

MAINE STATE LEGISLATURE

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STATE OF MAINE
123RD LEGISLATURE
FIRST REGULAR SESSION



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

JOINT STANDING COMMITTEE ON TAXATION

July 2007

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STATE OF MAINE

123RD 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 123rd 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

LD 1664 An Act To Exempt Vegetable Seeds from the Sales Tax

**DIED ON
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MAREAN	OTP-AM	H-308

This bill exempts from sales tax all vegetable seeds and fertilizer used noncommercially to produce an agricultural crop intended for human consumption.

Committee Amendment "A" (H-308)

This amendment eliminates from the bill the proposed sales tax exemption for fertilizer used in the noncommercial production of food crops.

This bill was placed on the Special Appropriations Table and died on adjournment.

**LD 1665 RESOLUTION, Proposing an Amendment to the Constitution of Maine
To Limit the Rate of Change in the Property Tax Liability of Elderly
Maine Residents**

ONTP

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

This resolution proposes to amend the Constitution of Maine to authorize the Legislature to require municipalities to limit tax increases on property up to 2 acres in size owned and occupied as a person's primary residence if that person is at least 59 1/2 years of age. The amount of the tax increase would be limited to the rate of inflation. Upon transfer of the property to someone other than the spouse of the owner or a change in use, the property taxes not paid for the 5 years prior to the transfer or change in use due to this tax increase limitation would be required to be paid to the municipality and the property would assume the just value in effect at the time of transfer or change in use.

LD 1670 An Act To Promote Tax Fairness

ONTP

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

This bill amends Maine tax law in the following ways.

Part A amends the Maine Residents Property Tax Program, also known as the Circuitbreaker Program, by allowing an individual to apply for a benefit using the individual income tax form.

Part B also amends the Circuitbreaker Program to increase the maximum refund under the program from \$2,000 to \$3,000.

Part C amends the Circuitbreaker Program, by allowing certain homeowners who rent their homesteads for a maximum of 30 days in the aggregate during the year to qualify for benefits under the program and prorating

Joint Standing Committee on Taxation

benefits to reflect the rental period.

Part D increases the amount of the exemption under the Maine resident homestead property tax exemption program from \$13,000 to \$20,000 and increases the State reimbursement to 72.5% of the municipal property taxes lost as a result of the exemption, beginning in 2008.

Part E decreases the top income tax rate, beginning with tax year 2008, from 8.5% to 7.9%.

Part F increases the earned income credit from 5% of the federal credit to 25% and makes it refundable.

Part G increases the general sales tax rate from 5% to 6%, effective January 1, 2008.

Part H sends the proposals in this bill out to referendum to be voted on in November 2007.

LD 1671 An Act To Limit Homestead Property Taxes to 5% of Income

ONTP

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

This bill proposes a homestead tax credit program that would limit property taxes to no more than 5% of income for property taxes on a home. The homestead tax credit is distributed to municipalities as a prepayment toward the tax assessment on homestead property so that the net tax bill imposed on homeowners is reduced accordingly. The homestead tax credit program replaces the Maine Residents Property Tax Program, the Maine Resident Homestead Property Tax Exemption and the state-municipal revenue sharing program and redirects funds previously allocated to those programs to support the cost of the homestead credits.

Administration of the program is simplified and made concurrent with the income tax filing period. For homeowners, credits are calculated based on the previous year's income and property taxes accrued. Credit payments are made to the municipality where the home is located as a credit against the current year's property taxes. Renters are also eligible for a credit in an amount comparable to the benefit available under current law, which would be paid as a refundable income tax credit. Benefits in current law for low-income elderly persons are preserved.

To prevent the homestead tax credit from translating into increased spending at the municipal level, the bill would redefine and make it harder to override the spending limits on municipal, county and school government units. It would incorporate tax burden reduction factors into the spending limits imposed on government at all levels, and it would change the override process for exceeding county, municipal and school growth limits to require either a 2/3 vote of the local body proposing the increase or approval by the voters at referendum.

The changes proposed by this bill are subject to approval by the voters at a referendum vote in November of 2007.

LD 1707 Resolve, Directing the Bureau of Revenue Services To Convene a Study Group on Excise Tax Enforcement

RESOLVE 113

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WHEELER	OTP-AM	H-526