667,540
Federal TRA of 1997 & One-Time Effects /5	\$0	\$6,000,000	\$0	\$6,000,000	(\$127,216)	(\$246,798)	(\$374,014)
Total Adjustments to Prior Forecast		(\$584,423)	(\$1,458,615)	(\$2,043,038)	\$196,647	\$2,008,891	\$2,205,538
New Forecast	\$699,960,247	\$738,088,422	\$767,009,040	\$1,505,097,462	\$799,403,008	\$833,183,507	\$1,632,586,515
Growth Rate		5.4%	3.9%		4.2%	4.2%	

1/ February, 1997 forecast adjusted for changes enacted during the 1st Regular Session and the 1st Special Session of the 118th Legislature. The 1997 actual includes gross receipts tax revenue from 7% restaurant sales and the additional \$7.5 million of reserving.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues from applying the previously forecasted growth rates to the final FY97 revenue base.

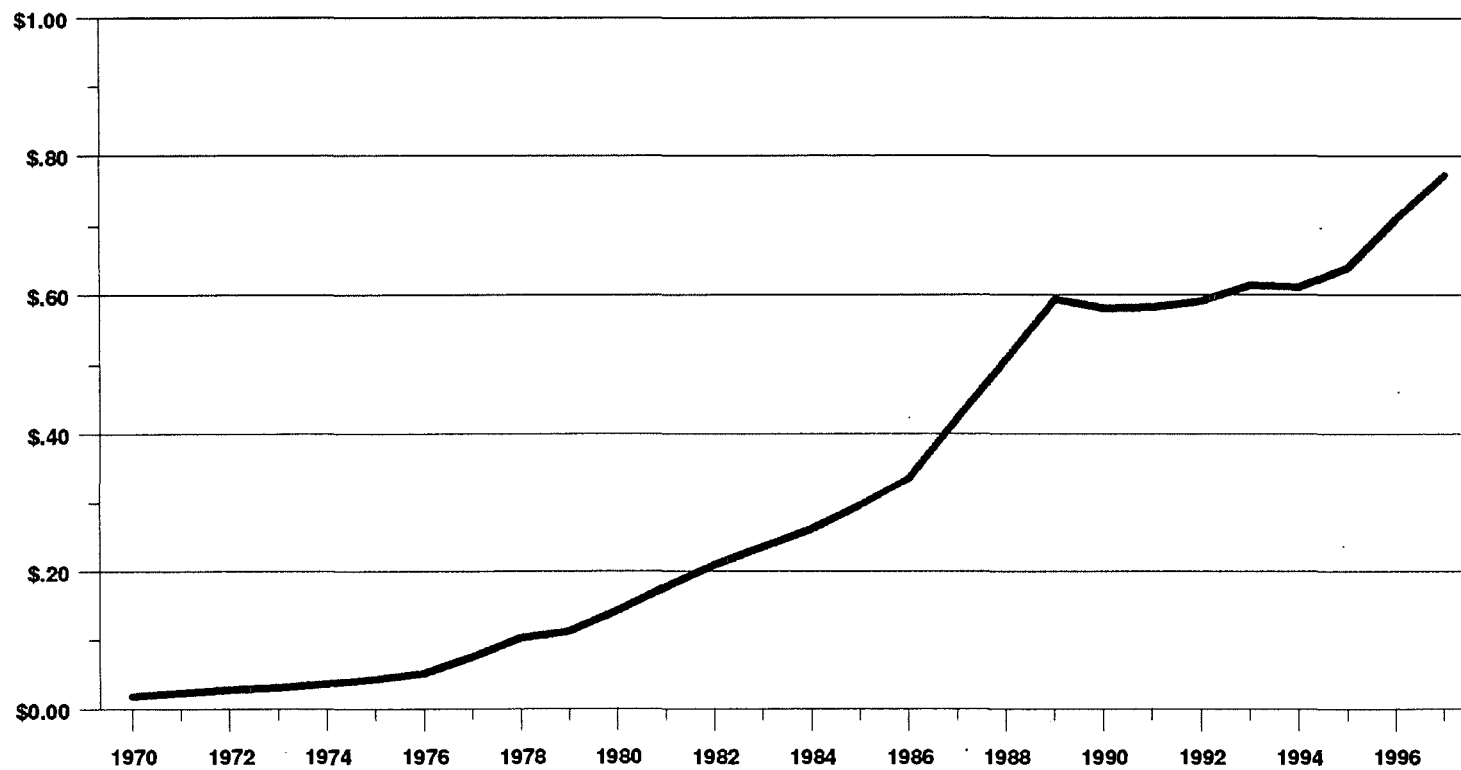
4/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee on October 14, 1997.

5/ August sales and use tax revenues were \$7.6 million above forecast; there is no other July variance of this magnitude in recent history. Also, this line shows the incremental change in baseline revenues from changes in federal tax law as a result of passage of the "Taxpayer Relief Act of 1997."

Individual Income Tax

Total Individual Income Tax Revenue Fiscal Years 1970 Through 1997

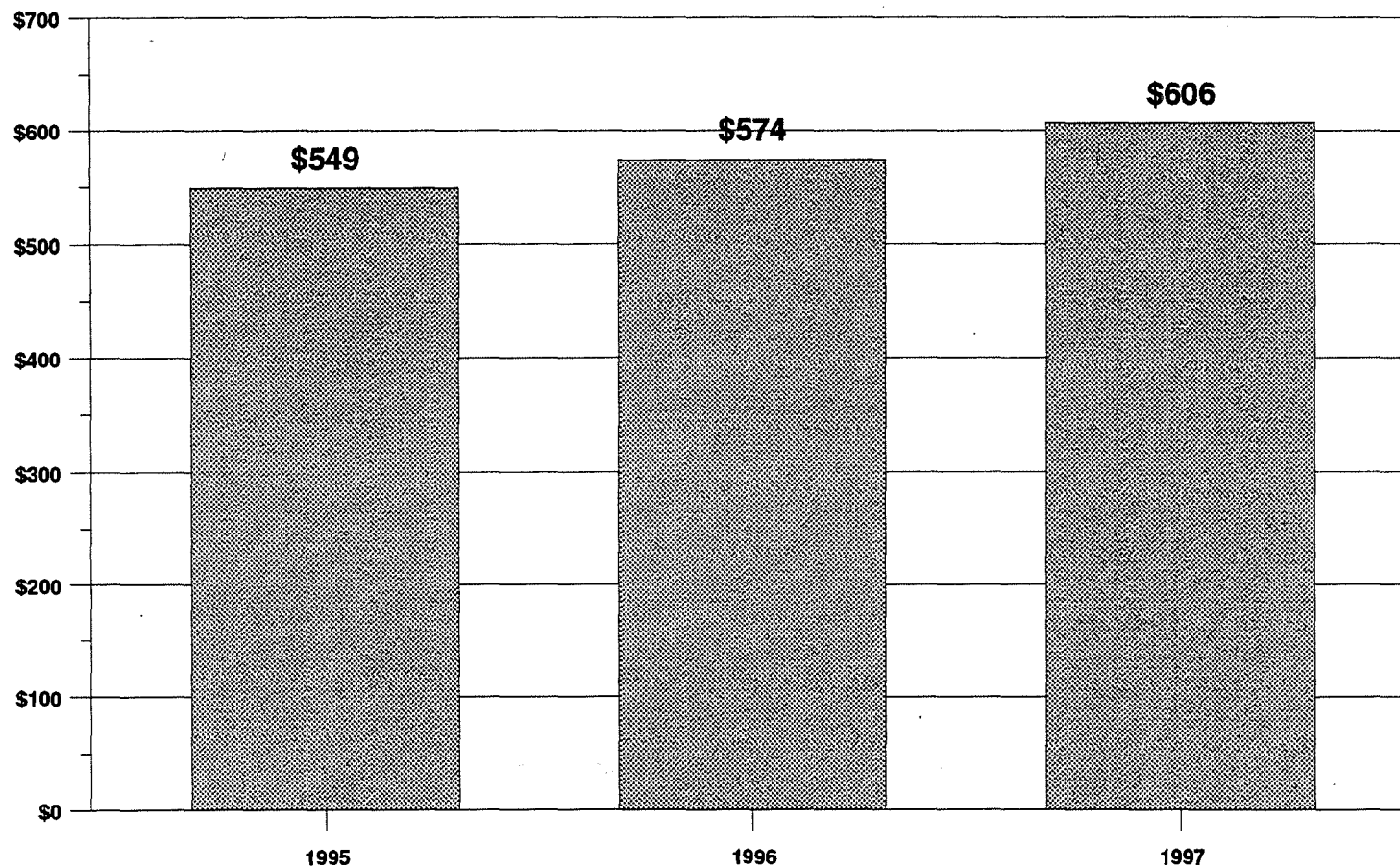
Dollars (in Billions)



