

MAINE STATE LEGISLATURE

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STATE OF MAINE
118TH LEGISLATURE

SECOND REGULAR SESSION
AND
SECOND SPECIAL SESSION

BILL SUMMARIES
JOINT STANDING COMMITTEE
ON
TAXATION

MAY 1998

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Sen. Beverly C. Daggett

Sen. S. Peter Mills

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ONE HUNDRED EIGHTEENTH LEGISLATURE
SECOND REGULAR AND SECOND SPECIAL SESSIONS

Summary Of Legislation Before The Joint Standing Committees
May 1998

We are pleased to provide this summary of bills that were considered by the Joint Standing Committees of the Maine Legislature. The document is a compilation of bill summaries which describe each bill and relevant amendments, as well as the final action taken. Also included are statistical summaries of bill activity this Session for the Legislature and each of its joint standing committees.

The document is organized for convenient reference to information on bills handled by the joint standing committees. It is organized by committees and within committees by bill (LD) number. The committee report(s), prime sponsor for each bill and the lead co-sponsor(s), if designated, are listed below each bill title. All adopted amendments are listed by paper number. Two indices, a subject index and a numerical index by LD number are provided for easy reference to bills. They are located at the back of the document. A separate publication, History and Final Disposition of Legislative Documents, may also be helpful in providing information on the disposition of bills. These bill summaries also are available at the Law and Legislative Reference Library and on the Internet (www.state.me.us/legis/opla).

Final action on each bill is noted to the right of the bill title. The abbreviations used for various categories of final action are as follows:

- CON RES XXX*..... Chapter # of Constitutional Resolution passed by both Houses
- CONF CMTE UNABLE TO AGREE*.....Committee of Conference unable to agree; bill died
- DIED BETWEEN BODIES*.....House & Senate disagree; bill died
- DIED IN CONCURRENCE*.....One body accepts ONTP report; the other indefinitely postpones the bill
- DIED ON ADJOURNMENT*.....Action incomplete when session ended; bill died
- EMERGENCY*.....Enacted law takes effect sooner than 90 days
- FAILED EMERGENCY ENACTMENT/FINAL PASSAGE*.....Emergency bill failed to get 2/3 vote
- FAILED ENACTMENT/FINAL PASSAGE*.....Bill failed to get majority vote
- FAILED MANDATE ENACTMENT*.....Bill imposing local mandate failed to get 2/3 vote
- INDEF PP*.....Bill Indefinitely Postponed
- ONTP*..... Ought Not To Pass report accepted
- OTP ND*..... Committee report Ought To Pass In New Draft
- OTP ND/NT*..... Committee report Ought To Pass In New Draft/New Title
- P&S XXX*..... Chapter # of enacted Private & Special Law
- PUBLIC XXX*..... Chapter # of enacted Public Law
- RESOLVE XXX*..... Chapter # of finally passed Resolve
- UNSIGNED*.....Bill held by Governor
- VETO SUSTAINED*.....Legislature failed to override Governor's Veto

Please note the effective date for all non-emergency legislation enacted in the Second Regular Session (unless otherwise specified in a particular law) is June 30, 1998 and July 9, 1998 for the Second Special Session. Second Special Session laws include Public Laws beginning with Chapter 718, Private and Special Laws beginning with Chapter 82 and Resolves beginning with Chapter 117.

Public Laws 1997, chapter 784 implements the recommendations of the Commission to Study the Restructuring of the State's Fiscal Policies to Promote the Development of High-technology Industry in Maine established by Public Law 1997, chapter 557, Part C. It requires a review of science and technology programs, including Ph.D. programs within the University of Maine System, a review of financial aid programs for students in high-technology programs, an analysis of the availability of capital for high-technology businesses, an analysis of tax incentives for high-technology businesses, the development of a marketing plan for the State and the establishment of a high-technology business clearinghouse.

LD 2219

An Act to Reduce Income and Property Taxes

**DIED ON
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
TRIPP	OTP-AM MAJ	
RUHLIN	OTP-AM MIN	

LD 2219 would have provided that the personal exemption amount for Maine's individual income tax is increased to \$2,400 for tax years beginning on or after January 1, 1998 and to \$2,750 for tax years beginning on or after January 1, 1999. The bill also would create a homestead property tax rebate program for Maine residents to be administered by the State. Under the rebate program Maine residents who owned a homestead during the entire prior calendar year would be eligible for a payment equal to \$7,500 multiplied by the equalized property tax rate for the municipality where the homestead is located.

This bill, with modifications, was incorporated into the budget bill (LD 1950), Public Laws 1997, chapter 643, Part HHH.

Committee Amendment "A" (H-876) (majority report) would have removed those provisions of the original bill providing for a homestead property tax rebate program administered by the State and replaced it with a Maine resident homestead property tax exemption administered by municipalities. The value of the homestead exemption (\$7,500) would have been equalized for each municipality and applied by the municipality to each homestead to reduce the amount of the property tax bill. The amendment would have required state reimbursement to municipalities for property taxes lost as a result of the exemption and 90% reimbursement for state-mandated administrative costs. The amendment would have required municipal property tax bills to identify the amount of the exemption and the amount by which property taxes are reduced as a result of state reimbursement for the homestead exemption. The amendment would have also increased benefits for renters under the Maine Residents Property Tax Program by increasing the percentage of rent constituting property taxes from 15% to 19% of rent paid. The amendment would have added an appropriation and a fiscal note.

