

MAINE STATE LEGISLATURE

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*State Of Maine
121st Legislature*

*Second Regular Session
and Second Special Session*

Bill Summaries

*Joint Standing Committee
on
Taxation*

May 2004

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Sen. Ethan Strimling
Sen. Richard A. Nass*

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Maine State Legislature



*Office Of Policy And Legal Analysis
Office Of Fiscal And Program Review*

*121st Maine Legislature
Second Regular Session and
Second Special Session*

Summary Of Legislation Before The Joint Standing Committees

Enclosed please find a summary of all bills, resolves, joint study orders, joint resolutions and Constitutional resolutions that were considered by the joint standing and joint select committees of the Maine Legislature this past session. 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 considered by the committees. It is arranged alphabetically by committee name 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/billsumm.htm).

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
- 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
- P&S XXX..... Chapter # of enacted Private & Special Law
- PASSED..... Joint Order passed in both bodies
- 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 that the effective date for all non-emergency legislation enacted in the Second Regular Session (unless otherwise specified in a particular law) is April 30, 2004; and non-emergency legislation enacted in the Second Special Session is July 30, 2004. Four bills (LD's 1572, 1629, 1636 and 1637) that were considered at the First Special Session in August 2003 are also included in these summaries.

David C. Elliott, Director
Offices located in Room 215 of the Cross Office Building

Joint Standing Committee on Taxation

LD 951 **An Act To Establish the Maine Land Bank and Community Preservation Program** **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERCY MAYO	ONTP	

LD 951 was carried over from the First Regular Session and, together with LD 938, commonly referred to as “the Chebeague proposal,” proposed to provide property tax relief to property owners in the State. Under the bill, a voluntary Maine Land Bank and Community Preservation Program would be created for residential and nonresidential real estate. The program would apply to land only and not buildings. The base value of land would be determined by looking back 5 years to the assessed value of the land as adjusted by using the state-certified ratio for that year. The program proposed to include provisions requiring adjustments or penalties in cases when there was a change in ownership other than to a family member or by designated bequest or the land is withdrawn from the program. The entire bill would be subject to a statutory referendum and would be conditional upon an amendment to the Constitution of Maine passing at the next statewide election. See related bill, LD 938.

LD 975 **An Act To Improve the Business Equipment Tax Reimbursement Program** **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
STRIMLING COWGER	ONTP A OTP-AM B OTP-AM C	

LD 975 was carried over from the First Regular Session and proposed to prohibit reimbursement of property taxes under the Business Equipment Tax Reimbursement program if the taxes were also reimbursed under a tax increment financing district agreement.

LD 1141 **An Act To Provide Property Tax Relief for Maine Residents and Businesses and Implement Comprehensive Tax Reform** **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MCGOWAN STANLEY	ONTP MAJ OTP-AM MIN	

LD 1141 was carried over from the First Regular Session and proposed to provide for a statutory referendum designed to achieve tax relief for residents and businesses in the State and implement comprehensive tax and education funding reform. The bill proposed to provide property tax relief by establishing a cap on local property taxes of 12 mills on secondary residential property and 4 mills on all other property for the purpose of funding public education. Additional money for public education would have been raised from the property tax only if approved by the voters at a referendum.

Joint Standing Committee on Taxation

The bill also proposed to provide property tax relief by expanding the tax and rent refund program, phasing out the tax on certain personal property and gradually eliminating the need for the business equipment tax reimbursement program. Education funding would be stabilized by setting aside a portion of unappropriated surplus for an Education Funding Stabilization Fund. Income tax relief would be provided by setting aside a portion of revenues in excess of estimates to be used to reduce income tax rates. The bill proposed to direct the Joint Standing Committee on Taxation to report legislation to the Second Regular Session to raise revenue necessary to meet the State's education funding obligation. The referendum questions would require the voters to indicate whether they would prefer raising the sales tax rate by 2 percentage points or by removing sales tax exemptions and increasing the rate by no more than one percentage point. The bill would take effect only if a majority of the voters approved at least one of the revenue options and if a constitutional amendment was also approved to permit different property tax rates for secondary residential property.

LD 1394

An Act To Modernize the State's Tax System

ONTP

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DUDLEY	ONTP A	
DOUGLASS	OTP-AM B	
	OTP-AM C	

LD 1394 was carried over from the First Regular Session and proposed the following:

Part A proposed to expand the Maine Residents Property Tax Program, the so-called "circuit breaker program," by reducing the tax-to-income threshold initially to 3%, phasing in an additional decrease of .5% over a 4-year period; increasing the maximum rebate to \$6,000; increasing the income limits for single-member households and households with 2 or more members to \$45,000 and \$75,000, respectively; increasing the renter rebate to 25%; and allowing persons to use the income tax form to file for a refundable credit.

Part B proposed to increase from 5.1% to 8.5% the percentage of sales and income tax revenues transferred to the Local Government Fund for revenue sharing.

Part C proposed to reform the income tax by increasing the personal exemption amount to equal the federal amount, increasing the earned income credit and making it refundable and creating a 10% income tax bracket for income of \$100,000 or more for single filers, \$150,000 or more for persons filing as heads of household and \$200,000 for persons filing married joint returns.

Part D proposed to expand the definition of "taxable services" for purposes of the imposition of sales tax to include amusement and recreational, business, personal and professional services and eliminate the sales tax exemption for sales of short-term publications. It also proposed to limit the exemption on funeral services and repeal the exemption on coin-operated vending machine sales and require the joint standing committee of the Legislature having jurisdiction over taxation matters to review annually the additional sales tax revenue collected, as well as the annual cost of reimbursing municipalities as required. Any such revenue collected in excess of the reimbursement obligation would be used to reduce the tax burden on Maine citizens.

Part E proposed to increase the sales tax on lodging from 7% to 10%.

Part F proposed to reform the business equipment tax reimbursement program (BETR) by limiting state reimbursement to 70% of the taxes paid on eligible property reduced by the amount of tax reimbursement received for the property through a tax increment financing agreement.