Individual Income Tax

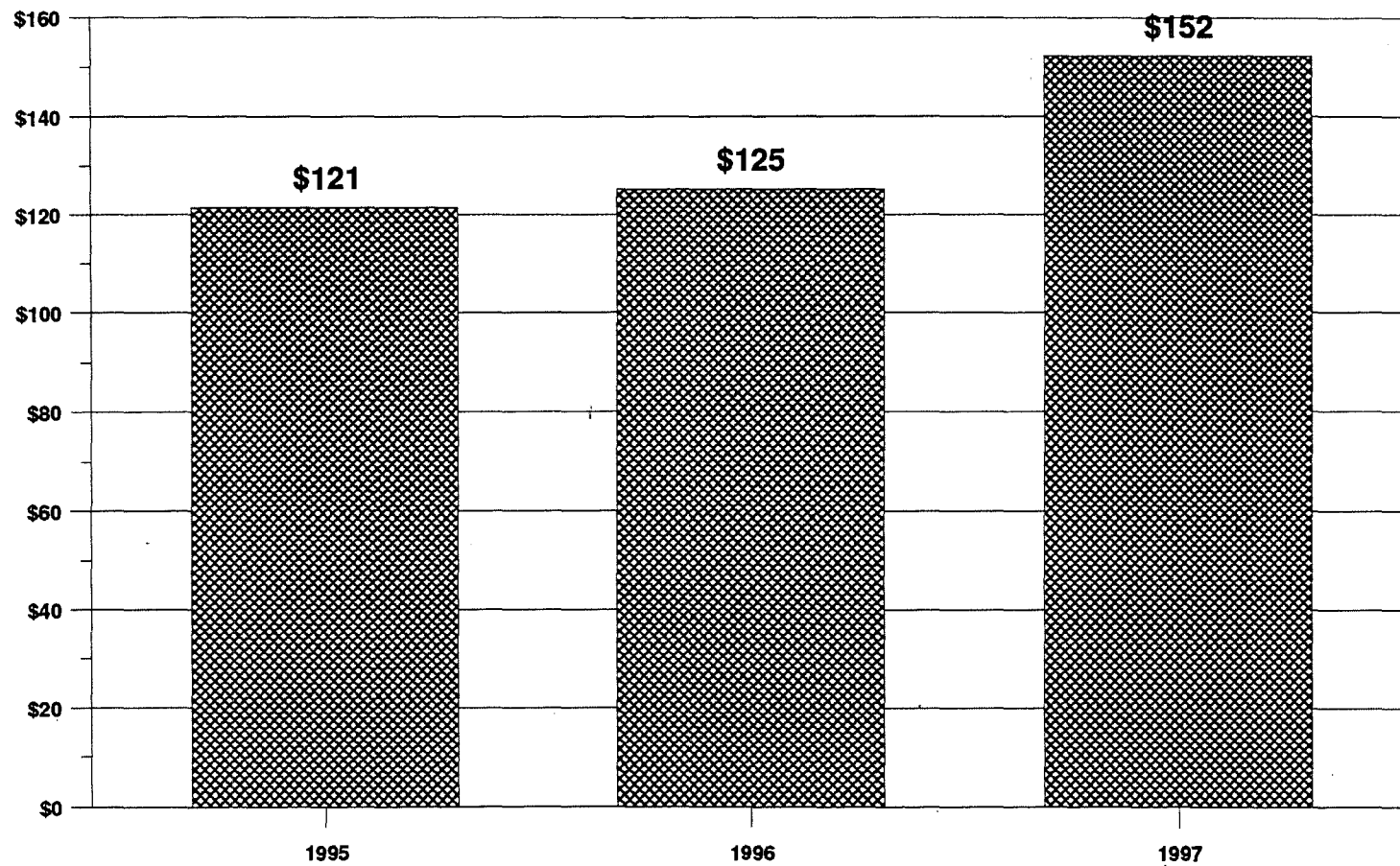
Individual Income Tax Withholding Payments
FY'95 - FY'97

Dollars (in Millions)



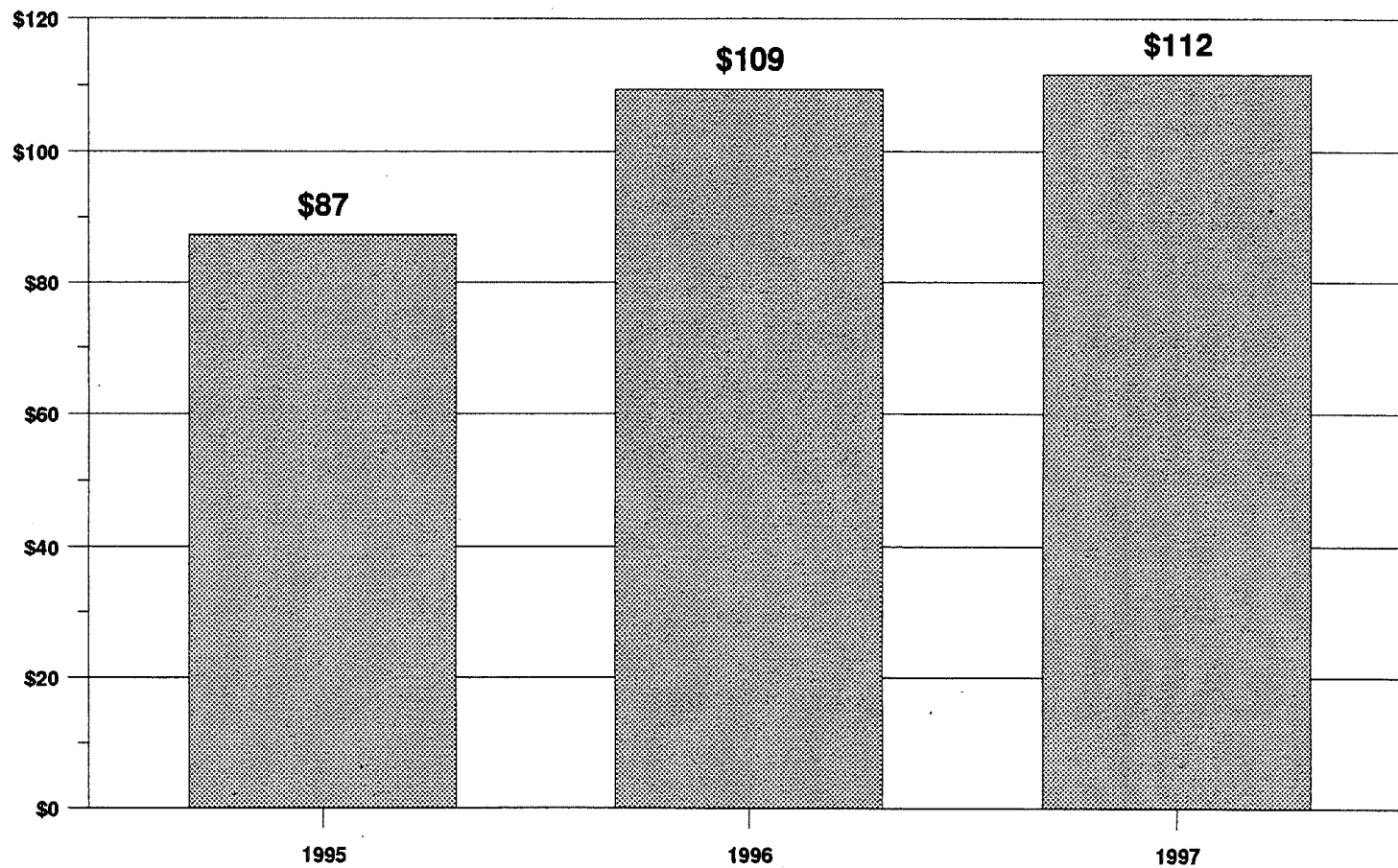
Individual Income Tax Estimated Payments
FY'95 - FY'97

