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State of Maine  
 ONE HUNDRED AND TWENTY-FIFTH LEGISLATURE  
 COMMITTEE ON TAXATION

DATE: April 15, 2011

TO: Senator Richard W. Rosen, Senate Chair  
 Representative Patrick S. A. Flood, House Chair  
 Members, Joint Standing Committee on Appropriations and Financial  
 Affairs

FROM: Senator A. David Trahan, Senate Chair  
 Representative L. Gary Knight, House Chair  
 Members, Joint Standing Committee on Taxation

RE: Taxation Committee Report Back 2  
 on L.D. 1043 - the Biennial Budget FY 2012-13

We are writing to provide our final recommendations on LD 1043. We have attached the required forms, Committee reports and draft language.

To summarize, we had unanimous votes on 23 items and accepted 19 of the Governor's proposals. As mentioned in our first report, we rejected four initiatives related to revenue sharing and the proposal to change the program from a transfer of funds to an appropriation.

Regarding the items that were tabled as of April 4th, the Committee unanimously voted "IN" the appropriation for reimbursement of the homestead property tax exemption (page TAX-4, Ref #1180). While we did not have consensus on the remaining five items that the Governor proposed, it is noteworthy that on two of these items (Part O – section 179 expensing and Part Q - BETR), we had a 12-1 vote. We had split votes on the initiatives related to the estate tax in Part M, the income tax in Part N and the Maine Residents Property Tax Program (also known as the circuitbreaker program) in Part Q.

We also have included eight new proposals and have identified a way to fund these. It is worth mentioning that we had a 12-1 vote in favor of four of these proposals and one unanimous vote for a proposal to promote the circuitbreaker program through municipalities. These proposals are listed at the end of this report.

The results of our deliberations are reflected in the Majority and Minority summary sheets and the following narrative. In some cases, there is more than one Minority perspective and these have been included as addendums to this report.

The following items are areas that require more detailed explanation:

**Part M (Estate Tax)** –The MAJORITY report recommends to AMEND Part M to retain the Governor’s proposal of increasing the exclusion from \$1 million to \$2 million, eliminate the cliff by establishing a rate structure of 8%, 10% and 12 %, and address some issues related to nonresidents for estate of decedents who die after January 1, 2013. It also recommends allowing the Qualified Terminable Interest Property (QTIP) to conform to the full federal exclusion effective January 1, 2011. This work was assigned to a subcommittee and the vote reflects the subcommittee’s recommendation that was reported back on March 28, 2011. MINORITY Report 1 (Rep. Berry, Rep. Pilon, and Rep. Flemings) rejects the Governor’s proposal. More information is included as an addendum to this report. Representative Bryant rejects the proposal for reasons reflected in MINORITY Report 3.

**Part N (Income Tax)** – The vote on this proposal was split 8-5. The MAJORITY report accepts the Governor’s proposal. MINORITY Report 1 (Rep. Berry, Rep. Pilon, and Rep. Flemings) and MINORITY Report 2 (Sen. Woodbury) offer alternative proposals, which are attached to this report. Representative Bryant rejects the proposal for reasons reflected in MINORITY Report 3.

**Part O (Bonus Depreciation/179 Expensing)** – the MAJORITY and MINORITY reports recommends to AMEND this language to accept the provisions in the Governor’s proposal related to section 179 expensing and to reject the provisions related to bonus depreciation. Based on input from the business community, the members supporting this proposal believe 179 expensing better targets Maine business while bonus depreciation under IRS Code section 168(k) provides more benefit to multi-state corporations. This work was assigned to a subcommittee and the vote reflects the subcommittee’s recommendation reported back on March 28, 2011. This proposal has nearly unanimous support (12-1) with the lone member’s dissention (Representative Bryant) reflected in MINORITY Report 3.

**Part P (Circuitbreaker)** – The MAJORITY report accepts the Governor’s proposal and the MINORITY report AMENDS the language program to restore the amount of the benefit to 100% in fiscal years 2012 and 2013.

**Part Q (BETR)** – the Committee voted this proposal “IN” with a split vote of 12-1. The MAJORITY and MINORITY reports accept the Governor’s proposal with one member (Senator Woodbury) dissenting. In addition, concern was expressed about businesses taking advantage of the BETR program during a period after the cessation of good faith efforts sell the business. Therefore, the Committee is including language to address this issue.

This concludes the narrative part of our report back on the Governor's budget proposals. As noted previously, the Committee also voted to include additional initiatives. These proposals are listed below:

### **New Proposals**

Lower bracket income tax rate change The MAJORITY Report recommends changing the lower income tax rate structure with the 2% income tax rate changing to 0%, and the 4.5% and 7% rates changing to 6.5% effective in 2012.

Sales Tax Holiday – The MAJORITY Report recommends a one-day sales tax holiday on Columbus Day weekend for certain items such as clothing and Energy Star qualified products with prices that do not exceed \$1,500.

Exempt Taxes on Retirement Meals for Seniors – The MAJORITY Report and MINORITY Report recommend exempting meals at retirement facilities from sales tax retroactively to January 1, 2010.

Tax Exemption on Fuel for Commercial Fishing Vessels – The MAJORITY Report and MINORITY Report recommend exempting fuel for use in a commercial fishing vessel from sales tax.

Exemption for Taxes on Bags Provided to Redemption Centers for Returnable Containers – The MAJORITY Report and MINORITY report recommend exempting from sales tax plastic bags used by redemption centers from sales tax.

Exemption on Parts and Supplies for Windjammers – The MAJORITY Report and MINORITY Report recommend a sales tax refund or exemption certificate for purchases of parts and supplies used for the operation, repair or maintenance of a windjammer.

Provide Tax Credit for Investment in Public Fishery Infrastructure – The MAJORITY Report and MINORITY Report recommend an income tax credit for investment in or contributions to eligible public fishery infrastructure.

Promote the Awareness of the Circuitbreaker Program – The MAJORITY Report and MINORITY Report recommend adding language to property tax bills sent out by municipalities that makes taxpayers aware of the circuitbreaker program. This proposal was also supported by Representative Bryant who rejected all of the above proposals for reasons stated in his MINORITY Report 3.

The addition of these initiatives does not exceed the original costs of initiatives that the Governor proposed.

This concludes our report. Thank you for the opportunity to provide this information. Please let us know if you have questions or need our further assistance on these proposals.

