

MAINE STATE LEGISLATURE

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STATE OF MAINE
126TH LEGISLATURE
FIRST REGULAR SESSION



Summaries of bills, adopted amendments and laws enacted or finally passed

JOINT STANDING COMMITTEE ON TAXATION

July 2013

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STATE OF MAINE

126TH LEGISLATURE

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LEGISLATIVE DIGEST OF BILL SUMMARIES AND ENACTED LAWS

This *Legislative Digest of Bill Summaries and Enacted Laws* contains summaries of all LDs and adopted amendments and all laws enacted or finally passed during the First Regular Session of the 126th Maine Legislature.

The *Digest* is arranged alphabetically by committee and within each committee by Legislative Document (LD) number. The committee report(s), prime sponsor and lead co-sponsor(s), if designated, are listed below each LD 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 LD is noted to the right of the LD title. The following describes the various final actions.

CARRIED OVER carried over to a subsequent session of the Legislature
CON RES XXX..... chapter # of constitutional resolution passed by both houses
CONF CMTE UNABLE TO AGREE.....Committee of Conference unable to agree; legislation died
DIED BETWEEN HOUSES.....House & Senate disagreed; legislation died
DIED IN CONCURRENCE.....defeated in each house, but on different motions; legislation died
DIED ON ADJOURNMENT..... action incomplete when session ended; legislation died
EMERGENCY..... enacted law takes effect sooner than 90 days after session adjournment
FAILED, EMERGENCY ENACTMENT or FINAL PASSAGE emergency failed to receive required 2/3 vote
FAILED, ENACTMENT or FINAL PASSAGE..... failed to receive final majority vote
FAILED, MANDATE ENACTMENT legislation proposing local mandate failed required 2/3 vote
HELD BY GOVERNOR..... Governor has not signed; final disposition to be determined at subsequent session
LEAVE TO WITHDRAW..... sponsor's request to withdraw legislation granted
NOT PROPERLY BEFORE THE BODY ruled out of order by the presiding officer; legislation died
INDEF PP..... indefinitely postponed; legislation died
ONTP, ACCEPTED, MAJORITY, MINORITY or REPORT X... ought-not-to-pass report accepted; legislation died
P&S XXX..... chapter # of enacted private & special law
PUBLIC XXX.....chapter # of enacted public Law
RESOLVE XXX..... chapter # of finally passed resolve
VETO SUSTAINED..... Legislature failed to override Governor's veto

The effective date for non-emergency legislation enacted in the First Regular Session of the 126th Legislature is October 9, 2013. The effective date for legislation enacted as an emergency measure may be found in the enacted law summary for that legislation.

Joint Standing Committee on Taxation

This bill amends the laws governing the Maine New Markets Capital Investment Program tax credit to clarify that the limitation on the amount of investment that may be made with respect to certain qualified active low-income community businesses is \$40,000,000 per project constructed, maintained or operated.

Committee Amendment "A" (H-57)

This amendment provides that the maximum investments of \$10,000,000 and \$40,000,000 are on a per project basis regardless of whether there is common ownership of each project. It provides definitions for the term "project." It requires that projects to which the \$40,000,000 limitation applies must create or retain more than 200 jobs and that component pieces of an integrated manufacturing or production process do not qualify as a project.

Enacted Law Summary

Public Law 2013, chapter 75 amends the laws governing the Maine New Markets Capital Investment Program tax credit to clarify that the limitation on the amount of investment that may be made with respect to certain qualified active low-income community businesses is \$40,000,000 per project constructed, maintained or operated. It provides that the maximum investments of \$10,000,000 and \$40,000,000 are on a per project basis regardless of whether there is common ownership of each project. It provides definitions for the term "project." It requires that projects to which the \$40,000,000 limitation applies must create or retain more than 200 jobs and that component pieces of an integrated manufacturing or production process do not qualify as a project.

Public Law 2013, chapter 75 was enacted as an emergency measure effective May 7, 2013.

LD 1110 An Act To Simplify the Tax Code

ONTP

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

This bill repeals, for tax years beginning on or after January 1, 2015, the state income tax and broadens the sales tax to include the end use of all items, products and services, including Internet sales. It repeals all sales tax exemptions. It provides a sales tax reimbursement for sales of grocery staples to persons with incomes less than \$20,000. It requires the Department of Administrative and Financial Services, Bureau of Revenue Services to submit a report to the Joint Standing Committee on Taxation that provides a plan to implement the sales tax changes and the repeal of the income tax including a timeline, cost analysis and statutory changes. It authorizes the joint standing committee to report out a bill to the Second Regular Session of the 126th Legislature based on the report.

LD 1113 An Act To Provide Tax Fairness to Maine's Middle Class and Working Families

DIED BETWEEN HOUSES

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
BERRY ALFOND	OTP-AM ONTP	

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

This bill proposes emergency legislation to accomplish the following goals:

- (1) To equalize the total state and local effective tax rate paid by low-income, middle-income and high-income Maine tax filers;

Joint Standing Committee on Taxation

- (2) To partially fund the income and estate tax reductions of Public Law 2011, chapter 380 by providing revenue of between \$150,000,000 and \$250,000,000 over the next 2 years; and
- (3) To maintain an equalized state and local tax rate while enabling future changes that may also simplify Maine's tax code, stabilize revenues and reduce the tax burden on Maine residents.