Dollars (in Millions)



Individual Income Tax Final Payments & Back Taxes
FY'95 - FY'97

Dollars (in Millions)



Individual Income Tax: General Fund Baseline Forecast FY98 - FY01

	FY97	FY98	FY99	Biennium	FY00	FY01	Biennium
Prior Forecast + Enacted Legislation /1	\$733,066,992	\$724,428,622	\$757,672,653	\$1,482,101,275	\$791,028,511	\$828,599,679	\$1,619,628,190
Growth Rate		-1.2%	4.6%		4.4%	4.7%	
Technical Adjustments to Prior Forecast /2	\$0	\$27,589,304	\$27,726,549	\$55,315,854	\$27,995,341	\$28,522,996	\$56,518,337
(i) FY97 Revenues /3		\$46,998,028	\$50,110,115	\$97,108,143	\$52,649,389	\$55,398,871	\$108,048,261
(ii) Adjustment for One-Time Revenue /4		(\$19,408,724)	(\$22,383,565)	(\$41,792,289)	(\$24,654,048)	(\$26,875,875)	(\$51,529,924)
New Economic Assumptions /5	\$0	\$13,046,517	\$15,453,816	\$28,500,334	\$17,232,811	\$18,920,496	\$36,153,307
Conformity with Federal TRA of 1997 /6	\$0	\$14,252,803	\$12,984,995	\$27,237,798	\$9,785,060	\$9,365,382	\$19,150,442
Total Adjustments to Prior Forecast		\$54,888,625	\$56,165,360	\$111,053,985	\$55,013,212	\$56,808,874	\$111,822,086
New Forecast	\$733,066,992	\$779,317,247	\$813,838,013	\$1,593,155,260	\$846,041,723	\$885,408,553	\$1,731,450,276
Growth Rate		6.3%	4.4%		4.0%	4.7%	

1/ February, 1997 forecast adjusted for changes enacted during the 1st Regular Session and the 1st Special Session of the 118th Legislature.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues from applying the previously forecasted growth rates to the final FY97 revenue base.

4/ This line shows the incremental change in baseline revenues of removing from the FY97 base any one-time revenue as a result of a surging stock market, or other one-time events.

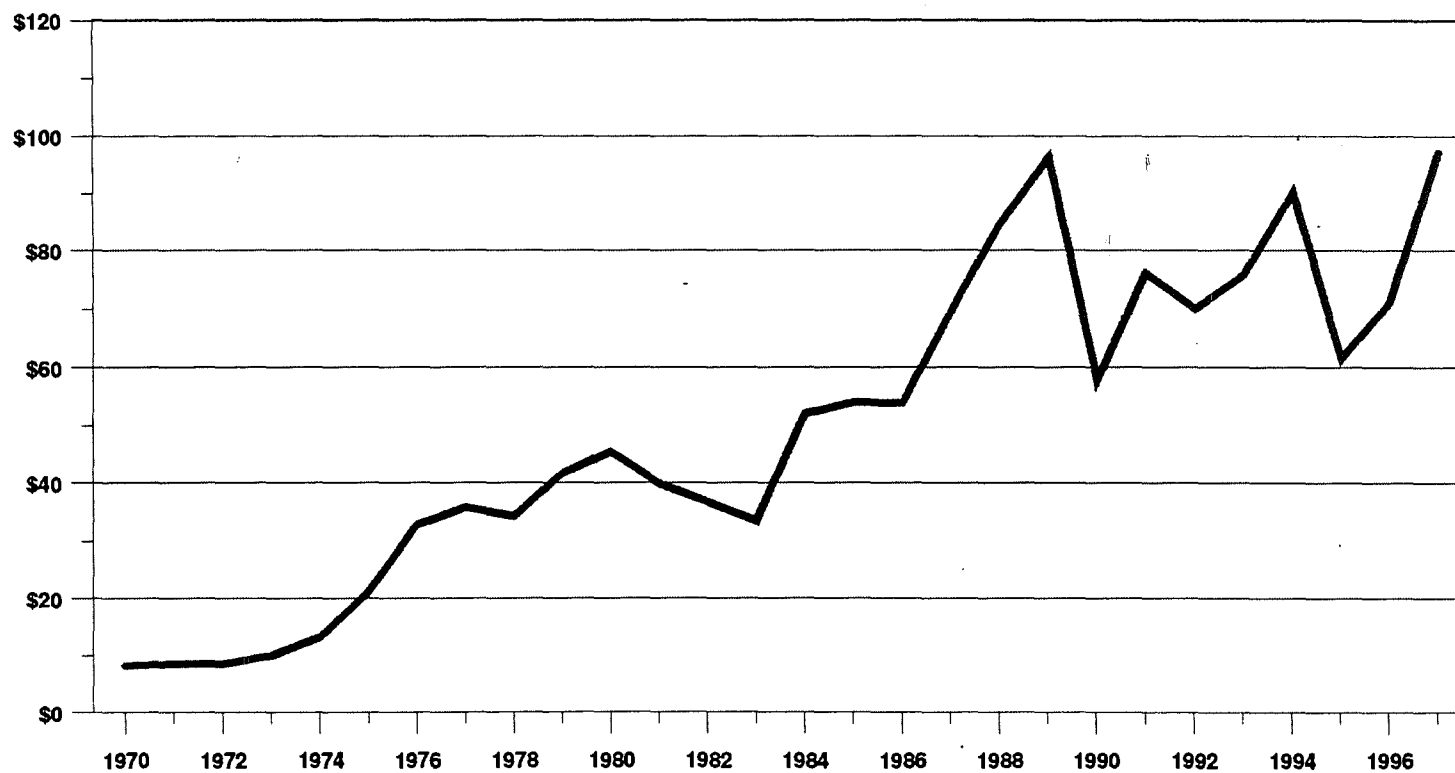
5/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee on October 14, 1997.

6/ This line shows the incremental change in baseline revenues from State conformity with changes in federal tax law as a result of passage of the "Taxpayer Relief Act of 1997".