Status of Amendment Language

- 1) Lower Bracket Tax Rate Change - *(Draft language in process.)*
- 2) Sales Tax Holiday - *(Draft language in process.)*
- 3) Exempt Taxes on Retirement Meals for Seniors – *(LD 21)*
- 4) Tax Exemption on Fuel for Commercial Fishing Vessels – *(LD 185)*
- 5) Exemption for Taxes on Bags Provided to Redemption Centers for Returnable Containers – *(LD 6)*
- 6) Exemption on Parts and Supplies for Windjammers *(LD 59)*
- 7) Credit for investment in public fishery infrastructure *(LD 421)*
- 8) Promote the circuitbreaker program through municipalities *(Draft language attached)*
- 9) Part I – Revenue Sharing – *Draft attached - dollar amounts can only be completed upon completion of revenue estimates.*
- 10) Part M – Estate Tax Language – *(Draft language in process.)*
- 11) BETR – Additional language regarding good faith efforts to sell. *(Draft language attached)*

Name of Committee: <b>TAXATION - MAJORITY REPORT</b>							
LD:1043 Date of Report:4/15/11			GF Cost (Savings)		OSR Cost (Savings)		
			FY12	FY13	FY12	FY13	Vote
<b>Governor's GF Budget Initiatives Net Cost (Savings)</b>			<b>\$37,561,292</b>	<b>\$61,455,455</b>			
<b>Initiatives Rejected by Committee &amp; Effect on Net GF Cost or Savings</b>							
Page	Ref #/ Part	Summary of Initiative					
Tax -19	21360	Reduces Disproportional Tax Burden Fund (OSR) due to change from transfer to an appropriation			\$25,667,912	\$28,783,331	13-0
Tax -20	21370	Provides Disproportional Tax Burden Fund (GF) due to change from transfer to an appropriation	(\$17,860,000)	(\$17,860,000)			13-0
Tax -22	21220	Reduces Municipal Revenue Sharing (OSR) due to change from transfer to an appropriation			\$110,672,746	\$115,179,620	13-0
Tax -23	21230	Provides Municipal Revenue Sharing (GF) due to change from transfer to an appropriation	(\$76,140,000)	(\$76,140,000)			13-0
<b>Total Cost (Savings) From Rejected Initiatives</b>			<b>(\$94,000,000)</b>	<b>(\$94,000,000)</b>	<b>\$ 136,340,658</b>	<b>\$ 143,962,951</b>	
<b>Initiatives Amended by Committee &amp; Effect on Net GF Cost or Savings</b>							
Page	Ref #/ Part	Description of Amendment (Attach Revised Initiative Description or Language)					
Tax 26- Tax 30	Part I	Amend Part I to retain current revenue sharing formula; fund at the dollar amount proposed in the Governor's budget.	\$135,923,577	\$143,288,011	\$ (135,923,577)	\$ (143,288,011)	8-3
	Part I - replace	Amendment of Part I includes a fixed transfer (such as that included in past budgets) in order to net to the \$94 million in the Governor's proposal	(\$41,923,577)	(\$49,288,011)	\$ 41,923,577	\$ 49,288,011	
TAX-42	Part M	Amend Part M to retain the proposed estate tax exclusion at the \$2 million level and conform the QTIP to the full federal exclusion beginning 1/1/11; also eliminate the "cliff rate" and establish a rate structure of 8%, 10% & 12%; address some technical issues related to the treatment of nonresidents. All changes (except QTIP) are effective for the estates of decedents who die after 1/1/13.	\$ 137,500	\$ 150,000			8-5
TAX-47 to TAX-48	Part O	Amend Part O to retain the proposal to allow the use of the increased section 179 expensing thresholds for tax years beginning on or after January 1, 2011, but exclude the use of the increased bonus depreciation deductions.	\$ (45,390,425)	\$ (12,032,265)			12-1
<b>Total Cost (Savings) From Amended Initiatives</b>			<b>\$48,747,075</b>	<b>\$82,117,735</b>	<b>(\$94,000,000)</b>	<b>(\$94,000,000)</b>	
<b>Initiatives Added by Committee &amp; Effect on Net GF Cost or Savings</b>							
		Summary of Initiative (Attach Full Initiative Description or Language)					
	New1	Change income tax rate structure with 2% rate changing to 0% and the 4.5% and 7% changing to 6.5% effective in 2012.	\$12,560,000	\$32,204,000			7-5
	New2	Sales Tax Holiday	\$ 4,546,600	\$ 4,546,600			7-5
	New3	Retirement Meals for Seniors	\$ 523,746	\$ 544,868			12-1
	New4	Tax exemption on Fuel for Commercial Fishing Vessels	\$ 427,500	\$ 570,000			12-1
	New5	Exemption for Bags Provided to Redemption Centers for Returnable Containers	\$ 158,175	\$ 27,301			12-1
	New6	Exemption on Parts and Supplies for Windjammers	\$54,800	\$7,200			8-4
	New7	Credit for investment in public fishery infrastructure	\$ 10,688	\$ 50,825			12-1
	New8	Language on property tax bill about circuitbreaker	\$0	\$0			13-0
<b>Total Cost (Savings) From Additional Initiatives</b>			<b>\$18,281,509</b>	<b>\$37,950,794</b>			
<b>Total Additions to or Subtraction from Governor's Net Total</b>			<b>(\$26,971,416)</b>	<b>\$26,068,529</b>	<b>\$ 42,340,658</b>	<b>\$ 49,962,951</b>	
<b>POLICY COMMITTEE'S GF Budget Initiatives Net Cost (Savings)</b>			<b>\$10,589,876</b>	<b>\$87,523,984</b>	<b>\$ 42,340,658</b>	<b>\$ 49,962,951</b>	

