

# MAINE STATE LEGISLATURE

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*State Of Maine  
122nd Legislature*

*Second Regular Session*

*Bill Summaries*

*Joint Standing Committee  
on  
Taxation*

*July 2006*

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# Maine State Legislature



## Office of Policy and Legal Analysis Office of Fiscal and Program Review

### 122nd Maine Legislature Second 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 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](http://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 (Pocket Veto).....	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 August 23, 2006.

## Joint Standing Committee on Taxation

LD 1594

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

ONTP

<u>Sponsor(s)</u> STEDMAN		<u>Committee Report</u> ONTP		<u>Amendments Adopted</u>
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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 from the First Special Session of the 122nd Legislature.

**LD 1595**

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

ONTP

<u>Sponsor(s)</u> WOODBURY PERRY J		<u>Committee Report</u> ONTP		<u>Amendments Adopted</u>
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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 to 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.

## *Joint Standing Committee on Taxation*

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.

Part K proposed to provide an income tax credit of 50% of the real estate transfer tax paid on a permanent residence.

Part L proposed to increase the tax on cigarettes by 50¢ to \$1.50 per pack, the tax on smokeless tobacco products from 62% to 100% of the wholesale price, the tax on cigars from 16% to 25% of the wholesale price and the tax on other tobacco products from 16% to 100% of the wholesale sales price.

Part M proposed to increase the excise tax on malt liquor from 25¢ per gallon to 50¢ per gallon, on wine from 30¢ per gallon to \$1 per gallon and on hard cider from 25¢ per gallon to \$1 per gallon.

**Committee Amendment “A” (H-698)** proposed to replace the original bill and make the following changes to Maine tax law.

Part A proposed to increase the low-income tax credit under the income tax by increasing the threshold of taxable income below which no taxes are due from \$2,000 to \$4,000 for single individuals and married persons filing separately, \$6,000 for persons filing as heads of households and \$8,000 for persons filing married joint returns.

Part B proposed to conform the standard deduction under the income tax to the federal standard deduction beginning with the 2006 tax year, thereby eliminating the marriage penalty.

Part C proposed to conform the personal exemption under the income tax to the same amount as the federal personal exemption.

Part D proposed to lower the top income tax rate from 8.5% to 8.25% for the 2006 tax year.

Part E proposed to conform the income tax treatment of health savings accounts to the federal income tax exclusion and deduction.

Part F proposed to increase state reimbursement for the homestead exemption to 100% of municipal property taxes lost as a result of the exemption beginning in 2006.

Part G proposed to increase the maximum benefit under the Maine Residents Property Tax program from \$2,000 to \$3,000 and increase to \$5,000 the maximum amount of property tax that may be used to calculate benefits.

Part H proposed to expand the tax base under the sales tax by repealing sales tax exemptions for packaging materials, ships' stores, railroad track materials and certain short-term rentals and by extending the sales tax to amusements, personal services, personal property services, home care services, real property services, lawn and landscaping services, taxi, limousine and same day courier services, telephone directory advertising and safe deposit box rental. This Part also proposed to reinstitute the sales tax on snack foods and extend the service provider tax to basic cable and satellite television and radio service and to consumer interstate telephone calls.

## *Joint Standing Committee on Taxation*

Part I proposed to increase the sales tax on meals and lodging, liquor served at licensed establishments and prepared food from 7% to 8% and increase the sales tax on short-term rentals of automobiles from 10% to 15%. Part J proposed to increase the excise tax on malt liquor from 25¢ per gallon to 60¢ per gallon, on wine from 30¢ per gallon to \$1 per gallon and on hard cider from 25¢ per gallon to \$1 per gallon.

Part K proposed to establish a tax on the distribution, manufacture and wholesale of soft drinks and soft drink products.

Part L proposed to change the rate structure for the real estate transfer tax to provide that a transferor and a transferee of the property must pay a transfer tax starting at \$1 per \$1,000 of value of the property for property valued at less than \$100,000, increasing to \$7 per \$1,000 of value for real estate with a value exceeding \$1,000,000. The revenue from the portion of the tax received to the State and attributable to transfers by deed tax is credited 65% to the General Fund and 35% to the Housing Opportunities for Maine Fund.

Part M proposed to require the State to pay 55% of the costs of essential programs and services under the education finance laws beginning in fiscal year 2006-07.

Part N proposed to require the transfer to the Maine Budget Stabilization Fund of General Fund revenue raised by this amendment that is estimated to exceed expenditures authorized by this amendment to be available to fund the State's commitment to education funding in future years.

Part O proposed to add an appropriations and allocations section.

This bill was recommitted to the Joint Standing Committee on Taxation and carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1587 and 1605.

**LD 1605**                      **An Act To Reform the Income Tax for Middle-income and Lower-income Families**                      **ONTP**

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

LD 1605 proposed to repeal exemptions, credits and refunds under the sales and use tax and the service provider tax, lower the rate of those taxes from 5% to 2% and change the income tax rates. It also proposed to increase the earned income tax credit and make that credit refundable and increase the personal exemption to match the federal exemption.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1587 and 1595.