Corporate Income Tax

Total Corporate Income Tax Revenue
Fiscal Years 1970 Through 1997

Dollars (in Millions)

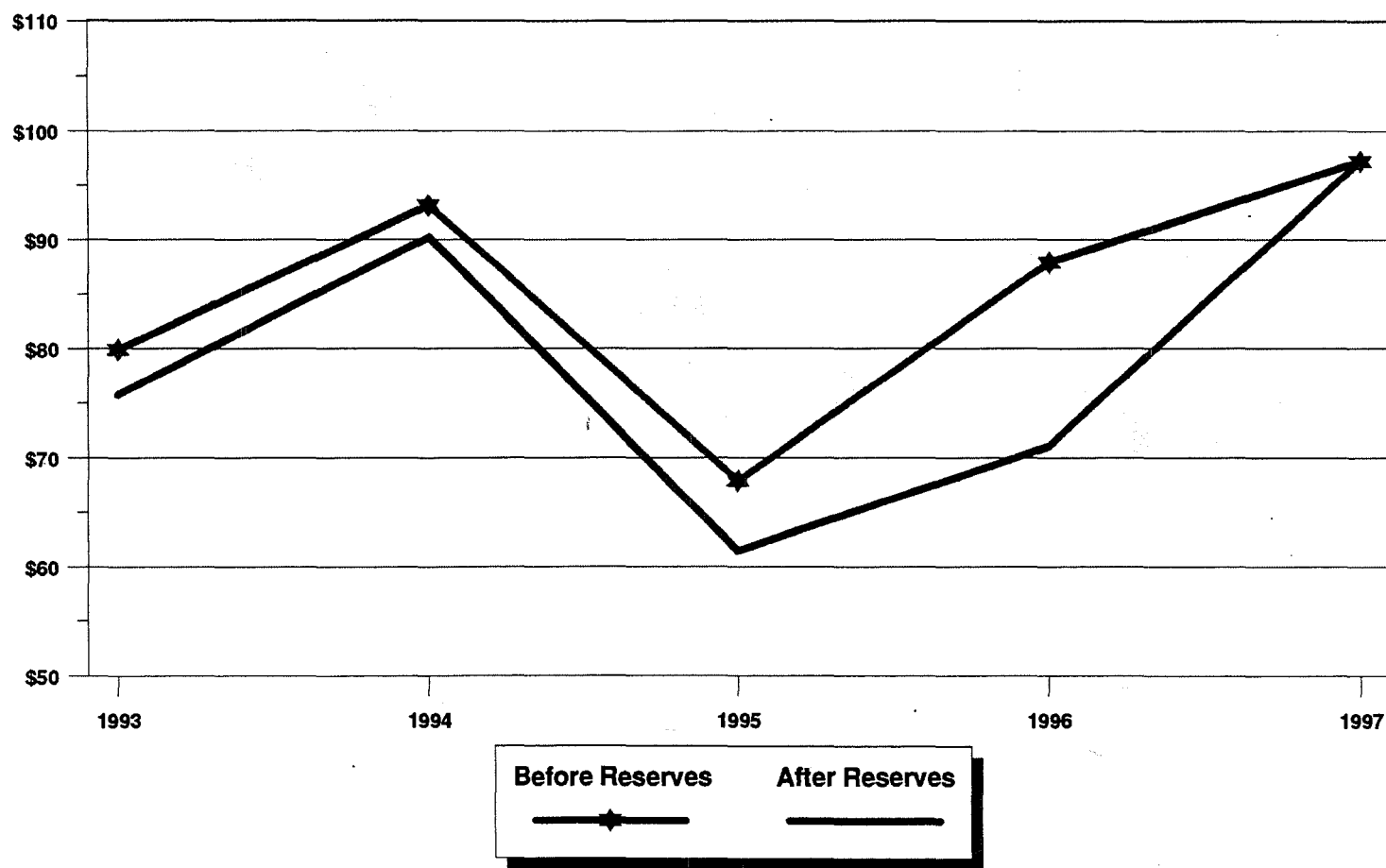


Corporate Income Tax

Total Corporate Income Tax Revenue

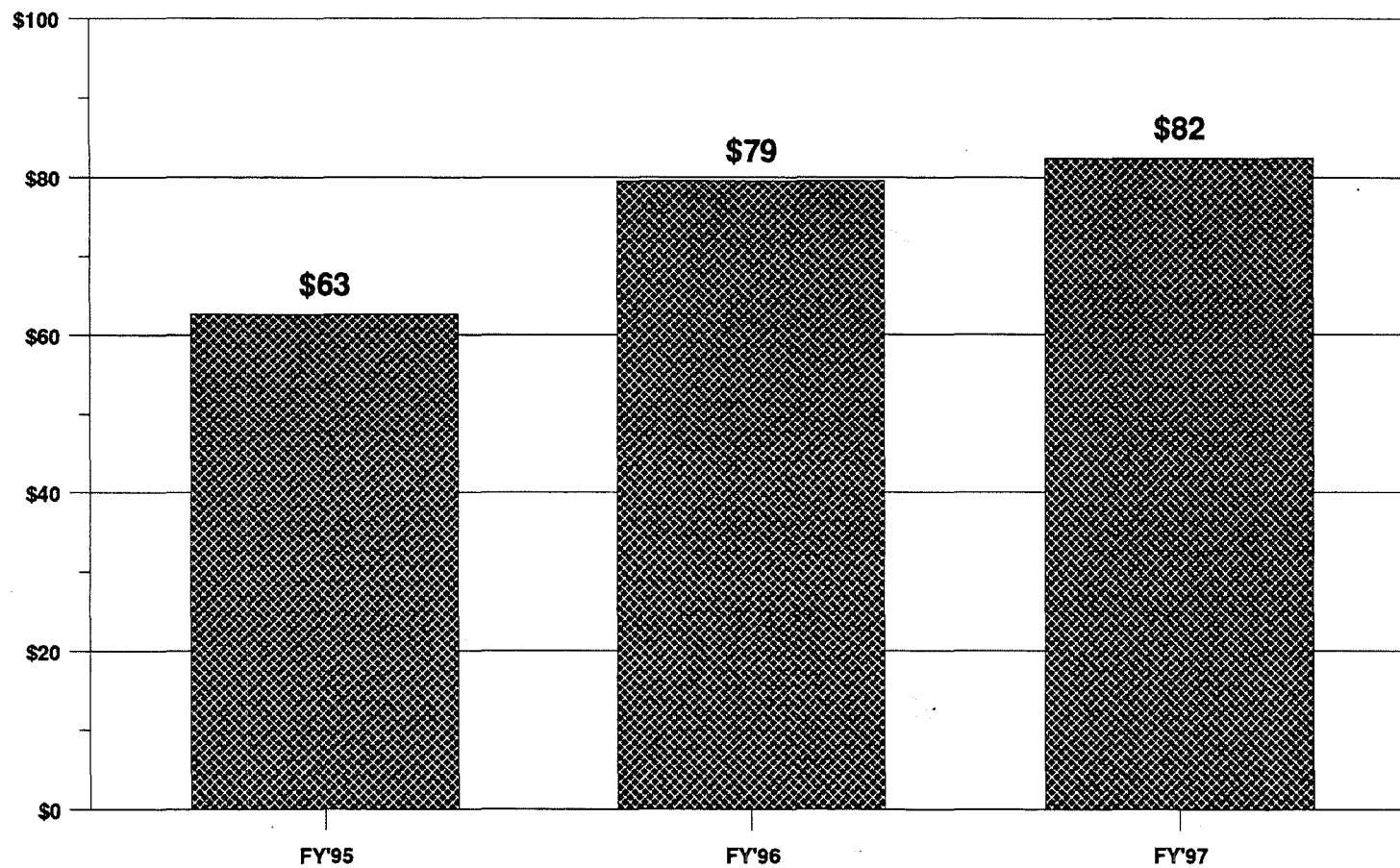
Fiscal Years 1993 - 1997

Dollars (in Millions)



