

# MAINE STATE LEGISLATURE

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*State Of Maine  
122nd Legislature*

*First Regular Session and  
First Special Session*

*Bill Summaries*

*Joint Standing Committee  
on  
Taxation*

*August 2005*

**Members:**

*Sen. Joseph C. Perry, Chair  
Sen. Ethan Strimling  
Sen. Jonathan T. E. Courtney*

*Rep. Richard G. Woodbury  
Rep. Herbert E. Clark  
Rep. Deborah J. Hutton  
Rep. Raymond G. Pineau  
Rep. Thomas R. Watson  
Rep. Harold A. Clough  
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Rep. Earle L. McCormick  
Rep. Leonard Earl Bierman  
Rep. Bruce Q. Hanley*

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## Maine State Legislature

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### 122nd Legislature

### First Regular Session and First Special Session

#### Summary of Legislation Considered by the Joint Standing Committees August 2005

Enclosed please find a summary of all bills, resolves, joint study orders, joint resolutions and Constitutional resolutions that were considered by the joint standing 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 organized by committees 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. A subject index for each committee is included immediately before the bill summaries for that committee, and a numerical index by LD number is included 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](http://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:

CARRIED OVER .....	Bill Carried Over to 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
ONT P .....	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

Please note the effective date for all non-emergency legislation enacted in the First Regular Session (unless otherwise specified in a particular law) is **June 29, 2005**; and for non-emergency legislation enacted in the First Special Session is **September 17, 2005**.

## *Joint Standing Committee on Taxation*

**LD 1587**

**An Act To Modernize Maine's Tax Code**

**CARRIED OVER**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DUDLEY STRIMLING		

LD 1587 proposed the following components to reform Maine's tax structure.

Part A proposed to increase benefits under the Maine Residents Property Tax Program, the so-called "circuit breaker program," by changing the tax-to-income threshold to 100% of the benefit base that exceeds 5% of income; increasing the maximum rebate to \$5,000; 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, increase the earned income credit and make it refundable and create 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 include, in the services subject to the service provider tax, amusement and recreational, business, personal and professional services. The provision of those services would be subject to the 5% tax. Part D also proposed to eliminate the sales tax exemption for sales of short-term publications, limit the exemption on funeral services and repeal the exemption on coin-operated vending machine sales.

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

Part F proposed to reform the business equipment tax reimbursement (BETR) program 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 proposed to provide that, for property first placed in service in property tax years beginning after April 1, 2005, 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.

This bill was carried over by H.P. 1203 to the next special or regular session of the 122nd Legislature.

See also LD 484, 705, 1437, 1595 and 1605.

**LD 1594**

**An Act To Provide an Income Tax Exemption to Recent College Graduates Who Work in Maine To Help Them Pay College Loans**

**CARRIED OVER**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
STEDMAN		

## *Joint Standing Committee on Taxation*

LD 1594 proposed to establish the Graduate Retention Program, the purpose of which would be to encourage recent college or advanced degree program graduates to work in Maine. The program would be available to persons who are recent graduates of a postsecondary school, have outstanding education loans and promise to work for a Maine employer for at least 4 years. The program would allow eligible participants to have an amount withheld from their pay equal to or more than the standard withholding for Maine income taxes for a single individual. The amount withheld would be paid by the employer directly to the holder of the education loan and would be considered payment of Maine income taxes by the participant. Eligibility would be limited to 4 years.

This bill was carried over by H.P. 1203 to the next special or regular session of the 122nd Legislature.

**LD 1595**

**An Act To Rebalance Maine's Tax Code**

**CARRIED OVER**

Sponsor(s)  
WOODBURY  
PERRY J

Committee Report

Amendments Adopted

LD 1595 proposed to make the following major changes to Maine's tax structure beginning January 1, 2006.

Part A proposed to change the existing graduated income tax program into a flat tax rate of 6% and repeal the alternative minimum tax.

Part B proposed to tie the standard deduction and personal exemption under the income tax to the same amount as the federal standard deduction and personal exemption and eliminate the so-called "marriage penalty."

Part C proposed to restore the income tax credit for child care expenses to 25% of the federal tax credit.

Part D proposed to increase the earned income tax credit to 25% of the federal earned income credit and make it refundable.

Part E proposed to conform the deductibility of health savings accounts and business expensing with federal law.

Part F proposed to increase the exemption for estates under the estate tax to the same amount as under federal law.

Part G proposed to amend the Maine Residents Property Tax Program, also known as the circuit breaker program, by raising the maximum benefit from \$2,000 to \$3,000 and increasing to \$5,000 the maximum property taxes and rent constituting property taxes that may be considered in calculating the benefit.

Part H proposed to repeal certain sales tax exemptions and expand the application of the sales and use tax.

Part I proposed to decrease the general sales tax rate and the service provider tax rate from 5% to 4%. Part I also proposed to increase the rate of sales tax imposed on liquor sold in licensed establishments from 7% to 10%; lodging in a hotel, rooming house or tourist or trailer camp from 7% to 10%; the rental of a motor vehicle for less than one year from 10% to 20%; and prepared food from 7% to 8%.

Part J proposed to increase the real estate transfer tax from \$2.20 per \$500 to \$5.00 per \$500.