Name of Committee: <b>TAXATION - MINORITY REPORT 1</b>						
LD:1043 Date of Report:4/15/11			GF Cost (Savings)		OSR Cost (Savings)	Vote
			FY12	FY13	FY12	FY13
<b>Governor's GF Budget Initiatives Net Cost (Savings)</b>			<b>\$37,561,292</b>	<b>\$61,455,455</b>		
<b>Initiatives Rejected by Committee &amp; Effect on Net GF Cost or Savings</b>						
Page	Ref #/ Part	Summary of Initiative				
Tax -19	21360	Reduces Disproportional Tax Burden Fund (OSR) due to change from transfer to an appropriation			\$25,667,912	\$28,783,331 13-0
Tax -20	21370	Provides Disproportional Tax Burden Fund (GF) due to change from transfer to an appropriation	(\$17,860,000)	(\$17,860,000)		13-0
Tax -22	21220	Reduces Municipal Revenue Sharing (OSR) due to change from transfer to an appropriation			\$110,672,746	\$115,179,620 13-0
Tax -23	21230	Provides Municipal Revenue Sharing (GF) due to change from transfer to an appropriation	(\$76,140,000)	(\$76,140,000)		13-0
<b>Total Cost (Savings) From Rejected Initiatives</b>			<b>(\$94,000,000)</b>	<b>(\$94,000,000)</b>	<b>\$ 136,340,658</b>	<b>\$ 143,962,951</b>
<b>Initiatives Amended by Committee &amp; Effect on Net GF Cost or Savings</b>						
Page	Ref #/ Part	Description of Amendment (Attach Revised Initiative Description or Language)				
Tax 26- Tax 30	Part I	Amend Part I to retain current revenue sharing formula;	\$135,923,577	\$143,288,011	\$ (135,923,577)	\$ (143,288,011)
TAX-42	Part M	Amend Part M to reject the \$2 million exclusion and rate structure proposed by majority; conform the QTIP to the full federal exclusion beginning 1/1/11.	\$ 137,500	\$ 150,000		8-5
TAX-47 to TAX-48	Part O	Amend Part O to retain the proposal to allow the use of the increased section 179 expensing thresholds for tax years beginning on or after January 1, 2011, but exclude the use of the increased bonus depreciation deductions.	\$ (45,390,425)	\$ (12,032,265)		12-1
<b>Total Cost (Savings) From Amended Initiatives</b>			<b>\$90,670,652</b>	<b>\$131,405,746</b>	<b>(\$135,923,577)</b>	<b>(\$143,288,011)</b>
<b>Initiatives Added by Committee &amp; Effect on Net GF Cost or Savings</b>						
		Summary of Initiative (Attach Full Initiative Description or Language)				
	New3	Retirement Meals for Seniors <sup>2</sup>	\$ 523,746	\$ 544,868		12-1
	New4	Tax exemption on Fuel for Commercial Fishing Vessels <sup>3</sup>	\$ 427,500	\$ 570,000		12-1
	New5	Exemption for Bags Provided to Redemption Centers for Returnable Containers <sup>4</sup>	\$ 158,175	\$ 27,301		12-1
	New7	Credit for investment in public fishery infrastructure <sup>6</sup>	\$ 10,688	\$ 50,825		12-1
	New8	Language on property tax bill about circuitbreaker	\$0	\$0		13-0
<b>Total Cost (Savings) From Additional Initiatives</b>			<b>\$1,120,109</b>	<b>\$1,192,994</b>		
<b>Total Additions to or Subtraction from Governor's Net Total</b>			<b>(\$2,209,239)</b>	<b>\$38,598,740</b>	<b>\$ 417,081</b>	<b>\$ 674,940</b>
<b>POLICY COMMITTEE'S GF Budget Initiatives Net Cost (Savings)</b>			<b>\$35,352,053</b>	<b>\$100,054,195</b>	<b>\$ 417,081</b>	<b>\$ 674,940</b>

Minority Report 1 offers an approach that will benefit virtually every Maine resident and business, while also avoiding significant, unintended shift to other current or future taxpayers. To achieve these ends we:

- Adjust all income tax brackets by 5% to provide broad-based tax reductions,
- Expand and make refundable the Earned Income Tax Credit,
- Accept changes to Section 179 expensing,
- Provide exemptions for:
  - Meals at retirement homes,
  - Fishing vessel fuel,
  - Bags used for redemption centers,
  - Windjammer maintenance,
- Create a credit for public fishery infrastructure investments,
- Restore Circuit Breaker, and
- Restore Municipal Revenue Sharing.

In greater detail, our report back recommends the following steps:

#### **Part N**

*1. Reduce income taxes on most Maine families by adjusting the income at which all income tax brackets take effect upwards by 5%, starting in tax years beginning January 1, 2012.*

We also invite the Appropriations Committee to adjust this proposal based on available funds, change packages or other factors. We are ready to participate in and assist those deliberations.

*2. Expand Maine's Earned Income Tax Credit to 10% and make it fully refundable beginning January 1, 2012.*

This change would make Maine's EITC almost average among states with an EITC. Refundability would make work pay for many Mainers, encourage workforce participation, and make the tax code less regressive. Currently, the poorest 20% of Maine residents pay the highest portion of their incomes in taxes, largely due to sales and property tax. This regressivity is not visible in the distributional tables provided for the biennial budget proposal or for the majority report, which represent only income taxes.

*3. Reject other initiatives in Part N*

Minority Report 1 rejects all other income tax proposals, particularly those not paid for in this biennium. For example, the cost of top marginal rate reduction proposed in Part N alone exceeds \$130M in FY '14 and '15. While we are not opposed to this or the other tax reductions for wealthier individuals, we are concerned that these and other expensive changes are not paid for within the majority budget, adding up to over \$400M in additional cuts or revenue requirements in the next biennium alone.

## **Part O**

### *Business tax changes in agreement with Majority (except BETR vs. Sales Tax holiday)*

Minority Report 1 concurs with the Majority on several business benefits, rejecting bonus depreciation but retaining Section 179, while also providing exemptions for meals at retirement homes, fishing vessel fuel, bags used for redemption centers, windjammer maintenance, as well as a credit for public fishery infrastructure investments. However, we reject the proposal for a sales tax holiday costing over \$9M, and urge that if this amount becomes available it be used instead to fulfill existing obligations under BETR.

## **Part P**

### *Restore Circuit Breaker*

Restore the Maine Residents Property Tax and Rent Refund Program (Circuit Breaker) to provide optional, targeted relief for those most concerned about losing their home or business.

## **Part I**

### *Restore Municipal Revenue Sharing*

Restore Municipal Revenue Sharing with any funds that remain unspent from initiatives proposed in LD 1043 as originally proposed. Restoring Municipal Revenue Sharing helps to reduce property taxes at the local level and avoids additional tax shift.

## **Part M:**

### *Reject estate tax changes*

Minority Report 1 rejects proposals to increase the estate tax exemption from \$1M to \$2M starting in 2013, noting that this benefits only 550 taxpayers and is not paid for at all in this biennium. We also do not support the proposed rate changes recommended in the Majority Report, which nearly double the \$32.4M cost to the next biennial budget that was proposed by the Governor. However, we do propose to conform the QTIP to the full federal exclusion beginning January 1, 2011.



Section N

1. Replace our income tax with a simple 4% flat rate income tax on federal AGI. Details are provided below. The revenue loss might be in the ballpark of \$500 million annually.
2. Task either the tax committee, or an independent commission with identifying \$400 million in increased consumption or excise taxes.
3. The revenue loss from the combined income and sales tax reforms will be \$100 million annually, effective January 1, 2012, and with a primary impact on the second year of the biennium, largely consistent with the overall tax burden reductions proposed by the Governor, but with a MUCH larger income tax rate reduction.
4. Rationale. We will never succeed at tax reform that reweights our system away from income taxes, and toward consumption taxes, unless we link it to a major tax cut. The Governor has opened the window of a major tax cut. We should not waste the opportunity to fundamentally reweight our system at the same time that the tax cut takes effect.
5. Send the final package of both income and sales tax changes to public referendum.
6. The details of the income tax reduction are as follows. Start with the 4% flat rate on federal AGI (with minimal adjustments). Then apply a Maine tax credit of \$400 single, \$600 HH, and \$800 joint, plus \$200 per dependent. The effect of the credit is to exclude from tax liability a single filer with income up to \$10,000; a couple with income up to \$20,000; and a family of 4 with income up to \$30,000. The credit phases out at a 2% rate, beginning at income of \$20,000 for the single filer, and \$40,000 for the joint filer. Anyone with income above the phase-out range pays the simple 4% of AGI on all of their income. The alternative minimum tax, and all standard and itemized deductions are eliminated.