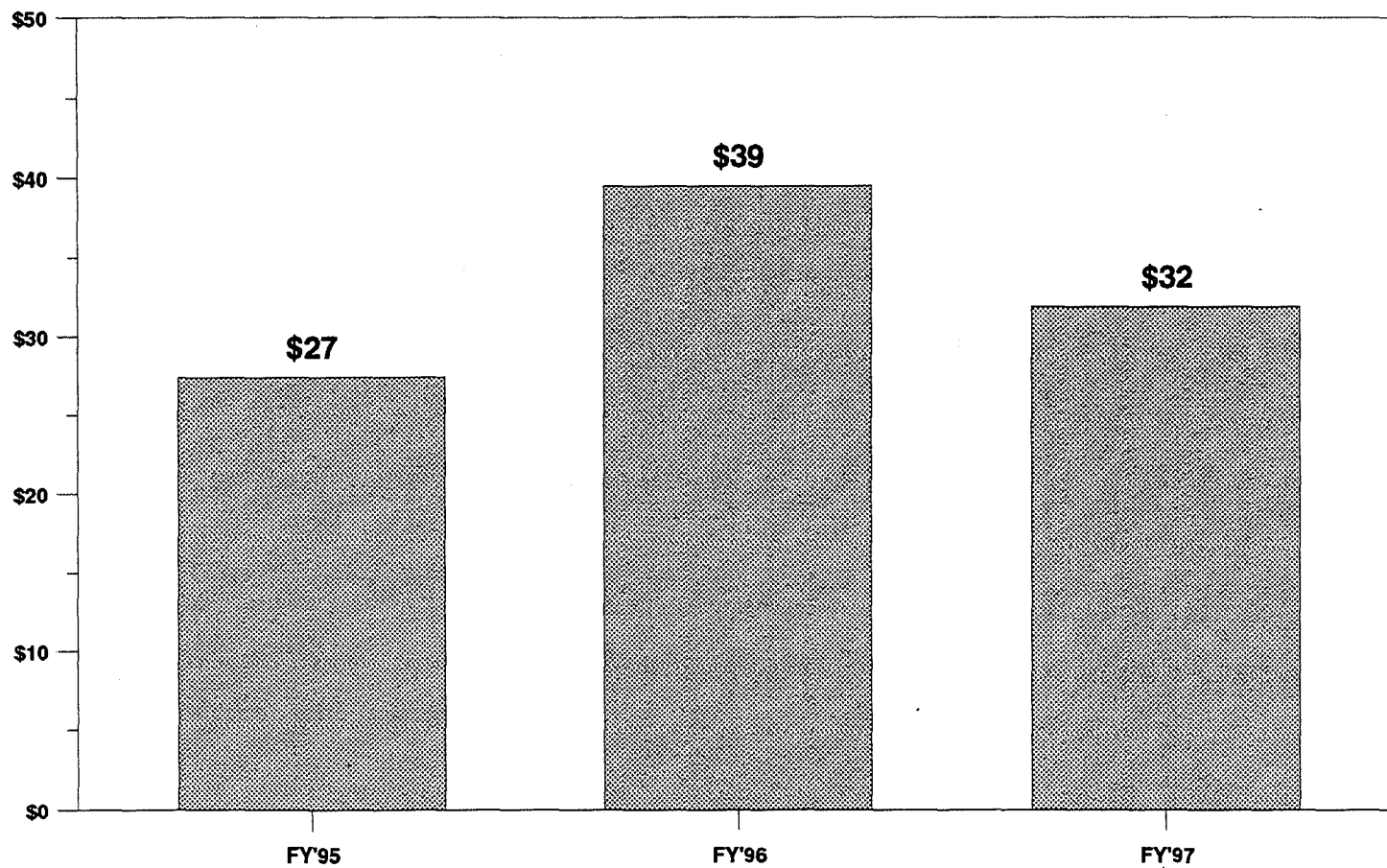
Corporate Income Tax Estimated Payments FY 95 - FY 97

Dollars (in Millions)



Corporate Income Tax Final Payments & Back Taxes
FY'95 - FY'97

Dollars (in Millions)



Corporate Income Tax: General Fund Baseline Forecast FY98 - FY01

	FY97	FY98	FY99	Biennium	FY00	FY01	Biennium
Prior Forecast + Enacted Legislation /1	\$92,816,774	\$90,810,370	\$95,039,639	\$185,850,009	\$99,791,622	\$104,781,203	\$204,572,825
Growth Rate		-2.2%	4.7%		5.0%	5.0%	
Technical Adjustments to Prior Forecast /2	\$0	\$1,747,493	\$1,803,653	\$3,551,146	\$1,893,835	\$1,988,527	\$3,882,361
(i) FY97 Revenues /3		\$6,303,821	\$6,570,939	\$12,874,759	\$6,899,485	\$7,244,459	\$14,143,943
(ii) Adjustment for One-Time Revenue /4		(\$4,556,328)	(\$4,767,286)	(\$9,323,613)	(\$5,005,650)	(\$5,255,932)	(\$10,261,582)
New Economic Assumptions /5	\$0	\$2,906,502	\$1,990,330	\$4,896,831	\$72,879	(\$1,234,730)	(\$1,161,851)
Conformity with Federal TRA & One-Time Effects /6	\$0	\$6,800,000	\$919,062	\$7,719,062	\$937,272	\$575,288	\$1,512,560
Total Adjustments to Prior Forecast		\$11,453,995	\$4,713,045	\$16,167,040	\$2,903,986	\$1,329,085	\$4,233,071
New Forecast	\$92,816,774	\$102,264,365	\$99,752,684	\$202,017,049	\$102,695,608	\$106,110,288	\$208,805,896
Growth Rate		10.2%	-2.5%		3.0%	3.3%	

1/ February, 1997 forecast adjusted for changes enacted during the 1st Regular Session and the 1st Special Session of the 118th Legislature.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues from applying the previously forecasted growth rates to the final FY97 revenue base.

4/ This line shows the incremental change in baseline revenues of removing from the FY97 base a large audit payment.

5/ This line shows the incremental change in baseline revenues as a result of a new forecast of pre-tax corporate profits by the Office of Management and Budget on September 5, 1997.

