

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*

Staff:

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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

LD 1462

An Act To Conform the Maine Tax Laws for 2002 with the United States Internal Revenue Code

**PUBLIC 255
EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE STANLEY	OTP	

LD 1462 proposed to update references contained in the Maine Revised Statutes, Title 36 to the Internal Revenue Code, as amended through December 31, 2002, for tax years beginning on or after January 1, 2002 and for any prior years as specifically provided by the Code.

Enacted law summary:

Public Law 2003, chapter 255 updates references contained in the Maine Revised Statutes, Title 36 to the Internal Revenue Code, as amended through December 31, 2002, for tax years beginning on or after January 1, 2002 and for any prior years as specifically provided by the Code.

Public Law 2003, chapter 255 was enacted as an emergency measure effective May 21, 2003.

LD 1470

An Act To Make Minor Substantive Changes to the Tax Laws

PUBLIC 391

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE STANLEY	OTP-AM	H-421

LD 1470 proposed to make minor substantive changes to the laws governing taxation. This bill proposed the following changes.

1. Reduce the period within which a taxpayer may elect to deem a claim for refund or credit denied from 9 years to 4 years and reduce the period of time after which a claim for refund or credit is deemed denied by operation of law from 10 years to 4 years. These changes proposed to reduce the State's exposure to very old refund claims.
2. Provide confidentiality protection to information provided to the State Tax Assessor and used for preparing legislation or legislative analysis.
3. Establish a requirement that boat yards and marinas currently required to maintain a list of watercraft must provide a copy of the list to the State Tax Assessor upon request and expands the kinds of data that must be included. These changes were needed to support revenue discovery efforts on watercraft used in Maine.
4. Clarify that the sales tax exemption for motor vehicles leased to nonresidents does not apply to short-term rentals of automobiles to nonresidents. This change proposed to correct an apparent oversight in the drafting of statutory changes enacted in 2002.

5. Limit the requirement for individual and corporate income tax filers to add back net operating losses that have been carried back to previous years for federal income tax purposes to tax years beginning before January 1, 2002, consistent with other recent changes in Maine's treatment of federal net operating loss deductions. The bill also proposed to standardize a reference to the United States Internal Revenue Code.
6. Allow taxpayers to use a federal net operating loss to offset Maine addition modifications in the year of the loss, thereby preventing a situation in which a taxpayer might have a loss for federal purposes but taxable income for Maine purposes.
7. Provide that the proceeds from the sale of the future income stream derived from a lottery ticket purchased in Maine is Maine-source income subject to Maine income tax.
8. Eliminate the provision allowing a negative modification amount attributable to subtraction of a state income tax refund to be carried back to prior years. The negative modification would still be available in carry-forward years. This change would have been consistent with statutory changes made in 2002 disallowing the use of federal net operating loss carry-backs.
9. Modify the standard for a qualified employee for purposes of the jobs and investment credit to reflect average annual wages rather than per capita income. Per capita income data by labor market area are not available.
10. Make it clear that the refundable portion of the credit for child care expenses must be prorated for persons who were not Maine residents for any part of the year. The changes would conform to current agency practice.
11. Eliminate the requirement to file a Maine income tax return for estates and trusts that had gross income less than \$10,000 and no Maine taxable income.
12. Modify the standard for a qualified employee for purposes of the Maine Employment Tax Increment Financing Act to reflect average annual wages rather than per capita income. Per capita income data by county are not available.
13. Make grammatical changes.

Committee Amendment "A" (H-421) proposed to replace the bill and to make the following changes to the laws governing taxation.

1. Correct a conflict between the Maine Revised Statutes, Title 36, section 1861-A and section 1951-A regarding an individual's use tax responsibility to the State by clarifying that items with a purchase price of more than \$5,000 must be reported separately in the same manner as sales made by retailers as required by Title 36, section 1951-A.
2. Clarify the administrative requirements pertaining to the sale of a controlling interest in real property in the real estate transfer tax law, consistent with statutory changes enacted in 2002.
3. Define "primary recipient" for purposes of the pension income deduction and clarify the treatment of early withdrawals and lump sum distributions.