**Minority Report 3 - Rep. Bryant**

**April 15, 2011**

1. Vote reflects a rejection of Part M, Part N, and Part O in the budget due to major concerns over lost revenue and large deficits created in future years.
2. In addition, Rep Bryant strongly disagreed with the deliberations surrounding the use funds "saved" by rejecting certain initiatives. He views this a foregone revenue and his votes against all new proposals (except the proposal to create more outreach for the circuitbreaker program, which came at no cost) reflects this belief.

Sec. A-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Bureau of Revenue Services Fund 0885

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
BUREAU OF REVENUE SERVICES FUND				
All Other	\$10,000	\$0	\$151,720	\$151,720
BUREAU OF REVENUE SERVICES FUND TOTAL	\$10,000	\$0	\$151,720	\$151,720

**Justification:**

Provide imaging, scanning, debt collection, and administrative services to other state agencies. Provide a vehicle to deliver revenue collection services throughout state government.

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BUREAU OF REVENUE SERVICES FUND 0885

PROGRAM SUMMARY

	History 2009-10	History 2010-11	2011-12	2012-13
BUREAU OF REVENUE SERVICES FUND				
All Other	\$10,000	\$0	\$151,720	\$151,720
BUREAU OF REVENUE SERVICES FUND TOTAL	\$10,000	\$0	\$151,720	\$151,720

County Tax Reimbursement 0263

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
OTHER SPECIAL REVENUE FUNDS				
All Other	\$1,207,660	\$1,243,895	\$1,243,895	\$1,243,895
OTHER SPECIAL REVENUE FUNDS TOTAL	\$1,207,660	\$1,243,895	\$1,243,895	\$1,243,895

**Justification:**

The primary function of this program is to ensure that revenue collected from Unorganized Territory taxpayers for motor vehicle and watercraft excise taxes is used to provide services to the Unorganized Territory Tax District. Receipts are funneled to the appropriate County treasury having jurisdiction over that unorganized place. This money is used to reduce the amount that would otherwise need to be raised through the property tax for the purpose of reimbursing counties for services provided by them in Unorganized Territory within that County. The State Tax Assessor has authorized approximately 60 agents to serve as Unorganized Territory tax collectors at various locations throughout twelve of the sixteen Maine counties. Typically, agent-collectors are also municipal excise tax collectors serving in jurisdictions near selected Unorganized Territory residential areas. This revenue line has proved very difficult to project because the inventory of vehicles changes constantly and may be somewhat cyclical. Inasmuch as vehicle ownership and frequency of replacement follow no discernable pattern or trend our estimations do not warrant a high degree of confidence.

County Tax Reimbursement 0263

Initiative: Provides funding for anticipated excise tax reimbursements.

Ref. #: 720

Committee Vote:

In  
10-0

AFA Vote:

	2011-12	2012-13
OTHER SPECIAL REVENUE FUNDS		
All Other	\$127,505	\$196,105
OTHER SPECIAL REVENUE FUNDS TOTAL	\$127,505	\$196,105

**Justification:**

Provides funding at an anticipated level for reimbursements for excise tax paid on motor vehicles, motor boats, etc.

COUNTY TAX REIMBURSEMENT 0263  
PROGRAM SUMMARY

	History 2009-10	History 2010-11	2011-12	2012-13
OTHER SPECIAL REVENUE FUNDS				
All Other	\$1,207,660	\$1,243,895	\$1,371,400	\$1,440,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$1,207,660	\$1,243,895	\$1,371,400	\$1,440,000

**Elderly Tax Deferral Program 0650**

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$28,000	\$28,000	\$28,000	\$28,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	\$28,000	\$28,000	\$28,000	\$28,000

**Justification:**

The purpose of the Elderly Tax Deferral Program is to enable qualifying Maine Resident elderly homeowners to defer payment of "homestead" property taxes. Property taxes may present hardships for some elderly homeowners with limited income. This program can help reduce the incidence of elderly persons being displaced from the homestead. The State pays the participant's property tax directly to the municipality that expects timely payment of property taxes in order to maintain necessary services. The program assists those elderly homeowners that may not have the financial ability to satisfy payment demands in full or in a timely fashion and thus may otherwise be compelled to sell the property, seek relief or face tax lien proceedings. The interest of the State in the property is protected by the filing of a lien. The program was available to application through March 31, 1991. The program now consists of paying the annual obligations of initially qualified participants, providing necessary account statements, filing notice of lien and discharging liens resulting from attrition.

**Elderly Tax Deferral Program 0650**

Initiative: Reduces funding to an anticipated level for the Elderly Tax Deferral Program.

Ref. #: 880

Committee Vote:

In  
10-0

AFA Vote: \_\_\_\_\_

	2011-12	2012-13
<b>OTHER SPECIAL REVENUE FUNDS</b>		
All Other	(\$6,000)	(\$6,000)
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	(\$6,000)	(\$6,000)

**Justification:**

The number of participants in this program continues to decline. The Elderly Tax Deferral Program was available to application through March 31, 1991. In FY08 there were 12 participants; at the end of FY10, 6 participants remained. Currently, there are 5 participants in the Program. Participants remain in the program for the duration of his or her lifetime.

**ELDERLY TAX DEFERRAL PROGRAM 0650  
PROGRAM SUMMARY**

	History 2009-10	History 2010-11	2011-12	2012-13
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$28,000	\$28,000	\$22,000	\$22,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	\$28,000	\$28,000	\$22,000	\$22,000

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: BASELINE BUDGET

<b>GENERAL FUND</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$28,469,065	\$16,157,593	\$16,157,593	\$16,157,593
<b>GENERAL FUND TOTAL</b>	<b>\$28,469,065</b>	<b>\$16,157,593</b>	<b>\$16,157,593</b>	<b>\$16,157,593</b>

**Justification:**

The purpose of the reimbursement is to offset the effect upon local property tax burden arising from the municipal exemption provided for the homestead of qualified residents that can certify ownership and permanent residency in Maine for the 12 months preceding the April 1st application date.

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**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: Provides funding to an anticipated level for reimbursements for homestead property tax exemptions.