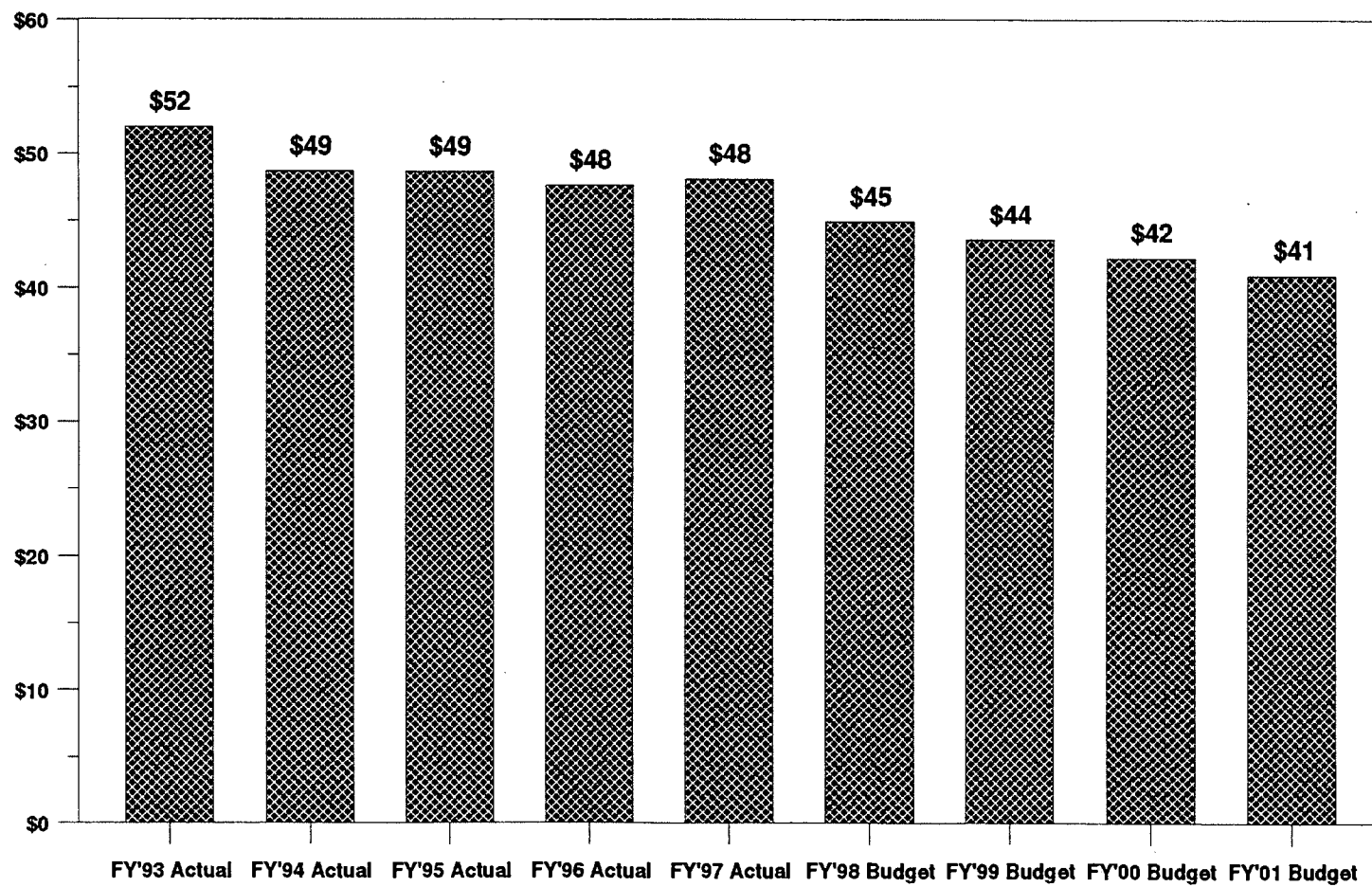
6/ This line shows the incremental change in baseline revenues from State conformity with changes in federal tax law as a result of passage of the "Taxpayer Relief Act of 1997". In addition, this line reflects a large audit payment received in July, 1997.

Cigarette & Tobacco Tax

Cigarette & Tobacco Tax Revenue

Fiscal Years 1993 - 2001

Revenue (in Millions)



Cigarette and Tobacco Tax: General Fund Baseline Forecast FY98 - FY01

	FY97	FY98	FY99	Biennium	FY00	FY01	Biennium
Prior Forecast + Enacted Legislation /1	\$48,047,995	\$44,890,210	\$43,503,205	\$88,393,415	\$42,159,825	\$40,858,660	\$83,018,485
Growth Rate		-6.6%	-3.1%		-3.1%	-3.1%	
Technical Adjustments to Prior Forecast /2	\$0	\$1,662,920	\$1,602,577	\$3,265,497	\$1,544,568	\$1,488,796	\$3,033,363
(i) FY97 Revenues /3		\$1,662,920	\$1,602,577	\$3,265,497	\$1,544,568	\$1,488,796	\$3,033,363
Federal TRA of 1997 /4	\$0	\$0	\$0	\$0	(\$448,500)	(\$870,000)	(\$1,318,500)
Total Adjustments to Prior Forecast		\$1,662,920	\$1,602,577	\$3,265,497	\$1,096,068	\$618,796	\$1,714,863
New Forecast	\$48,047,995	\$46,553,130	\$45,105,782	\$91,658,912	\$43,255,893	\$41,477,456	\$84,733,348
Growth Rate		-3.1%	-3.1%		-4.1%	-4.1%	

1/ February, 1997 forecast adjusted for changes enacted during the 1st Regular Session and the 1st Special Session of the 118th Legislature.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

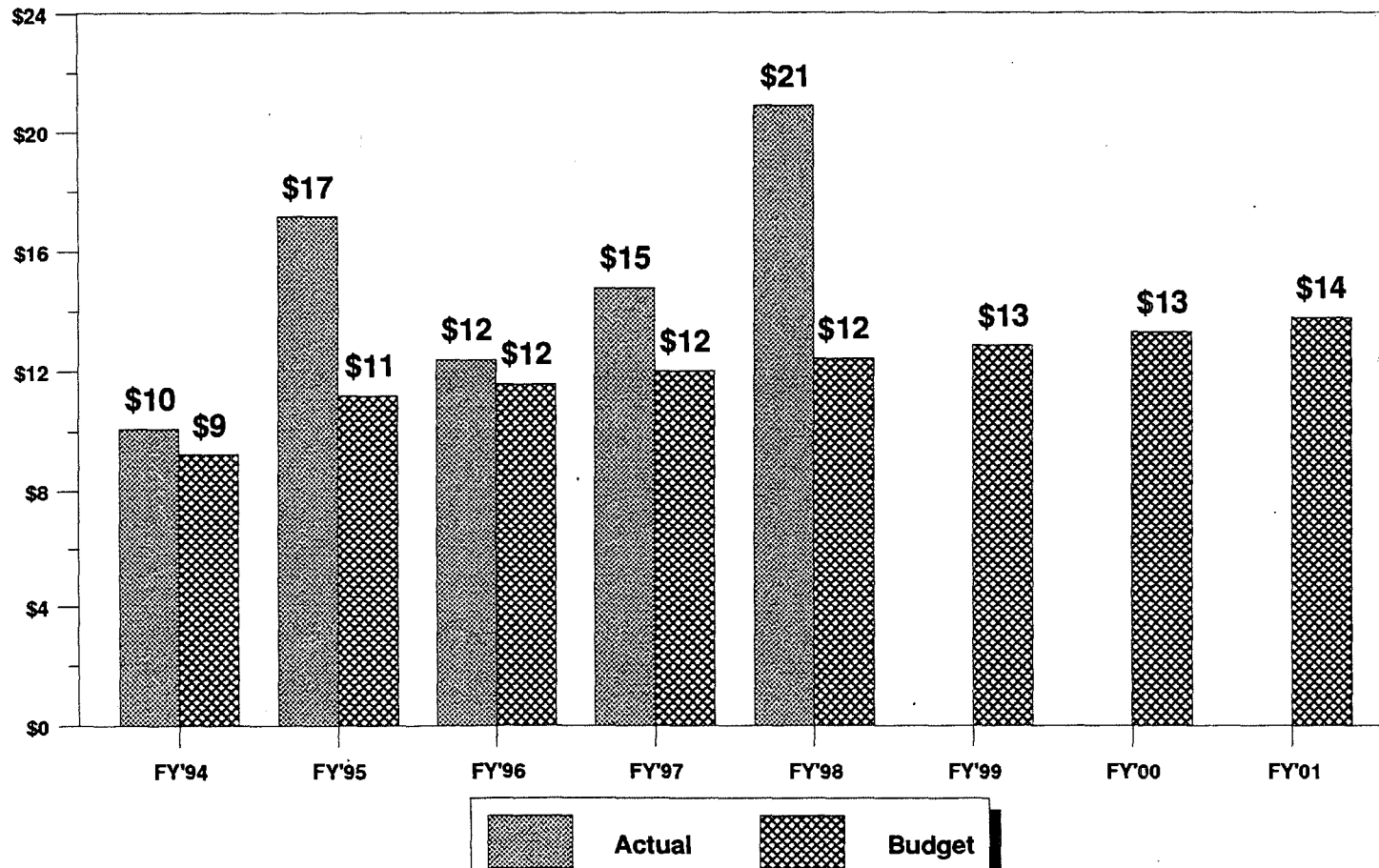
3/ This line shows the incremental change in baseline revenues from applying the previously forecasted growth rates to the final FY97 revenue base.

