

# 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

**STAFF:**

JULIE S. JONES, SENIOR ANALYST  
ALEXANDRA AVORE, LEGISLATIVE ANALYST  
OFFICE OF FISCAL AND PROGRAM REVIEW  
5 STATE HOUSE STATION  
AUGUSTA, ME 04333  
(207)287-1635

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# STATE OF MAINE

123<sup>RD</sup> LEGISLATURE

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## 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.

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tax relief programs. The bill also requires the Governor to include in the biennial budget document a detailed financial plan that calculates a target percentage and the legislative changes required to achieve Maine's state and local tax burden goal.

This bill also adjusts the spending limits enacted by Public Law 2005, chapter 2 to require the State's state and local tax burden to be at or below the median of all states, rather than within the middle 1/3 of states, before the growth limitation factor for the state, municipal, county and school district spending limits are changed. See also LD 395.

### **LD 1582    An Act Reduce Maine's Tax Burden over a 10-year Period**

**CARRIED OVER**

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

This bill puts in place a 10-year plan to reduce Maine's tax burden by establishing a statewide tax burden reduction factor that would gradually lower taxes over time. The bill also defines procedures necessary to override the tax burden reduction limits imposed in the 10-year plan. The changes proposed by this bill are subject to approval by the voters at a referendum vote in November 2007.

This bill was carried over to any special or regular session of the 123rd Legislature by joint order, H.P. 1369.

### **LD 1584    An Act To Authorize Arbitration of Property Tax Valuation Disputes**

**CARRIED OVER**

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

This bill allows a property owner appealing a property assessment to submit the decision of a local board of assessment review to binding arbitration and specifies the procedure for selecting a neutral arbitrator and participating in binding arbitration. A decision to submit to binding arbitration stays a municipality's appeal to the Superior Court.

This bill was carried over to any special or regular session of the 123rd Legislature by joint order H.P. 1369.

### **LD 1588    An Act To Enact the 2007 Tax Reform and Tax Relief Act**

**ONTP**

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

This bill is a concept draft pursuant to Joint Rule 208.

This bill proposes to enact the 2007 Tax Reform and Tax Relief Act to bring together 3 major categories of tax reform and tax relief into a comprehensive package that would be sent to referendum for voter ratification. The major components are:

1. Ten-Year Tax Burden Reduction Plan. The first part of the bill draws on aspects of the so-called "Taxpayer Bill of Rights," and the so-called "LD 1," and establishes a statewide tax burden reduction factor, applied

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uniformly to all levels of government. The tax burden reduction limitations would restrict government spending to a rate of growth below the growth rate of personal income in Maine, thereby lowering Maine's tax burden over a 10-year period.

2. Financial Incentives for Administrative Efficiency and Tax Burden Reduction. The 2nd part of the bill creates financial incentives for administering schools and municipalities through service-delivery areas of a sufficient size to obtain cost efficiencies. It puts into law a very strong incentive-based approach to consolidated service delivery, rather than imposing a statewide mandate on municipal decision-making. The remaining 5% of the State's General Purpose Aid, or "GPA," school funding obligation that is scheduled to be added to the GPA funding formula by FY2009 would be distributed to school districts, based on a set of "efficiency points" awarded to districts that achieve school consolidation and tax burden reduction targets. A similar set-aside would be created with new state funding to municipalities, awarded through an "efficiency point" system, and allocated among municipalities that achieve service-sharing efficiencies and tax burden reduction targets at the municipal level.

3. Income Tax Reduction to 4% of Income. Through a rebalancing of income and sales taxes, the elimination of many exemptions and deductions from both the income and sales tax systems and an increase in various sales and excise tax rates, the 3rd part of the bill would reduce the income tax rates to a flat 4% of income. An earned income tax credit for low-income and middle-income workers would assure that a major income group would not pay more in taxes than they pay under current law.

4. Homestead Property Taxes Capped at 5% of Income. The 4th part of the bill proposes to integrate the Maine Residents Property Tax Program, also known as the Circuitbreaker Program, and the Maine resident homestead property tax exemption program into an expanded and redefined Homestead Tax Credit Program. The amount of the tax credit would be determined based on a formula that equates to an income-based tax cap of 5% of income. As a simplification of the current Circuitbreaker Program, the new benefit formula would be based on "adjusted gross income," rather than the more complicated definition of income currently applied for Circuitbreaker Program benefits and would be distributed to municipalities as a pre-payment toward the tax assessment on homestead property so that the net tax bill imposed on homeowners is reduced accordingly.

**LD 1597     An Act Regarding the Service Provider Tax**

**ONTP**

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

This bill removes the installation, maintenance and repair of telecommunications equipment from the service provider tax.

**LD 1601     RESOLUTION, Proposing an Amendment to the Constitution of Maine  
To Create a Longtime Resident Tax Cap Program**

**ONTP**

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

This resolution proposes to amend the Constitution of Maine to authorize the Legislature to create a program for real property owned and occupied as a person's primary residence for at least 10 years. Property would receive a fixed assessment equal to the tax assessment in effect at the time the property was enrolled in the program. If the property was transferred, penalties would apply.