Committee Amendment "B" (H-877) (minority report) would have removed the portions of the bill providing for a homestead property tax rebate program and provide for additional state-municipal revenue sharing directed at municipalities with a high local tax burden. The additional revenue sharing would have been funded by directing an additional 2% of state sales and income taxes to a fund set up for this purpose. The funds would have been apportioned among municipalities based upon their local property tax burden that exceeds 10 mills. The amendment also would have reduced the sales tax on automobiles from 6% to 5% and provided a sales tax exemption for the first \$2,000 of the sales price of an automobile. The amendment also would have added a fiscal note to the bill.

House Amendment "A" (H-892) would have exempted from the income tax retirement benefits received by persons due to their service in the United States Armed Forces.

House Amendment "A" to Committee Amendment "A" (H-885) would have increased the amount of the homestead property tax exemption from \$7,500 to \$15,000.

House Amendment "B" (H-893) would have increased the adjustment for inflation that is currently done to tax rate brackets to 1% plus the rate of inflation as determined by the Consumer Price Index. The amendment also would have corrected a section numbering error.

House Amendment "B" to Committee Amendment "A" (H-887) would have removed the provisions for a Maine resident homestead property tax exemption.

House Amendment "C" to Committee Amendment "A" (H-888) would have eliminated the homestead exemption. The amendment would have raised the revenue distributed as state-municipal revenue sharing from 5.1% to 7% of sales and income tax.

House Amendment "D" to Committee Amendment "A" (H-889) would have eliminated the homestead exemption and established an earned income tax credit for state taxes that amounts to 25% of the federal earned income tax credit.

House Amendment "E" to Committee Amendment "A" (H-890) would have eliminated the proposed Maine resident homestead property tax exemption; increased the personal tax exemption amount for Maine's individual income tax to \$2,750 for tax years beginning on or after January 1, 1998; and decreased the top rate of tax imposed on Maine residents from 8.5% to 8%.

House Amendment "F" to Committee Amendment "A" (H-891) would have eliminated the proposed Maine resident homestead property tax exemption; increased the personal tax exemption amount for Maine's individual income tax to \$2,750 for tax years beginning on or after January 1, 1998; eliminated the bottom 2 tax rates imposed on Maine residents, thus exempting from income tax those single individuals and married persons filing separate returns who have taxable income of less than \$8,100; heads of households who have taxable income of less than \$12,150; and individuals filing married joint returns or surviving spouses who have taxable income of less than \$16,200; and decreased from 8.5% to 8% the top rate of tax imposed on Maine residents.

Senate Amendment "A" to Committee Amendment "A" (S-511) would have removed the homestead property tax exemption and provided for additional state-municipal revenue sharing directed at municipalities with a high local tax burden. The additional revenue sharing would have been funded by directing an additional 2% of state sales and income taxes to a fund set up for this purpose. The funds would have been apportioned among municipalities based upon their local property tax burden that exceeds 10 mills.

Senate Amendment "B" to Committee Amendment "A" (S-525) is the same as House Amendment "E" to Committee Amendment "A."

Senate Amendment "C" to Committee Amendment "A" (S-526) is the same as House Amendment "F".

Senate Amendment "D" to Committee Amendment "A" (S-546) would have increased the amount of the homestead property tax exemption from \$7,500 to \$15,000 and increased the personal exemption to \$2,750, effective for tax years beginning on or after January 1, 1998.

Senate Amendment "E" to Committee Amendment "A" (S-570) would have replaced the original bill and Committee Amendment "A." The amendment would have reduced the sales tax from 6% to 5% effective October 1, 1998 and establishes the Tax Relief Guarantee Fund for the purposes of ensuring the continuation of tax relief. The amendment would have repealed the Tax Relief Fund for Maine Residents and the Tobacco Tax Relief Fund and would have required the State Controller to transfer any unexpended or unobligated balances to the Tax Relief Guarantee Fund.

Senate Amendment "F" to Committee Amendment "A" (S-573) would have decreased the amount of the homestead property tax exemption from \$7,500 to \$6,500 and repealed the snack tax.

Senate Amendment "G" to Committee Amendment "A" (S-638) would have decreased the amount of the homestead exemption to \$7,000 and changed the proposed percentage of rent constituting property taxes to 18%.

Senate Amendment "H" to Committee Amendment "A" (S-702) would have eliminated the provisions of the bill and the committee amendment and repealed the snack tax, expanded the circuit breaker program by reducing the tax to income thresholds from 4% and 8% to 3% and 6%, respectively, increasing the income thresholds in program year 1998 from \$25,700 for singles and \$40,000 for joint filers to \$40,000 and \$60,000, respectively, and raising the maximum benefit payment from \$1,000 to \$2,000. The amendment would have funded the repeal of the snack tax and the expansion of the circuit breaker program with funding from the Tax Relief Fund for Maine Residents and the Tobacco Tax Relief Fund.

LD 2239

An Act to Amend the Law Concerning Tax Base Sharing

PUBLIC 663

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MITCHELL E DAGGETT	OTP-AM	H-902

LD 2239 would provide that municipalities need not be contiguous in order to enter into a tax base sharing agreement and permit a tax base sharing agreement to provide that payments due to a party to the agreement may be made to a third party.

Committee Amendment "A" (H-902) provided that payments under a tax base sharing agreement that are made to another party or entity must be for purposes that have a general public benefit.

Enacted law summary

Public Law 1997, chapter 663 provides that municipalities need not be contiguous in order to enter into a tax base sharing agreement and permits a tax base sharing agreement to provide that payments due to a party to the agreement may be made to a third party if the purposes of the payment have a general public benefit.

LD 2240

An Act to Provide for Equitable Taxation of All Financial Institutions

PUBLIC 746