4. Clarify that the adjusted gross income described in Title 36, section 5142 is the Maine adjusted gross income defined in section 5102, subsection 1-C, paragraph B and taxed by section 5111, subsection 4 and that the Maine adjusted gross income of a nonresident individual includes the individual's share of income, deductions and modifications attributable to Maine-source income of a partnership or limited liability company, estate, trust or S corporation. These changes would conform to current agency practice.
5. Provide that the proceeds from the sale of the future income stream derived from a lottery ticket purchased in Maine is Maine-source income subject to Maine income tax.
6. Clarify that the credit for income tax paid to another taxing jurisdiction is limited to tax paid with respect to income that Maine recognizes as being derived from sources in the other taxing jurisdiction. The changes would conform to current agency practice.
7. Clarify the calculation of the credit for child care expenses by part-year residents. The changes conform to current agency practice. The amendment would also delete superfluous verbiage.
8. Clarify that the refundable portion of the credit for child care expenses must be prorated for persons who were not Maine residents for any part of the year. The changes conform to current agency practice.
9. Eliminate the requirement to file a Maine income tax return for estates and trusts that had gross income less than \$10,000 and no Maine taxable income.
10. Amend the business equipment tax reimbursement statutes to provide that business equipment tax reimbursement is available, and limited to, a successor in interest that owns eligible business property on August 1st of the year in which a claim may be made.
11. Modify the standards for a qualified employee for purposes of the jobs and investment tax credit and the Maine Employment Tax Increment Financing Act to reflect average annual wages rather than per capita income. Per capita income data by county are not available.

Enacted Law Summary:

Public Law 2003, chapter 391 makes the following minor substantive changes to the tax laws. Some provisions in the original bill were moved to LD 1571, the “technical changes bill.”

1. It corrects a conflict between the Maine Revised Statutes, Title 36, section 1861-A and section 1951-A regarding an individual's use tax responsibility to the State by clarifying that items with a purchase price of more than \$5,000 must be reported separately in the same manner as sales made by retailers as required by Title 36, section 1951-A.
2. It clarifies the administrative requirements pertaining to the sale of a controlling interest in real property in the real estate transfer tax law, consistent with statutory changes enacted in 2002.
3. It defines "primary recipient" for purposes of the pension income deduction and clarifies the treatment of early withdrawals and lump sum distributions.

4. It clarifies that the adjusted gross income described in Title 36, section 5142 is the Maine adjusted gross income defined in section 5102, subsection 1-C, paragraph B and taxed by section 5111, subsection 4 and that the Maine adjusted gross income of a nonresident individual includes the individual's share of income, deductions and modifications attributable to Maine-source income of a partnership or limited liability company, estate, trust or S corporation. These changes conform to current agency practice.
5. It provides that the proceeds from the sale of the future income stream derived from a lottery ticket purchased in Maine are Maine-source income subject to Maine income tax.
6. It clarifies that the credit for income tax paid to another taxing jurisdiction is limited to tax paid with respect to income that Maine recognizes as being derived from sources in the other taxing jurisdiction. The changes conform to current agency practice.
7. It clarifies the calculation of the credit for child care expenses by part-year residents and eliminates superfluous verbiage. The changes conform to current agency practice.
8. It clarifies that the refundable portion of the credit for child care expenses must be prorated for persons who were not Maine residents for any part of the year. The changes conform to current agency practice.
9. It eliminates the requirement to file a Maine income tax return for estates and trusts that had gross income less than \$10,000 and no Maine taxable income.
10. It amends the business equipment tax reimbursement statutes to provide that business equipment tax reimbursement is available, and limited to, a successor in interest that owns eligible business property on August 1st of the year in which a claim may be made.
11. It modifies the standards for a qualified employee for purposes of the jobs and investment tax credit and the Maine Employment Tax Increment Financing Act to reflect average annual wages rather than per capita income. Per capita income data by county are not available.

LD 1492

An Act To Protect Maine's Water as a Natural Resource

CARRIED OVER

Sponsor(s)
SUSLOVIC

Committee Report

Amendments Adopted

LD 1492 proposes to provide an income tax credit of 5¢ per gallon for the production of liquid fuels from biomass.