

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 1629

RESOLUTION, Proposing a Competing Measure under the Constitution of Maine To Create Municipal Service Districts To Reduce the Cost of Local Government, To Provide Property Tax Relief and To Increase Economic Competitiveness

CMR 1

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE	OTP-AM A	H-601
STANLEY	OTP-AM B	H-608 PERCY
	OTP-AM C	S-350 STANLEY
	ONTP D	S-351 GAGNON

LD 1629, a Governor's bill, was carried over from the First Regular Session to the First Special Session and proposed a competing measure with Initiated Bill 3, Legislative Document 1372, "An Act to Enact the School Finance Act of 2003." The resolution proposed to provide a fiscal reform package that would reduce costs of governmental services now borne by municipalities and reduce property tax burdens in the following ways:

1. By providing fiscal incentives for regional consolidation through the establishment of municipal service districts;
2. By expanding property tax relief available through the Maine Residents Property Tax Program and repealing the homestead exemption;
3. By repealing prospectively the Business Equipment Tax Reimbursement Program, providing a property tax exemption for personal property that would have been eligible for BETR, including "BETR-expired" property and providing 50% reimbursement to municipalities for lost taxes;
4. By permitting a 1% local option sales and use tax limited to 5 years and used to finance eligible capital projects; and
5. By lowering the top rate under the income tax over 15 years and reducing the extent of indexing for inflation.

Committee Amendment "C" (H-601) was the majority report of the committee during the First Special Session. It proposed to replace the body of the resolution with 2 new Parts. Part A of this amendment proposed to amend the Essential Programs and Services Funding Act to increase the State's share of funding public education from kindergarten to grade 12 from 50% over 5 years to 55% over 5 years. Part A also proposed to establish the essential programs and services model for funding education as the basis for the calculation of a full-value education mill rate expectation identifying the state and local share of the cost of providing essential programs and services beginning in fiscal year 2005-06.

Part B proposed to establish a cap on growth in the municipal services side of municipal budgets modeled after the budget stabilization cap for the State Government budget. Whether a municipality has exceeded the budget cap will be determined as part of a municipality's annual postaudit. If the budget cap has been exceeded, the municipality's share of state revenue sharing will be reduced.

This amendment also proposed to change the wording of the referendum question.

House Amendment "C" to Committee Amendment "C" (H-608) proposed to require the Department of Education and the Department of Administrative and Financial Services, Bureau of Revenue Services to review the effectiveness of this resolution in lowering property taxes and meeting the goals of education

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funding and to report their findings and recommendations to the joint standing committee of the Legislature having jurisdiction over taxation matters in 2010. The committee would be authorized to report out legislation if necessary to further the goals of this resolution.

Senate Amendment “G” to Committee Amendment “C” (S-350) proposed to restore the homestead property tax exemption to \$7,000 for all homesteads. The amendment also proposed to expand the Maine Residents Property Tax Program, commonly referred to as the circuit breaker program, by phasing in over a 3-year period increases to the income eligibility limits, the maximum benefit and the percentage of refundable taxes between 4% and 8% of household income. The maximum benefit would be increased to \$1,250 in 2004, \$1,750 in 2005 and \$2,000 in 2006 and after. The eligibility limits would be increased for single-member households and multiple-member households and would be increased respectively to \$35,000 and \$55,000 in 2004, \$40,000 and \$60,000 in 2005 and \$50,000 and \$75,000 in 2006 and after. The percentage of refundable taxes between 4% and 8% of household income would be increased to 52.5% in 2004, 55% in 2005 and 60% in 2006 and after.

Senate Amendment “H” to Committee Amendment “C” (S-351) proposed to remove the provision establishing a referendum process if the local cost share expectation is exceeded. The amendment proposed to remove all of Part B of the Committee Amendment "C", which proposed to establish a cap on municipal budget growth. The amendment also proposed to amend the question.

Enacted Law Summary

Competing Measure Resolution 2003, chapter 1 was adopted in the First Special Session. It set forth a competing measure, pursuant to Article IV, Part 3, Section 18 of the Constitution of Maine, to be placed on the ballot in November 2003 with Initiated Bill 3, An Act to Enact the School Finance Act of 2003. If approved by the voters, the resolution would accomplish the following.

Competing Measure Resolution 2003, chapter 1 set forth a competing measure that would increase the State's share of the cost of funding public education from kindergarten to grade 12 under the essential programs and services funding model to 55% by fiscal year 2009-10. The resolution also established a formula for calculating a maximum local mill rate expectation that would not exceed 10 mills.

The resolution would restore the homestead property tax exemption to \$7,000 for all homesteads.

The resolution would increase benefits and eligibility under the Maine Residents Property Tax Program over 3 years by raising the income eligibility to \$50,000 for single member households and \$75,000 for multiple member households, increasing the maximum benefit to \$2,000 and increasing the portion of rebated taxes between 4% and 8% of income from 50% to 60%.

Neither Initiated Bill 3 nor Competing Measure Resolution 1 received sufficient votes in November 2003 to become law; however, under the terms of the Maine Constitution, Initiated Bill 3, receiving the highest number of votes, will be submitted to the voters again by itself in June 2004.