4/ This line shows the impact of the increase in the federal excise tax on cigarettes and tobacco scheduled for January 1, 2000.

Estate Tax

Estate Tax Revenue Fiscal Years 1994 - 2001

Revenue (in Millions)



FY'98 Actual as of 9/97. Includes \$6.2 million transferred to the Children's Health Care Reserve Account.

Estate Tax: General Fund Baseline Forecast FY98 - FY01

	FY97	FY98	FY99	Biennium	FY00	FY01	Biennium
Prior Forecast + Enacted Legislation /1	\$14,770,860	\$12,397,521	\$12,831,434	\$25,228,955	\$13,280,534	\$13,745,353	\$27,025,887
Growth Rate		-16.1%	3.5%		3.5%	3.5%	
Technical Adjustments to Prior Forecast /2	\$0	\$2,890,319	\$2,991,481	\$5,881,800	\$3,096,183	\$3,204,549	\$6,300,731
(i) FY97 Revenues /3		\$2,890,319	\$2,991,481	\$5,881,800	\$3,096,183	\$3,204,549	\$6,300,731
Conformity with Federal TRA & One-Time Effects /4	\$0	\$10,000,000	(\$466,000)	\$9,534,000	(\$665,000)	(\$942,000)	(\$1,607,000)
Total Adjustments to Prior Forecast		\$12,890,319	\$2,525,481	\$15,415,800	\$2,431,183	\$2,262,549	\$4,693,731
New Forecast	\$14,770,860	\$25,287,840	\$15,356,915	\$40,644,755	\$15,711,717	\$16,007,902	\$31,719,618
Growth Rate		71.2%	-39.3%		2.3%	1.9%	

1/ February, 1997 forecast adjusted for changes enacted during the 1st Regular Session and the 1st Special Session of the 118th Legislature.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues from applying the previously forecasted growth rates to the final FY97 revenue base.

4/ This line shows the incremental change in baseline revenues from State conformity with changes in federal tax law as a result of passage of the "Taxpayer Relief Act of 1997". In addition, this line reflects several large estate tax payments that are not forecasted to be repeated in future years.

Summary Table: General Fund Baseline Forecast FY98 - FY01

	FY97	FY98	FY99	Biennium	FY00	FY01	Biennium
Sales and Use Tax							
Prior Forecast + Enacted Legislation	\$699,960,247	\$738,672,845	\$768,467,655	\$1,507,140,500	\$799,206,361	\$831,174,616	\$1,630,380,977
Growth Rate		5.5%	4.0%		4.0%	4.0%	
Total Adjustments to Prior Forecast	\$0	(\$584,423)	(\$1,458,615)	(\$2,043,038)	\$196,647	\$2,008,891	\$2,205,538
New Forecast	\$699,960,247	\$738,088,422	\$767,009,040	\$1,505,097,462	\$799,403,008	\$833,183,507	\$1,632,586,515
Growth Rate		5.4%	3.9%		4.2%	4.2%	
Individual Income Tax							
Prior Forecast + Enacted Legislation	\$733,066,992	\$724,428,622	\$757,672,653	\$1,482,101,275	\$791,028,511	\$828,599,679	\$1,619,628,190
Growth Rate		-1.2%	4.6%		4.4%	4.7%	
Total Adjustments to Prior Forecast	\$0	\$54,888,625	\$56,165,360	\$111,053,985	\$55,013,212	\$56,808,874	\$111,822,086
New Forecast	\$733,066,992	\$779,317,247	\$813,838,013	\$1,593,155,260	\$846,041,723	\$885,408,553	\$1,731,450,276
Growth Rate		6.3%	4.4%		4.0%	4.7%	
Corporate Income Tax							
Prior Forecast + Enacted Legislation	\$92,816,774	\$90,810,370	\$95,039,639	\$185,850,009	\$99,791,622	\$104,781,203	\$204,572,825
Growth Rate		-2.2%	4.7%		5.0%	5.0%	
Total Adjustments to Prior Forecast	\$0	\$11,453,995	\$4,713,045	\$16,167,040	\$2,903,986	\$1,329,085	\$4,233,071
New Forecast	\$92,816,774	\$102,264,365	\$99,752,684	\$202,017,049	\$102,695,608	\$106,110,288	\$208,805,896
Growth Rate		10.2%	-2.5%		3.0%	3.3%	
Cigarette and Tobacco Taxes							
Prior Forecast + Enacted Legislation	\$48,047,995	\$44,890,210	\$43,503,205	\$88,393,415	\$42,159,825	\$40,858,660	\$83,018,485
Growth Rate		-6.6%	-3.1%		-3.1%	-3.1%	
Total Adjustments to Prior Forecast	\$0	\$1,662,920	\$1,602,577	\$3,265,497	\$1,096,068	\$618,796	\$1,714,863
New Forecast	\$48,047,995	\$46,553,130	\$45,105,782	\$91,658,912	\$43,255,893	\$41,477,456	\$84,733,348
Growth Rate		-3.1%	-3.1%		-4.1%	-4.1%	
Estate Tax							
Prior Forecast + Enacted Legislation	\$14,770,860	\$12,397,521	\$12,831,434	\$25,228,955	\$13,280,534	\$13,745,353	\$27,025,887
Growth Rate		-16.1%	3.5%		3.5%	3.5%	
Total Adjustments to Prior Forecast	\$0	\$12,890,319	\$2,525,481	\$15,415,800	\$2,431,183	\$2,262,549	\$4,693,731
New Forecast	\$14,770,860	\$25,287,840	\$15,356,915	\$40,644,755	\$15,711,717	\$16,007,902	\$31,719,618
Growth Rate		71.2%	-39.3%		2.3%	1.9%	
Total							
Prior Forecast + Enacted Legislation	\$1,588,662,868	\$1,611,199,568	\$1,677,514,586	\$3,288,714,154	\$1,745,466,853	\$1,819,159,511	\$3,564,626,364
Growth Rate		1.4%	4.1%		4.1%	4.2%	
Total Adjustments to Prior Forecast	\$0	\$80,311,436	\$63,547,848	\$143,859,284	\$61,641,094	\$63,028,194	\$124,669,289
New Forecast	\$1,588,662,868	\$1,691,511,004	\$1,741,062,434	\$3,432,573,438	\$1,807,107,947	\$1,882,187,705	\$3,689,295,653
Growth Rate		6.5%	2.9%		3.8%	4.2%	

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelve Months Ending June 30, 1997

June 1997

Month

Year to Date

	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Total Budgeted Fiscal Year Ending 6/30/97
Sales and Use Tax	\$48,586,018	\$55,741,038	(\$7,155,020)	-13%	\$662,682,090	\$682,356,818	(19,674,728) *	-3%	\$682,356,818
Gross Receipts Tax	0	0	0		44,671,894	45,851,380	(1,179,486)	-3%	45,851,380
Individual Income Tax	90,034,394	89,233,961	800,433	1%	733,066,992	689,501,555	43,565,437	6%	689,501,555
Corporate Income Tax	15,239,730	10,337,556	4,902,174	47%	92,816,774	75,611,200	17,205,574	23%	75,611,200
Cigarette and Tobacco Tax	4,624,793	4,423,778	201,015	5%	48,047,995	46,322,299	1,725,696	4%	46,322,299
Public Utilities Tax	393,161	0	393,161		28,600,511	28,250,000	350,511	1%	28,250,000
Insurance Companies Tax	11,437,586	10,338,006	1,099,580	11%	39,642,756	36,061,754	3,581,002	10%	36,061,754
Estate Tax	823,628	998,190	(174,562)	-17%	14,770,860	11,978,281	2,792,579	23%	11,978,281
Property Tax - Unorg Territory	166,400	977,982	(811,582)	-83%	8,388,418	9,200,000	(811,582)	-9%	9,200,000
Income from Investments	1,614,400	454,586	1,159,814	255%	9,875,895	4,829,000	5,046,895	105%	4,829,000
Transfer from Liquor Commission	2,101,064	1,799,932	301,132	17%	20,661,837	20,504,971	156,866	1%	20,504,971
Transfer from Lottery Commission	2,516,440	3,018,138	(501,698)	-17%	40,887,096	37,362,275	3,524,821	9%	37,362,275
Other Revenues	17,099,280	15,620,516	1,478,764	9%	118,973,183	115,688,013	3,285,170	3%	115,688,013
Total Undedicated Revenue	\$194,636,895	\$192,943,683	\$1,693,212	1%	\$1,863,086,300	\$1,803,517,546	\$59,568,754	3%	\$1,803,517,546

NOTES: (1) In addition to the above, \$8,117,269 for the month and \$79,237,666 year to date, has been set aside for distribution to cities and towns, under the State Revenue Sharing Program.