Ref. #: 1180

Committee Vote: In 13-0 AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$7,442,407	\$8,042,407
<b>GENERAL FUND TOTAL</b>	<b>\$7,442,407</b>	<b>\$8,042,407</b>

**Justification:**

An adjustment in the municipal mill rates from prior years is expected to increase the number of homestead property tax exemptions.

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**HOMESTEAD PROPERTY TAX EXEMPTION REIMBURSEMENT 0886  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$28,469,065	\$16,157,593	\$23,600,000	\$24,200,000
<b>GENERAL FUND TOTAL</b>	<b>\$28,469,065</b>	<b>\$16,157,593</b>	<b>\$23,600,000</b>	<b>\$24,200,000</b>

**Mandate BETE - Reimburse Municipalities Z065**

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
GENERAL FUND				
All Other	\$6,000	\$35,000	\$35,000	\$35,000
GENERAL FUND TOTAL	\$6,000	\$35,000	\$35,000	\$35,000

**Justification:**

The Business Equipment Tax Exemption Mandate Reimbursement Program is included in Chapter 623 Section 1, PL 2006. The purpose of the program is to reimburse municipalities and the Unorganized Territory Education and Services Fund for state mandated costs related to the implementation of the Business Equipment Tax Exemption as required under the Constitution of Maine, Article IX, Section 21, and Title 30-A, sec. 5685.

**Mandate BETE - Reimburse Municipalities Z065**

Initiative: Reduces funding to reflect the anticipated claims by municipalities.

Ref. #: 1340

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

	2011-12	2012-13
GENERAL FUND		
All Other	(\$25,000)	(\$25,000)
GENERAL FUND TOTAL	(\$25,000)	(\$25,000)

**Justification:**

The funding reduction is a result of a lack of extraordinary claims for Business Equipment Tax Exemption from municipalities.

**MANDATE BETE - REIMBURSE MUNICIPALITIES Z065  
PROGRAM SUMMARY**

	History 2009-10	History 2010-11	2011-12	2012-13
GENERAL FUND				
All Other	\$6,000	\$35,000	\$10,000	\$10,000
GENERAL FUND TOTAL	\$6,000	\$35,000	\$10,000	\$10,000

Revenue Services - Bureau of 0002

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
<b>GENERAL FUND</b>				
POSITIONS - LEGISLATIVE COUNT	321.000	321.000	319.000	319.000
POSITIONS - FTE COUNT	0.769	0.769	0.000	0.000
Personal Services	\$21,049,587	\$20,407,483	\$22,370,619	\$23,180,265
All Other	\$14,800,734	\$14,121,252	\$14,246,613	\$14,246,613
<b>GENERAL FUND TOTAL</b>	<b>\$35,850,321</b>	<b>\$34,528,735</b>	<b>\$36,617,232</b>	<b>\$37,426,878</b>
	History 2009-10	History 2010-11	2011-12	2012-13
<b>FEDERAL EXPENDITURES FUND</b>				
All Other	\$5,000	\$5,000	\$5,000	\$5,000
<b>FEDERAL EXPENDITURES FUND TOTAL</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
	History 2009-10	History 2010-11	2011-12	2012-13
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$7,180,598	\$9,232,569	\$9,232,569	\$9,232,569
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$7,180,598</b>	<b>\$9,232,569</b>	<b>\$9,232,569</b>	<b>\$9,232,569</b>

**Justification:**

Maine Revenue Services (MRS) exists primarily to collect tax revenues necessary to support Maine State Government. In order to achieve this end, MRS must responsibly administer state tax law. Subsidiary responsibilities of MRS include 1) oversight of municipal tax administration in order to assist municipalities and provide uniformity of local taxes throughout the state, and 2) operation of various tax relief programs to provide tax relief to taxpayers pursuant to Maine law. In order to achieve MRS' purposes, these major functional areas have evolved. The duties of each are divided among operating divisions of Maine Revenue Services. Tax Administration: The Income & Estate Tax Division administers income, insurance premiums, withholding, financial institution, pass-through entity, estate tax law and the Maine Residents Property Tax Program and the Business Equipment Tax Reimbursement ("BETR") Program; the Sales, Fuel & Special Tax Division administers Sales, Use and Service Provider taxes, Recycling Assistance fees, Bulk Motor Oil premiums, Gasoline and Special Fuel taxes and International Fuel Tax Agreement ("IFTA"), Cigarette and Tobacco Products taxes, Potato, Blueberry, Railroad and Mahogany Quahog taxes, Hospital and Health Care Provider taxes, Initiator of Deposit, Milk Handling fee and various tax refund programs; the Property Tax Division provides oversight and direction for municipal tax administration, annually determines State Valuation, administers the property tax and motor vehicle/watercraft excise taxation in the Unorganized Territories, annually sets Tree Growth valuations, administers municipal reimbursements for Tree Growth, Homestead and Veterans' Exemptions, administers Commercial Forestry Excise and Real Estate Transfer taxes. Operations: The Operations Division provides mail processing and deposits tax revenues, prepares budgets for the Bureau, monitors Bureau expenditures, provides bureau-wide business services and analyzes tax legislation; the Data Entry Division maintains and operates automated systems within the Bureau and provides Bureau-wide data entry services; and the Research Division provides research support to the Bureau, develops economic models for tax policy analysis, and monitors monthly tax revenues. Compliance: Audit Units within the Income & Estate Tax and the Sales, Fuel & Special Tax Divisions audit various businesses and individuals to determine their tax liabilities and assists taxpayers in the understanding necessary to comply with Maine tax law; the Compliance Division serves as the Bureau's collection arm for delinquent taxes and pursues tax returns which are not filed in a timely fashion; and the Appellate Division drafts recommended decisions of the assessor in matters relating to reconsideration and abatement requests and conducts required taxpayer conferences.



**Revenue Services - Bureau of 0002**

Initiative: Reduces funding for postage associated with the proposed changes in statute to the notice and assessments provisions in this Act.

Ref. #: 90

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	(\$188,360)	(\$188,360)
<b>GENERAL FUND TOTAL</b>	<b>(\$188,360)</b>	<b>(\$188,360)</b>

**Justification:**

Part J in this bill proposes changes to the Notice and Assessment provisions in statute to provide that regular tax assessments may be sent by regular first class mail rather than by certified mail resulting in savings in postage costs to Maine Bureau of Revenue Services.

