

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

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

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

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

Joint Standing Committee on Taxation

This bill requires municipalities to enforce the excise tax laws against residents of the municipalities that register their motor vehicles, aircraft or watercraft outside of the State to avoid the State's excise tax laws.

Committee Amendment "A" (H-526)

This amendment replaces the bill and directs the Department of Administrative and Financial Services, Bureau of Revenue Services to convene a study group to identify strategies to decrease evasion of motor vehicle and watercraft excise taxes and report to the Joint Standing Committee on Taxation by January 15, 2008.

Enacted Law Summary

Resolve 2007, chapter 113 directs the Department of Administrative and Financial Services, Bureau of Revenue Services to convene a study group to identify strategies to decrease evasion of motor vehicle and watercraft excise taxes and report to the Joint Standing Committee on Taxation by January 15, 2008.

LD 1708 An Act To Exempt Persons 65 Years of Age or Older Whose Income Is Below the Poverty Line from Paying Property Taxes on Their Homes ONTP

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

This bill provides an exemption from residential property taxes for the home of a person who is 65 years of age or older and whose income is below poverty thresholds.

LD 1710 An Act To Promote Fairness in Municipal Foreclosure Procedures ONTP

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

This bill requires a municipality that forecloses on a property tax lien to provide notice of the availability of excess funds, after subtracting the tax lien, interest, fees for recording the lien, costs of mailing notice, court costs and any other expenses incurred in disposing of the real estate, to the former owner within 30 days of sale of the real estate or 180 days of the foreclosure, whichever is sooner. The municipality is required to keep the excess funds in a segregated escrow account. If the former owner fails to claim the excess funds within 90 days of the notice, the municipality is allowed to retain the excess funds. If the former owner or the former owner's representative notifies the municipality within 90 days of the notice, the municipality must negotiate with the former owner over the return of the excess funds. If the owner is dissatisfied with the municipality's offer, the former owner may seek binding arbitration for resolution of the matter.

LD 1711 An Act To Reduce the Capital Gains Tax ONTP

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

This bill removes a portion of net positive long-term capital gains for the purposes of calculating taxable income. This bill also increases the cigarette tax by \$1.00 per pack, increases the tobacco products tax on smokeless tobacco from 78% to 117% of the wholesale sales price and increases the tax on other tobacco products from 20% to 30% of the wholesale sales price.