(2) This report has been prepared from preliminary month end figures and is subject to change.

* Includes 7.5 million in reserves against uncollectibles.

STATE OF MAINE

Undedicated Revenues - General Fund
For the Twelve Months Ending June 30, 1997 and 1996

Current Year compared to Prior Year

June 1997

EXHIBIT II

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	\$48,586,018	\$40,926,858	\$7,659,160	19%	\$662,682,090	\$624,041,216	\$38,640,874	6%
Gross Receipts Tax	0	4,787,440	(4,787,440)	-100%	44,671,894	68,460,826	(23,788,932)	-35%
Individual Income Tax	90,034,394	78,581,135	11,453,259	15%	733,066,992	674,507,957	58,559,035	9%
Corporate Income Tax	15,239,730	2,975,812	12,263,918	412%	92,816,774	67,344,662	25,472,112	38%
Cigarette and Tobacco Tax	4,624,793	4,243,041	381,752	9%	48,047,995	47,601,709	446,286	1%
Public Utilities Tax	393,161	(76,466)	469,627	-614%	28,600,511	28,853,169	(252,658)	-1%
Insurance Companies Tax	11,437,586	9,972,176	1,465,410	15%	39,642,756	35,518,538	4,124,218	12%
Estate Tax	823,628	2,026,105	(1,202,477)	-59%	14,770,860	12,379,606	2,391,254	19%
Property Tax - Unorg Territory	166,400	524,769	(358,369)	-68%	8,388,418	9,135,576	(747,158)	-8%
Income from Investments	1,614,400	1,995,856	(381,456)	-19%	9,875,895	8,512,311	1,363,584	16%
Transfer from Liquor Commission	2,101,064	2,668,976	(567,912)	-21%	20,661,837	21,446,967	(785,130)	-4%
Transfer from Lottery Commission	2,516,440	1,805,490	710,950	39%	40,887,096	37,736,554	3,150,542	8%
Other Revenues	17,099,280	17,125,685	(26,405)	0%	118,973,183	130,861,669	(11,888,486)	-9%
Total Undedicated Revenue	\$194,636,895	\$167,556,877	\$27,080,018	16%	\$1,863,086,300	\$1,766,400,760	\$96,685,540	5%
Revenue Sharing	\$8,117,258	\$6,582,375	\$1,534,883	23%	\$79,237,656	\$73,404,200	\$5,833,456	8%

STATE OF MAINE

September 1997

Undedicated Revenues - General Fund
For the Third Month Ending September 30, 1997

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6/30/98
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	\$72,331,602	\$71,338,498	\$993,104	1%	\$217,618,350	\$211,077,662	\$6,540,688	3%	\$738,672,845
Individual Income Tax	79,424,895	74,697,083	4,727,812	6%	166,764,212	153,873,517	12,890,695	8%	724,428,622
Corporate Income Tax	21,590,722	15,949,401	5,641,321	35%	35,759,301	20,253,725	15,505,576	77%	90,810,370
Cigarette and Tobacco Tax	3,184,222	3,676,360	(492,138)	-13%	11,674,222	11,979,172	(304,950)	-3%	44,890,210
Public Utilities Tax	20,700	0	20,700		(129,300)	(150,000)	20,700	-14%	28,475,000
Insurance Companies Tax	134,816	21,700	113,116	521%	156,236	1,266,908	(1,110,672)	-88%	35,663,000
Estate Tax	6,328,697	1,033,128	5,295,569	513%	14,678,981	3,099,380	11,579,601	374%	12,397,521
Property Tax - Unorg Territory	0	0	0		0	0	0		11,084,804
Income from Investments	599,258	280,000	319,258	114%	1,399,707	538,000	861,707	160%	3,480,000
Transfer from Liquor Commission	1,374,606	2,096,649	(722,043)	-34%	5,686,941	5,876,551	(189,610)	-3%	21,199,678
Transfer from Lottery Commission	3,041,543	3,265,483	(223,940)	-7%	10,187,748	9,692,971	494,777	5%	38,637,870
Other Revenues	9,835,630	9,165,314	670,316	7%	28,224,798	29,996,885	(1,772,087)	-6%	116,117,600
Total Undedicated Revenue	\$197,866,690	\$181,523,616	\$16,343,074	9%	\$492,021,195	\$447,504,771	\$44,516,424	10%	\$1,865,857,521

NOTES: (1) In addition to the above, \$9,315,815 for the month and \$22,578,751 year to date, has been set aside for distribution to cities and towns, under the State Revenue Sharing Program.

(2) This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - General Fund
For the Third Month Ending September 30, 1997 and 1996

Current Year compared to Prior Year

September 1997

EXHIBIT II

	Month				Year to Date			
	Current Year	Prior Year	Change Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Sales and Use Tax	\$72,331,602	\$71,629,469 *	\$702,133	1%	\$217,618,350	\$210,367,104	\$7,251,246	3%
Individual Income Tax	79,424,895	75,113,495	4,311,400	6%	166,764,212	153,758,895	13,005,317	8%
Corporate Income Tax	21,590,722	20,461,047	1,129,675	6%	35,759,301	29,127,274	6,632,027	23%
Cigarette and Tobacco Tax	3,184,222	3,927,144	(742,922)	-19%	11,674,222	12,697,503	(1,023,281)	-8%
Public Utilities Tax	20,700	0	20,700		(129,300)	(150,000)	20,700	-14%
Insurance Companies Tax	134,816	36,227	98,589	272%	156,236	1,776,085	(1,619,849)	-91%
Estate Tax	6,328,697	1,556,714	4,771,983	307%	14,678,981	4,208,873	10,470,108	249%
Property Tax - Unorg Territory	0	0	0		0	0	0	
Income from Investments	599,258	632,487	(33,229)	-5%	1,399,707	1,394,278	5,429	0%
Transfer from Liquor Commission	1,374,606	1,705,583	(330,977)	-19%	5,686,941	5,795,359	(108,418)	-2%
Transfer from Lottery Commission	3,041,543	3,252,672	(211,129)	-6%	10,187,748	11,297,377	(1,109,629)	-10%
Other Revenues	9,835,630	9,050,963	784,667	9%	28,224,798	25,941,041	2,283,756	9%
Total Undedicated Revenue	\$197,866,690	\$187,365,800	\$10,500,890	6%	\$492,021,195	\$456,213,789	\$35,807,406	8%

* For prior year comparison, Gross Receipts Tax, which was repealed effective January 1997, has been included with Sales and Use.

Revenue Sharing	\$9,315,815	\$8,560,667	\$755,148	9%	\$22,578,751	\$19,931,589	\$2,647,162	13%
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