

MAINE STATE LEGISLATURE

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STATE OF MAINE
129TH LEGISLATURE
FIRST SPECIAL AND SECOND REGULAR SESSIONS



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

JOINT STANDING COMMITTEE ON TAXATION

November 2020

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STATE OF MAINE

129TH LEGISLATURE
FIRST REGULAR SESSION



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 129th 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. An appendix provides a summary of relevant session statistics.

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 129th Legislature is Thursday, September 19, 2019. 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

requirement. These changes effect consistency with the reporting requirements for the credit for major business headquarters expansion, as amended by Public Law 2017, chapter 375, and the credit for major food processing and manufacturing facility expansion.

6. Delays the State Tax Assessor's yearly reporting requirement for the tax credit for major food processing and manufacturing facility expansion until December 31st of each year, clarifies that the report is for the tax year ending during the immediately preceding calendar year and defines the term "revenue loss" for the purposes of the State Tax Assessor's annual reporting requirement. These changes effect consistency with the reporting requirements for the credit for major business headquarters expansion, as amended by Public Law 2017, chapter 375, and the credit for Maine shipbuilding facility investment.

7. Repeals the provision of law that requires the calculation of income tax using blended tax rates for fiscal year filers when there is a change in tax rate that does not refer to the first day of the taxable year.

Part D makes the following administrative changes to tax laws:

1. Clarifies that one or more responsible individuals may be designated to collect trust fund taxes under the Maine Revised Statutes, Title 36, section 177.
2. Clarifies that the definition of "identified contract" applies to all of the Maine Revised Statutes, Title 36, section 194-D concerning Maine Revenue Services background investigations.
3. Clarifies that an additional background investigation is not required when a person who is currently employed by Maine Revenue Services applies for another position within Maine Revenue Services.
4. Codifies the practice of rounding the Maine estate tax exclusion amount cost-of-living adjustment to the nearest multiple of \$10,000.

LD 2010

An Act To Update References Contained in the Maine Revised Statutes to the United States Internal Revenue Code of 1986

CARRIED OVER

Sponsor(s)

TIPPING R

Committee Report

OTP-AM

Amendments Adopted

H-718

This bill is submitted by the Department of Administrative and Financial Services, Maine Revenue Services. This bill updates references to the United States Internal Revenue Code of 1986 contained in the Maine Revised Statutes, Title 36 to refer to the United States Internal Revenue Code of 1986, as amended through December 31, 2019, for tax years beginning on or after January 1, 2019, and for any prior tax years as specifically provided by the United States Internal Revenue Code of 1986, as amended. This bill primarily affects the State's income tax laws.

Committee Amendment "A" (H-718)

This amendment provides that, for tax years beginning on or after January 1, 2020, the Maine standard deduction under the Maine income tax is equal to the federal standard deduction and is not limited by the federal Internal Revenue Code of 1986, Section 63.

The contents of this bill, as amended by Committee Amendment "A" were enacted in the supplemental budget bill, Public Law 2019, chapter 616, Part X. See summary of LD 2126 summarized by the Joint Standing Committee on Appropriations and Financial Affairs.

This bill was carried over on the Special Appropriations Table to any special session of the 129th Legislature by

Joint Standing Committee on Taxation

joint order, S.P. 788.

**LD 2011 An Act To Update Certain Provisions in the Income Tax and Service
 Provider Tax Laws**

CARRIED OVER

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
TIPPING R	OTP-AM OTP-AM	

This bill is submitted by the Department of Administrative and Financial Services, Maine Revenue Services. This bill makes the following changes to the income tax and service provider tax laws.

Part A updates, clarifies and simplifies the service provider tax law regarding consumer purchases of digital media by equalizing the tax treatment between the various modes of purchase for sales occurring on or after October 1, 2020.

Part B clarifies and simplifies the corporate income tax law by establishing clearly defined, objective nexus thresholds as a practical structure for the current general "economic nexus" standard. These so-called factor presence thresholds clarify the minimum thresholds that, when exceeded by a corporation, subject that corporation to the Maine corporate income tax. In addition, the new thresholds create a safe harbor for corporations with little activity within the State that nonetheless have nexus under current law due to a small, but greater than de minimis, physical presence in the State. The new thresholds are \$250,000 of property, \$250,000 in payroll or \$500,000 in sales in Maine, or 25% of total property, payroll or sales in Maine, as determined under the Maine Revised Statutes, Title 36, chapter 821. The thresholds apply to tax years beginning on or after January 1, 2021.

Part C updates the individual income tax law by extending and aligning inflation indexing provisions in two respects. First, the bill indexes the recently enacted dependent exemption tax credit for inflation. Second, the bill aligns inflation indexing for the lowest income tax brackets and the highest income tax brackets by allowing an additional one-year inflation adjustment for the highest income tax bracket, indexing the dollar amounts to the same inflation benchmark, the Chained Consumer Price Index for the 12-month period ending June 30, 2015. These changes apply to tax years beginning on or after January 1, 2021.

Part D updates and simplifies Maine income tax law by conforming the Maine income tax with the federal net operating loss limitation. This Part applies retroactively to tax years beginning on or after January 1, 2018.

Committee Amendment "A" (H-767)

This amendment is the majority report of the committee. This amendment amends provisions of the bill relating to the taxation of digital audio-visual and digital audio services. The amendment clarifies the corporate income tax nexus provisions of the bill by referring to "nexus" instead of "substantial nexus." The amendment also exempts from the sales and use tax and from the service provider tax sales to a nonprofit organization that has been determined by the United States Internal Revenue Service to be exempt from income taxation under Section 501(c)(3) of the federal Internal Revenue Code of 1986 if the property or services sold are to be used primarily for the purposes for which the nonprofit organization was organized. The amendment requires the Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy to review sales tax and service provider tax exemptions to identify provisions that should be repealed or amended because they are duplicative or otherwise unnecessary and to submit legislation repealing or modifying those exemptions. The amendment also adds an appropriations and allocations section.

Committee Amendment "B" (H-768)

This amendment is the minority report of the committee. This amendment strikes provisions of the bill relating to