**REVENUE SERVICES - BUREAU OF 0002  
PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
POSITIONS - LEGISLATIVE COUNT	321.000	321.000	319.000	319.000
POSITIONS - FTE COUNT	0.769	0.769	0.000	0.000
Personal Services	\$21,049,587	\$20,407,483	\$22,370,619	\$23,180,265
All Other	\$14,800,734	\$14,121,252	\$14,058,253	\$14,058,253
<b>GENERAL FUND TOTAL</b>	<b>\$35,850,321</b>	<b>\$34,528,735</b>	<b>\$36,428,872</b>	<b>\$37,238,518</b>
<b>FEDERAL EXPENDITURES FUND</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$5,000	\$5,000	\$5,000	\$5,000
<b>FEDERAL EXPENDITURES FUND TOTAL</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$5,000</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$7,180,598	\$9,232,569	\$9,232,569	\$9,232,569
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$7,180,598</b>	<b>\$9,232,569</b>	<b>\$9,232,569</b>	<b>\$9,232,569</b>

**Snow Grooming Property Tax Exemption Reimbursement Z024**

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
GENERAL FUND				
All Other	\$18,435	\$19,500	\$19,500	\$19,500
GENERAL FUND TOTAL	\$18,435	\$19,500	\$19,500	\$19,500

**Justification:**

The purpose of the Snow Grooming Property Tax Exemption Reimbursement program is to reimburse municipalities 50% of the property tax revenue loss as a result of the exemption for snow grooming equipment registered with the Department of Inland Fisheries and Wildlife.

**SNOW GROOMING PROPERTY TAX EXEMPTION REIMBURSEMENT Z024  
PROGRAM SUMMARY**

	History 2009-10	History 2010-11	2011-12	2012-13
GENERAL FUND				
All Other	\$18,435	\$19,500	\$19,500	\$19,500
GENERAL FUND TOTAL	\$18,435	\$19,500	\$19,500	\$19,500

**Tree Growth Tax Reimbursement 0261**

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
<b>GENERAL FUND</b>				
All Other	\$4,964,374	\$4,781,250	\$5,937,500	\$5,937,500
<b>GENERAL FUND TOTAL</b>	\$4,964,374	\$4,781,250	\$5,937,500	\$5,937,500

**Justification:**

The purpose of the Tree Growth Tax Reimbursement Program is to help moderate property tax rates for municipalities that experience reduced valuations due to the mandated use of (lower) current use values in place of (higher) ad valorem values. The reduced valuation on forestland causes a general shift in local tax burden to non-classified property because the lower taxable valuation base produces a somewhat higher property tax rate. By statute, a municipal reimbursement is appropriate when it is determined that the use of mandated Tree Growth values results in a "tax loss" associated with classified forest lands as determined according to the statutorily established formula. The "tax loss" is offset by the calculated municipal savings in local share education costs that results from a lower State Valuation attributed to the use of Tree Growth values in determining said state valuation. Furthermore, the 90% amount of statutory reimbursement is subject to prorating based on the program allocation if full funding is not provided. In addition, municipalities that fail to comply with statutory requirements to maintain at least a 70% assessment ratio or timely file a completed Municipal Valuation Return will forfeit some or all of their reimbursement. There are at least 3,600,000 classified acres included in over 22,000 parcels in municipalities statewide. There are over 7.5 million acres of classified forestland in the Unorganized Territory that receives no reimbursement. Thirty two percent of Unorganized Territory revenue is derived from owners of forestland classified under the Tree Growth Tax Law.

**Tree Growth Tax Reimbursement 0261**

Initiative: Provides funding for tree growth tax reimbursements for cities and towns.

Ref. #: 690

Committee Vote: In  
11-0

AFA Vote: \_\_\_\_\_

	2011-12	2012-13
<b>GENERAL FUND</b>		
All Other	\$2,712,500	\$2,011,500
<b>GENERAL FUND TOTAL</b>	\$2,712,500	\$2,011,500

**Justification:**

Reduced offsets in municipal costs for education have resulted in increased tree growth reimbursement requests.

TREE GROWTH TAX REIMBURSEMENT 0261  
PROGRAM SUMMARY

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$4,964,374	\$4,781,250	\$8,650,000	\$7,949,000
GENERAL FUND TOTAL	\$4,964,374	\$4,781,250	\$8,650,000	\$7,949,000

Unorganized Territory Education and Services Fund - Finance 0573

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
OTHER SPECIAL REVENUE FUNDS				
All Other	\$11,935,780	\$13,885,930	\$13,885,930	\$13,885,930
OTHER SPECIAL REVENUE FUNDS TOTAL	\$11,935,780	\$13,885,930	\$13,885,930	\$13,885,930

**Justification:**

To equitably assess and collect property taxes in the unorganized territory by discovering new property valuations.

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Unorganized Territory Education and Services Fund - Finance 0573

Initiative: Reduces funding to an anticipated level for grant payments to counties serving the unorganized territories.

Ref. #: 840

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

	2011-12	2012-13
OTHER SPECIAL REVENUE FUNDS		
All Other	(\$452,580)	\$199,420
OTHER SPECIAL REVENUE FUNDS TOTAL	(\$452,580)	\$199,420

**Justification:**

Adjusts funding for the 2012-2013 biennium based on fiscal year 2009-10 actual expenditures and which applies a smaller growth factor than was used for the 2010-2011 biennium.

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Unorganized Territory Education and Services Fund - Finance 0573

Initiative: Provides funding at an anticipated level for reimbursement of taxes paid on commercial wind farms located in the unorganized territories.

Ref. #: 850

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

	2011-12	2012-13
OTHER SPECIAL REVENUE FUNDS		
All Other	\$660,000	\$600,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$660,000	\$600,000

**Justification:**

There is more value added to the TIF tax base; second phase of TransCanada windmill project than originally projected which will require an increase to the baseline allocation in order to reimburse the affected entities for taxes paid.

UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND - FINANCE 0573  
PROGRAM SUMMARY

OTHER SPECIAL REVENUE FUNDS	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$11,935,780	\$13,885,930	\$14,093,350	\$14,685,350
OTHER SPECIAL REVENUE FUNDS TOTAL	\$11,935,780	\$13,885,930	\$14,093,350	\$14,685,350

**Veterans' Organization Tax Reimbursement Z062**

Initiative: BASELINE BUDGET

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$19,387	\$60,000	\$322,892	\$322,892
<b>GENERAL FUND TOTAL</b>	<b>\$19,387</b>	<b>\$60,000</b>	<b>\$322,892</b>	<b>\$322,892</b>

**Justification:**

The purpose of this program is to reimburse municipalities for 50% of the loss in property tax revenue resulting from the expansion of the property tax exemption granted to veterans organizations.

**Veterans' Organization Tax Reimbursement Z062**

Initiative: Reduces funding to reflect anticipated reimbursements to veterans' organizations.

Ref. #: 1310

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

GENERAL FUND	2011-12	2012-13
All Other	(\$292,892)	(\$287,892)
<b>GENERAL FUND TOTAL</b>	<b>(\$292,892)</b>	<b>(\$287,892)</b>

**Justification:**

This program is fairly new and claims continue to be low.

