

# MAINE STATE LEGISLATURE

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**STATE OF MAINE**  
123<sup>RD</sup> LEGISLATURE  
FIRST REGULAR SESSION



Summaries of bills and adopted amendments and laws enacted or finally passed during the First Regular Session of the 123<sup>rd</sup> Maine Legislature coming from the

**JOINT STANDING COMMITTEE ON TAXATION**

July 2007

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# STATE OF MAINE

123<sup>RD</sup> LEGISLATURE

FIRST REGULAR SESSION

## LEGISLATIVE DIGEST OF BILL SUMMARIES AND ENACTED LAWS



This *Legislative Digest of Bill Summaries and Enacted Laws* summarizes all bills and adopted amendments and all laws enacted or finally passed during the First Regular Session of the 123<sup>rd</sup> Maine Legislature, which was in session from December 6, 2006 to June 21, 2007.

The *Digest* is arranged alphabetically by committee, and within each committee by LD number. The committee report(s), prime sponsor and lead co-sponsor(s), if designated, are listed below each bill title. All adopted amendments are summarized and listed by paper number. A subject index is included with each committee. The appendices include a summary of relevant session statistics, an index of all bills by LD number and an index of enacted laws by law type and chapter number.

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 (or Accepted ONTP report).....	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 non-emergency legislation enacted in the First Regular Session is **September 20, 2007**. The effective date for legislation enacted as an emergency measure is specified in the enacted law summary for those bills.

## *Joint Standing Committee on Taxation*

This resolution proposes to amend the Constitution of Maine to establish the base property value for real property as the just value of the property as of April 1, 2008. Increases in the value of real property are limited to the just value of any improvements or degradations to the property and the lower of the rate of inflation and the actual increase in value of the real property, unless there is a change of ownership. If there is a change of ownership, the value of the property may be changed to the higher of the actual purchase price and the just value of the property on the April 1st preceding the change in ownership.

**LD 1504**      **An Act To Make Minor Substantive Changes to the Tax Laws**

**PUBLIC 437**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PIOTTI	OTP-AM	H-550 S-307      PERRY J

This bill makes the following changes to the laws governing taxation.

It amends the definition of "annual growth ceiling," which is used for purposes of state-municipal revenue sharing to determine the amount, if any, that must be transferred to the Disproportionate Tax Burden Fund, to correct the omission of this change when various taxable services were removed from the sales tax and placed in a newly created service provider tax.

It authorizes the State Tax Assessor to seek an injunction against a person who refuses to register, to file returns or to pay taxes under the service provider tax law as provided in the Maine Revised Statutes, Title 36, chapter 358.

It enacts penalties for failure to file an information return under the income tax law by partnerships and S corporations, if the partnership or S corporation has received a formal demand that the return be filed, and for filing substantially excessive refund claims under the fuel tax laws.

It expands the circumstances under which a person may be required to file a tax return electronically and make tax payments by electronic funds transfer, using a phased-in approach.

It expands and clarifies the eligibility of paraplegic veterans of certain war periods for a property tax exemption, making the eligibility periods of this exemption the same as those of the general veterans exemption.

It amends the definition of "eligible business equipment" by adding a reference to existing limitations.

It clarifies that a taxpayer who fails to timely file a report identifying the property that is claimed to be exempt may not obtain an exemption for that tax year for that property under the business equipment tax exemption laws, Title 36, chapter 105, subchapter 4-C.

It clarifies that bulk sales of inventory being held for sale or lease in the ordinary course of business are not casual sales.

It amends the definition of "retail sale" to clarify that sales of tangible personal property to a person who is not engaged in the business of selling that kind of property are not exempt sales for resale, even if the property is in fact subsequently resold through a 3rd-party retailer.

It provides authority for the State Tax Assessor to issue an assessment against an exempt organization that has authorized inappropriate use of its exemption.

## *Joint Standing Committee on Taxation*

It eliminates a requirement that an insurance company must elect a basis for reporting and paying the insurance premium tax, and increases the threshold for quarterly filing of insurance premium tax returns from \$500 per year to \$1,000 per year.

It clarifies the definition of "telecommunications equipment" to include any wiring capable of transmitting or receiving telecommunications signals, regardless of the actual use of the wiring, consistent with past and present administrative practice. Current technology uses optical fiber, data wire and coaxial cable, all of which are capable of providing either one-way or 2-way transmission service. The ultimate use of the wiring is often unknown, uncertain or subject to change.

It eliminates the requirement that a declaration of value under the real estate transfer tax laws must be filed in duplicate, and authorizes the State Tax Assessor to establish by rule guidelines for waiving the requirement that the declaration of value must indicate the taxpayer identification numbers of the grantor and grantee. It also repeals an obsolete provision relating to deeds executed before the effective date of the tax.

It adds a specific requirement that estates must include in Maine adjusted gross income administrative expenses that were claimed as a deduction for Maine estate tax purposes.

It changes certain requirements relating to payee statements furnished with respect to income that is subject to Maine income tax withholding to make them consistent with federal law.

It amends the forest management planning income tax credit to require that forest land be located in this State in order to be eligible for the credit.

It establishes a penalty similar to that imposed by federal law for failure to furnish accurate and timely statements to payees with respect to income that is subject to Maine income tax withholding.

It makes specific the statutory references to eligible business equipment for which no claim may be made under the business equipment reimbursement program.

### **Committee Amendment "A" (H-550)**

This amendment expands the authority of the State Tax Assessor, with the approval of the Commissioner of Administrative and Financial Services, to adopt a rule requiring the filing of returns or other documents and the payment of tax obligations, by electronic data submission. The phrase "or by telephone" is deleted as that term is included within the meaning of the phrase "electronic data submission."

This amendment provides additional clarification regarding the timeliness of requests for exemption under the business equipment tax exemption laws.

This amendment also provides additional clarification regarding the sales tax treatment of the sale of assets of a business in connection with the sale or liquidation of the business.

### **Senate Amendment "A" (S-307)**

This amendment clarifies the provisions of the bill regarding the sales tax treatment of the sale of assets of a business and corrects a date.

### **Enacted Law Summary**

Public Law 2007, chapter 437 was presented by the Department of Administrative and Financial Services, Bureau of Revenue Services and makes the following minor substantive changes to the laws governing taxation.

## *Joint Standing Committee on Taxation*

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It makes specific the statutory references to eligible business equipment for which no claim may be made under the business equipment reimbursement program.

**LD 1510    An Act To Provide an Income Tax Deduction for Health Insurance Premiums**

**ONTP**

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

This bill provides a deduction from income for premiums paid for health insurance.

**LD 1518    An Act To Establish a Renewable Energy Tax Credit**

**ONTP**

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

This bill provides a tax credit for a business engaged in the qualified business activity of manufacturing renewable energy products or biofuel or engaged in research and development in renewable energy equal to the income taxes otherwise due for 5 years and then 50% of the income taxes due for the next 5 years from when the business commences the qualified activity, similar to the credit given for Pine Tree Development Zone businesses.

**LD 1529    An Act To Create a Scholarship Grant Organization Tax Credit**

**ONTP**

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

This bill establishes an income tax credit for individuals who donate to school tuition organizations that provide grants or scholarships to private school students in kindergarten to grade 12 and to private preschools for children with disabilities.

The maximum amount of the credit is \$1,200 per year per child enrolled in a private school. School tuition