

MAINE STATE LEGISLATURE

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**STATE OF MAINE
120TH LEGISLATURE**

FIRST REGULAR SESSION

**BILL SUMMARIES
JOINT STANDING COMMITTEE
ON
TAXATION**

AUGUST 2001

Staff:

Julie S. Jones, Legislative Analyst

**Office of Fiscal and Program Review
5 State House Station
Augusta, ME 04333-0005
(207) 287-1635**

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Sen. Kenneth F. Lemont
Sen. Richard Kneeland**

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 OFFICE OF FISCAL AND PROGRAM REVIEW

5 STATE HOUSE STATION
 AUGUSTA, MAINE 04333-0005
 Telephone: (207) 287-1635
 FAX: (207) 287-6469

MEMORANDUM

To: Members, Joint Standing Committee on Taxation

From: Julie S. Jones, Legislative Analyst

Date: August 22, 2001

Re: Bill Summaries, 120th Legislature, 1st Regular Session

Enclosed please find a summary of all bills, resolves, joint study orders, joint resolutions and Constitutional resolutions that were considered by the Joint Standing Committee on Taxation during the 1st Regular Session of the 120th Legislature. The summary describes each bill or order and relevant amendments as well as the final action. Also included is a statistical summary of bill activity by the committee. Please note the effective date for all non-emergency legislation enacted in the 1st Regular Session (unless a later date is specified in a particular law) is September 21, 2001. Joint orders are effective when passed.

The document is organized for convenient reference to information on bills handled by the committee this session. It is organized by bill (LD) number and two indices are located at the back of the document that group bills by subject and by LD number. 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:

CARRIED OVER..... *Bill carried over to the Second Regular Session*
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*
NOT PROPERLY BEFORE THE BODY..... *Ruled out of order by the presiding officers; bill died*
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*

A complete summary of bills for all committees will be available in the very near future. Copies will be on file in the Law and Legislative Reference Library and Senate and House offices.

I hope you find this information useful. If you have any questions or suggestions, please do not hesitate to contact this office.

Best wishes for an enjoyable interim.

Joint Standing Committee on Taxation

LD 795

An Act to Rebalance Maine's Tax Code and Reduce the Structural Gap

ONTP

Sponsor(s)
MILLS

Committee Report
ONTP

Amendments Adopted

LD 795 was a concept draft that proposed to restructure the State's tax system to provide a balanced system that would produce a more reliable revenue stream that was intended to be fairer to taxpayers, less volatile to changes in the economy and more attractive to economic development. The bill would contain the following provisions.

Effective for tax years beginning on or after January 1, 2002, the bill proposed to revise the personal income tax by reducing the 4 current brackets to 2 brackets of 4% and 7% and establish a flat 7% rate for the corporate income tax. The bill proposed to make the earned income tax credit refundable.

The bill proposed to reduce the general sales tax rate from 5% to 4.5% effective July 1, 2002.

The bill proposed to exempt from sales tax the first \$5,000 paid for an automobile and to repeal the trade-in credit for automobiles effective July 1, 2002.

The bill proposed to apply a 3% sales tax to motor fuels effective July 1, 2002 and to allocate an additional .05% of total gas tax revenues for marine uses and an additional .13% of gas tax revenues for the Snowmobile Trail Fund.

The bill proposed to amend the business equipment tax reimbursement, BETR, program for property placed in service after April 1, 2002 by prohibiting receipt of benefits under both the BETR program and municipal tax increment financing, restricting reimbursement to manufacturing and research equipment, eliminating eligibility for retail and services industries, reducing reimbursement to 60% of taxes paid, and imposing a wage standard that must be met for

95% of the BETR participants' employees in Maine. The proposed wage standard would require that the hourly wage plus hourly apportioned benefits for each employee exceed the average weekly wage for that employee's county of residence divided by 40.

The bill proposed to repeal the property tax exemption for pollution control facilities effective March 31, 2002. The exemption would be replaced by reimbursement under the BETR program.

Effective July 1, 2002, the bill proposed to apply a tax on electricity at the following rates per kilowatt hour based on the source from which the electricity is generated: .9 cents for coal, .6 cents for oil and .3 cents for gas.

Beginning July 1, 2002, the bill proposed to permit retailers to retain 1% of sales tax collections up to \$100 per quarter. This right would be forfeited if the retailer did not file a timely return or remit the proper amounts due.

The bill proposed that these changes in the tax system would take effect if alternative revenue sources were identified by a proposed commission and enacted by June 1, 2002.