**VETERANS' ORGANIZATION TAX REIMBURSEMENT Z062  
PROGRAM SUMMARY**

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$19,387	\$60,000	\$30,000	\$35,000
<b>GENERAL FUND TOTAL</b>	<b>\$19,387</b>	<b>\$60,000</b>	<b>\$30,000</b>	<b>\$35,000</b>

**Veterans Tax Reimbursement 0407**

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
GENERAL FUND				
All Other	\$991,225	\$1,035,479	\$1,095,211	\$1,095,211
GENERAL FUND TOTAL	\$991,225	\$1,035,479	\$1,095,211	\$1,095,211

**Justification:**

The Veterans Tax Exemption Reimbursement Program is mandated by Article IV, Part 3, Section 23 of the Maine Constitution. The purpose of the reimbursement is to diminish the effect upon local property tax burdens arising from the municipal exemption provided for the estates of qualified veterans and certain survivors of a deceased veteran that are eligible based on the qualifying service of that veteran.

**Veterans Tax Reimbursement 0407**

Initiative: Reduces funding in fiscal year 2011-12 and increases funding in fiscal year 2012-13 to reflect the anticipated funding level for veterans' tax reimbursements.

Ref. #: 750

Committee Vote:

In  
11-0

AFA Vote:

	2011-12	2012-13
GENERAL FUND		
All Other	(\$20,211)	\$29,789
GENERAL FUND TOTAL	(\$20,211)	\$29,789

**Justification:**

Declining municipal mill rates as well as the number of qualifying veterans create changes in funding requirements for the Veteran's Tax Reimbursement program for the 2012-2013 biennium.

**VETERANS TAX REIMBURSEMENT 0407  
PROGRAM SUMMARY**

	History 2009-10	History 2010-11	2011-12	2012-13
GENERAL FUND				
All Other	\$991,225	\$1,035,479	\$1,075,000	\$1,125,000
GENERAL FUND TOTAL	\$991,225	\$1,035,479	\$1,075,000	\$1,125,000



Waste Facility Tax Reimbursement 0907

Initiative: BASELINE BUDGET

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$11,000	\$12,000	\$12,000	\$12,000
GENERAL FUND TOTAL	\$11,000	\$12,000	\$12,000	\$12,000

**Justification:**

The purpose of this program is to reimburse municipalities for 50% of the loss in property tax revenue resulting from property tax exemptions granted on animal waste storage facilities.

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WASTE FACILITY TAX REIMBURSEMENT 0907

PROGRAM SUMMARY

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$11,000	\$12,000	\$12,000	\$12,000
GENERAL FUND TOTAL	\$11,000	\$12,000	\$12,000	\$12,000

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

DEPARTMENT TOTALS	2011-12	2012-13
GENERAL FUND	\$69,825,372	\$70,589,018
FEDERAL EXPENDITURES FUND	\$5,000	\$5,000
OTHER SPECIAL REVENUE FUNDS	\$24,719,319	\$25,379,919
BUREAU OF REVENUE SERVICES FUND	\$151,720	\$151,720
DEPARTMENT TOTAL - ALL FUNDS	\$94,701,411	\$96,125,657

Sec. A-61. Appropriations and allocations. The following appropriations and allocations are made.

**PROPERTY TAX REVIEW, STATE BOARD OF**

**Property Tax Review - State Board of 0357**

Initiative: BASELINE BUDGET

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
Personal Services	\$6,099	\$6,099	\$6,099	\$6,099
All Other	\$74,295	\$72,955	\$83,611	\$83,611
<b>GENERAL FUND TOTAL</b>	<b>\$80,394</b>	<b>\$79,054</b>	<b>\$89,710</b>	<b>\$89,710</b>

OTHER SPECIAL REVENUE FUNDS	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$500	\$3,000	\$3,000	\$3,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$500</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>

**Justification:**

The Board has been established to hear and determine tax abatement appeals involving nonresidential properties with an equalized valuation of \$1,000,000 or more and appeals arising under 1) the tree tax law (36 MRSA 571 et seq.), 2) the farm and open space law (36 MRSA 1101 et seq.), 3) mine site cases (as provided in 36 MRSA 2865), 4) Working Waterfront designations (36 MRSA 1131 et seq.); and 5) municipal valuation appeals (36 MRSA 272).

**PROPERTY TAX REVIEW - STATE BOARD OF 0357**

**PROGRAM SUMMARY**

GENERAL FUND	History 2009-10	History 2010-11	2011-12	2012-13
Personal Services	\$6,099	\$6,099	\$6,099	\$6,099
All Other	\$74,295	\$72,955	\$83,611	\$83,611
<b>GENERAL FUND TOTAL</b>	<b>\$80,394</b>	<b>\$79,054</b>	<b>\$89,710</b>	<b>\$89,710</b>

OTHER SPECIAL REVENUE FUNDS	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$500	\$3,000	\$3,000	\$3,000
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$500</b>	<b>\$3,000</b>	<b>\$3,000</b>	<b>\$3,000</b>

PROPERTY TAX REVIEW, STATE BOARD OF

DEPARTMENT TOTALS	2011-12	2012-13
GENERAL FUND	\$89,710	\$89,710
OTHER SPECIAL REVENUE FUNDS	\$3,000	\$3,000
DEPARTMENT TOTAL - ALL FUNDS	<u>\$92,710</u>	<u>\$92,710</u>

Sec. A-70. Appropriations and allocations.

The following appropriations and allocations are made.

TREASURER OF STATE, OFFICE OF

Disproportionate Tax Burden Fund 0472

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$16,023,071	\$16,534,084	\$16,263,499	\$16,263,499
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$16,023,071</b>	<b>\$16,534,084</b>	<b>\$16,263,499</b>	<b>\$16,263,499</b>

**Justification:**

Within the State-Municipal Revenue Sharing program exists the Local Government Fund which was established to strengthen the state-municipal fiscal relationship in an effort to stabilize the municipal property tax burden and to aid in financing all municipal services. The Disproportionate Tax Burden Fund was also established to provide additional support for municipalities experiencing a higher-than-average property tax burden. Staff in the Administration program distribute payments to more than 490 municipalities by the 20th of each month; update individual municipalities' statistics annually which are used to determine the distribution ratio; respond to municipalities' questions and audits confirmations; forward projection information to the Maine Municipal Association for distribution; maintain and update website (facilitating electronic deposit) monthly.

Disproportionate Tax Burden Fund 0472

Initiative: Provides funding for the Disproportionate Tax Burden Fund account to bring allocations into line with projected available resources based on the reprojected of revenue by the Revenue Forecasting Committee in December 2010.

