

MAINE STATE LEGISLATURE

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*State Of Maine
121st Legislature*

First Regular Session

Bill Summaries

*Joint Standing Committee
on
Taxation*

July 2003

Members:

*Sen. Stephen S. Stanley, Chair
Sen. Ethan Strimling
Sen. Richard A. Nass*

*Rep. David G. Lemoine, Chair
Rep. Joseph C. Perry
Rep. Bernard E. McGowan
Rep. Deborah L. Simpson
Rep. Arthur L. Lerman
Rep. Edward J. Suslovic
Rep. Harold A. Clough
Rep. Jonathan T. E. Courtney
Rep. Earle L. McCormick
Rep. Joshua A. Tardy*

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Maine State Legislature

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

121st Maine Legislature First Regular 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).

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:

| | |
|---|--|
| <i>CARRIED OVER PURSUANT TO HP 1212</i> | <i>Bills carried over to the 2nd Regular Session</i> |
| <i>CON RES XXX</i> | <i>Chapter # of Constitutional Resolution passed by both Houses</i> |
| <i>CONF CMTE UNABLE TO AGREE</i> | <i>Committee of Conference unable to agree; bill died</i> |
| <i>DIED BETWEEN BODIES</i> | <i>House & Senate disagree; bill died</i> |
| <i>DIED IN CONCURRENCE</i> | <i>One body accepts ONTP report; the other indefinitely postpones the bill</i> |
| <i>DIED ON ADJOURNMENT</i> | <i>Action incomplete when session ended; bill died</i> |
| <i>EMERGENCY</i> | <i>Enacted law takes effect sooner than 90 days</i> |
| <i>FAILED EMERGENCY ENACTMENT/FINAL PASSAGE</i> | <i>Emergency bill failed to get 2/3 vote</i> |
| <i>FAILED ENACTMENT/FINAL PASSAGE</i> | <i>Bill failed to get majority vote</i> |
| <i>FAILED MANDATE ENACTMENT</i> | <i>Bill imposing local mandate failed to get 2/3 vote</i> |
| <i>NOT PROPERLY BEFORE THE BODY</i> | <i>Ruled out of order by the presiding officers; bill died</i> |
| <i>INDEF PP</i> | <i>Bill Indefinitely Postponed</i> |
| <i>ONTP</i> | <i>Ought Not To Pass report accepted</i> |
| <i>OTP-ND</i> | <i>Committee report Ought To Pass In New Draft</i> |
| <i>P&S XXX</i> | <i>Chapter # of enacted Private & Special Law</i> |
| <i>PASSED</i> | <i>Joint Order passed in both bodies</i> |
| <i>PUBLIC XXX</i> | <i>Chapter # of enacted Public Law</i> |
| <i>RESOLVE XXX</i> | <i>Chapter # of finally passed Resolve</i> |
| <i>UNSIGNED</i> | <i>Bill held by Governor</i> |
| <i>VETO SUSTAINED</i> | <i>Legislature failed to override Governor's Veto</i> |

Please note that the effective date for all non-emergency legislation enacted in the First Regular Session (unless otherwise specified in a particular law) is September 13, 2003.

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

The Fund for the Efficient Delivery of Local and Regional Services is established within the Local Government Fund, which is the fund from which state-municipal revenue sharing is distributed. This fund would be capitalized by setting aside 2% of the sales and income tax revenue that would otherwise be distributed according to the revenue-sharing formula. This 2% would be distributed to those municipalities that could demonstrate cost savings in the delivery of local and regional governmental services through collaboration with other local and regional governments and participating state agencies. This initiated bill would direct the Legislature to develop the necessary implementing legislation to fully implement the Fund for the Efficient Delivery of Education Services and the Fund for the Efficient Delivery of Local and Regional Services.

This initiated bill also proposed to direct the Legislature to develop the necessary implementing legislation to provide for the necessary state revenue to meet the State's obligation to support public education without undermining existing municipal support systems such as municipal revenue sharing, the property tax homestead exemption and local road assistance, among others.

Finally, this initiated bill would direct the Legislature to develop a comprehensive plan as soon as possible but no later than March 1, 2004 that integrates the efforts of state, county and local government and schools to reduce unnecessary spending, identify cost savings in the delivery of governmental services and otherwise address the issue of the overall tax burden in this State.

LD 1394

An Act To Modernize the State's Tax System

CARRIED OVER

Sponsor(s)
DUDLEY
DOUGLASS

Committee Report

Amendments Adopted

LD 1394, Part A, proposes to affect 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 proposes 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 proposes 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 proposes the following:

1. 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;

2. To 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
3. To 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 proposes to increase the sales tax on lodging from 7% to 10%.

Part F proposes 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.

Part G proposes that, for property first placed in service in property tax years beginning after April 1, 2003, property used in, or in support of, the provision of a nonqualified service or a retail sales facility would not be eligible for BETR reimbursement.

LD 1395

An Act for Comprehensive Reform of Maine's Tax Structure

ONTP

| <u>Sponsor(s)</u> | <u>Committee Report</u> | <u>Amendments Adopted</u> |
|---------------------|-------------------------|---------------------------|
| MILLS, P KOFFMAN | ONTP | |

LD 1395 proposed to provide for comprehensive reform of the State's tax structure.

Part A proposed to repeal the homestead property tax exemption and provide property tax relief for the homestead property of persons with a high property tax burden by expanding the Maine Residents Property Tax Program to provide benefits equal to 80% of the property taxes for a homestead that exceed 4% of the taxpayer's income. The amount of rent constituting property taxes accrued for a nonelderly household would be increased from 18% to 20% of gross rent. The income eligibility requirements would be repealed.

Part B proposed to permit municipalities to approve by referendum a local option sales tax of either 1% or 2% on prepared food and lodging to be collected by the State in conjunction with the existing tax on these products and services. The added revenue would be counted as though it were derived from an increase in the municipality's property valuation. The effect of this adjustment would be to diminish slightly the municipality's revenue sharing and school funding and increase its proportion of county taxes. Two percent of the added revenue would be kept by the State to offset its costs of collection and 5.2% would be allocated to municipal revenue sharing. Part B also proposed to convert excise taxes on motor vehicles and watercraft to an equivalent of the local property tax with resulting adjustments to revenue sharing, school funding and county taxes in the same fashion.

Part C proposed to divide state-municipal revenue sharing funds equally between the Local Government Fund and the Disproportionate Tax Burden Fund and to change the threshold for receipt of funds from the Disproportionate Tax Burden Fund from 10 mills to 15 mills.