To accomplish these goals, the bill proposes to establish a tax equalization assessment on those income tax filers who have an annual income equal to or exceeding \$250,000, but whose total effective state and local tax rate is lower than the average effective state and local tax rate for all other Maine households. The tax equalization assessment must bring the total effective state and local tax rate of these tax filers to the average rate paid by all other Maine households, as determined by the Department of Administrative and Financial Services, Bureau of Revenue Services. The tax equalization assessment must be structured for both administrative simplicity and tax parity and must apply to tax years beginning on or after January 1, 2013.

The bill also proposes to establish a tax equalization credit for those income tax filers who have an annual income below \$125,000, but who pay a total effective state and local tax rate that is significantly higher than the average effective state and local tax rate for all other Maine households. The tax equalization credit may be structured as an expansion of an existing credit or refund or may replace and enhance such credits or refunds. The tax equalization credit must be funded entirely by the tax equalization assessment and must bring the total effective state and local tax rate of these tax filers as nearly as possible to the average rate paid by all other Maine households, as determined by the Department of Administrative and Financial Services, Bureau of Revenue Services. The tax equalization credit must be structured for both administrative simplicity and tax parity and must be made effective beginning January 1, 2016. For the purposes of calculating the tax equalization assessment and credit, the rate impact of the tax equalization assessment and credit from the previous year must be excluded from the determination of the average effective state and local tax rate paid by all Maine households.

In addition, the bill proposes that the State Tax Assessor be required to report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over taxation matters each year with respect to the total effective state and local tax rate for Maine residents, nonresidents and businesses, as well as the aggregate rate impact of the tax equalization assessment and credit. Upon receiving this report, the joint standing committee of the Legislature having jurisdiction over taxation matters is authorized to report out legislation to simplify and to further equalize the tax code, as well as legislation to repeal or modify the tax equalization assessment and credit once it determines the overall state and local tax burden to be fair and proportionate for all.

Committee Amendment "A" (H-526)

This amendment, which replaces the concept draft, does the following.

1. For tax years beginning on or after January 1, 2014, it requires payment of a tax equalization assessment if a tax family has an expanded income of at least \$250,000 for a tax family filing as a single individual, \$325,000 for a tax family filing as a head of a household or \$400,000 for a tax family filing a married joint return or filing a joint return as a surviving spouse, and an effective tax rate that is less than the average effective tax rate on state and local taxes paid by the bottom 99% of tax families.
2. For property tax years beginning on or after April 1, 2014, it increases the amount of the Maine resident homestead property tax exemption to \$30,000 of the just value of the homestead.
3. For application periods beginning on or after August 1, 2014, it increases the maximum payment under the Circuitbreaker Program from \$2,000 to \$2,500.

The amendment adds an appropriations and allocations section.

House Amendment "A" To Committee Amendment "A" (H-565)

Joint Standing Committee on Taxation

This amendment:

1. Removes the changes proposed by Committee Amendment "A" to the Maine resident homestead property tax exemption and the Circuitbreaker Program;
2. Changes the effective date of the tax equalization assessment to apply to tax years beginning on or after January 1, 2013;
3. Applies the revenue generated by the tax equalization assessment to State-municipal revenue sharing for fiscal years 2013-14 and 2014-15; and
4. Authorizes the Joint Standing Committee on Taxation to report out a bill to the Second Regular Session of the 126th Legislature that increases the benefit under the Maine resident homestead property tax exemption and any other program that benefits Maine residents for property taxes imposed on their homesteads.

This amendment was adopted in the House, but was not adopted in the Senate.

LD 1120 An Act To Improve Maine's Tax Laws

CARRIED OVER

Sponsor(s)

GOODE
HASKELL

Committee Report

Amendments Adopted

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

This bill proposes to improve the tax laws by:

1. Amending the law to reduce the use of so-called off-shore tax havens, thus reducing the loss of revenue to the State; and
2. Establishing a task force to undertake a comprehensive analysis of the biennial report of tax expenditures prepared by the Department of Administrative and Financial Services, Bureau of Revenue Services pursuant to the Maine Revised Statutes, Title 36, chapter 10. The task force shall identify any tax expenditures that may be reduced or eliminated with the goal of achieving a targeted savings of \$30,000,000 in fiscal year 2014-15.

This bill was carried over to any special or regular session of the 126th Legislature by joint order, H.P. 1145, as amended by H-B (H-580) and H-C (H-582).

LD 1124 An Act To Provide Income Tax Relief

ONTP

Sponsor(s)

STUCKEY
ALFOND

Committee Report

ONTP

Amendments Adopted

This bill reforms the Maine income tax by establishing a rate structure that includes 6 income tax bracket thresholds with top marginal tax rates from 0% to 10%. The income thresholds for each rate are calculated by the State Tax Assessor every 5 years to maintain the same level of progressivity of the tax by maintaining the same percentage of taxpayers in each top marginal rate category.