Ref. #: 21350

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

OTHER SPECIAL REVENUE FUNDS	2011-12	2012-13
All Other	\$9,404,413	\$12,519,832
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$9,404,413</b>	<b>\$12,519,832</b>

**Justification:**

Adjusts allocation for the Disproportionate Tax Burden Fund Account based on the projected amount of revenue sharing funds approved by the Revenue Forecasting Committee in December 2010. The distribution of revenue sharing funds is required in accordance with 30-A, M.R.S.A., section 5681.

Disproportionate Tax Burden Fund 0472

Initiative: Reduces funding that will no longer be required from changing the payment provisions in this Act for the Disproportionate Tax Burden Fund account from the Other Special Revenue Funds account to an appropriation from the General Fund.

Ref. #: 21360

Committee Vote:

Out  
11-0

AFA Vote: \_\_\_\_\_

OTHER SPECIAL REVENUE FUNDS	2011-12	2012-13
All Other	(\$25,667,912)	(\$28,783,331)

OTHER SPECIAL REVENUE FUNDS TOTAL

(\$25,667,912) (\$28,783,331)

**Justification:**

Part I of this bill changes the payment provisions for the Disproportionate Tax Burden Fund account from an Other Special Revenue Funds allocation to a General Fund appropriation. As a result of that change, funding in this account is no longer required.

**Disproportionate Tax Burden Fund 0472**

Initiative: Provides funding for municipalities experiencing a higher-than-average property tax burden.

Ref. #: 21370

Committee Vote: Out  
11-0

AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$17,860,000	\$17,860,000
<b>GENERAL FUND TOTAL</b>	<u>\$17,860,000</u>	<u>\$17,860,000</u>

**Justification:**

Part I of this bill repeals the existing revenue sharing payment provisions to municipalities and replaces the funding as an appropriation from the General Fund. This initiative establishes the funding level for the Disproportionate Tax Burden program for the 2012-2013 biennium.

**DISPROPORTIONATE TAX BURDEN FUND 0472**

**PROGRAM SUMMARY**

<b>GENERAL FUND</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
All Other			\$17,860,000	\$17,860,000
<b>GENERAL FUND TOTAL</b>			<u>\$17,860,000</u>	<u>\$17,860,000</u>

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>History 2009-10</b>	<b>History 2010-11</b>	<b>2011-12</b>	<b>2012-13</b>
All Other	\$16,023,071	\$16,534,084	\$0	\$0
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$16,023,071</u>	<u>\$16,534,084</u>	<u>\$0</u>	<u>\$0</u>

**Passamaquoddy Sales Tax Fund 0915**

Initiative: BASELINE BUDGET

	History 2009-10	History 2010-11	2011-12	2012-13
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$17,607	\$17,607	\$17,607	\$17,607
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	\$17,607	\$17,607	\$17,607	\$17,607

**Justification:**

The purpose of this program is to process the reimbursement of sales taxes paid to the Passamaquoddy Tribal Government.

**PASSAMAQUODDY SALES TAX FUND 0915**

**PROGRAM SUMMARY**

	History 2009-10	History 2010-11	2011-12	2012-13
<b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$17,607	\$17,607	\$17,607	\$17,607
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	\$17,607	\$17,607	\$17,607	\$17,607

**State - Municipal Revenue Sharing 0020**

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2009-10	History 2010-11	2011-12	2012-13
All Other	\$79,464,071	\$73,678,943	\$72,258,368	\$72,258,368
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$79,464,071</b>	<b>\$73,678,943</b>	<b>\$72,258,368</b>	<b>\$72,258,368</b>

**Justification:**

Within the State-Municipal Revenue Sharing program exists the Local Government Fund which was established to strengthen the state-municipal fiscal relationship in an effort to stabilize the municipal property tax burden and to aid in financing all municipal services. The Disproportionate Tax Burden Fund was also established to provide additional support for municipalities experiencing a higher-than-average property tax burden. Staff in the Administration program distribute payments to more than 490 municipalities by the 20th of each month; update individual municipalities' statistics annually which are used to determine the distribution ratio; respond to municipalities' questions and audits confirmations; forward projection information to the Maine Municipal Association for distribution; maintain and update website (facilitating electronic deposit) monthly.

**State - Municipal Revenue Sharing 0020**

Initiative: Provides funding for the State - Municipal Revenue Sharing program to bring allocations into line with projected available resources based on the reprojection of revenue by the Revenue Forecasting Committee in December 2010.

Ref. #: 21210

Committee Vote:

In  
11-0

AFA Vote: \_\_\_\_\_

OTHER SPECIAL REVENUE FUNDS	2011-12	2012-13
All Other	\$38,414,378	\$42,921,252
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$38,414,378</b>	<b>\$42,921,252</b>

**Justification:**

Adjusts allocation for the State-Municipal Revenue Sharing account based on the projected amount of revenue sharing funds approved by the Revenue Forecasting Committee in December 2010. The distribution of revenue sharing funds is required in accordance with 30-A, M.R.S.A., section 5681. The primary reason for the significant increase to the allocation in fiscal years 2012 and 2013 over fiscal year 2010-11 is the restoration of \$35,270,254 in funding that was previously transferred to the General Fund.

**State - Municipal Revenue Sharing 0020**

Initiative: Reduces funding no longer required from changing the payment provisions in this Act for the State - Municipal Revenue Sharing from the Other Special Revenue Funds account to an appropriation from the General Fund.

Ref. #: 21220

Committee Vote:

Out  
11-0

AFA Vote: \_\_\_\_\_

OTHER SPECIAL REVENUE FUNDS	2011-12	2012-13
All Other	(\$110,672,746)	(\$115,179,620)
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>(\$110,672,746)</b>	<b>(\$115,179,620)</b>



**Justification:**

Part I of this bill changes the payment provisions for State-municipal Revenue Sharing from an allocation to an appropriation. As a result of that change, funding in this account is no longer required.

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**State - Municipal Revenue Sharing 0020**

Initiative: Provides funding for State - Municipal Revenue Sharing.

Ref. #: 21230

Committee Vote:

Out  
11-0

AFA Vote: \_\_\_\_\_

	2011-12	2012-13
<b>GENERAL FUND</b>		
All Other	\$76,140,000	\$76,140,000
<b>GENERAL FUND TOTAL</b>	<u>\$76,140,000</u>	<u>\$76,140,000</u>

**Justification:**

Part I of this bill repeals the existing revenue sharing payment provisions to municipalities and replaces the funding as an appropriation from the General Fund. This initiative establishes the funding level for the State-municipal Revenue Sharing program for the 2012-2013 biennium.

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**STATE - MUNICIPAL REVENUE SHARING 0020  
PROGRAM SUMMARY**

	History 2009-10	History 2010-11	2011-12	2012-13
<b>GENERAL FUND</b>				
All Other			\$76,140,000	\$76,140,000
<b>GENERAL FUND TOTAL</b>			<u>\$76,140,000</u>	<u>\$76,140,000</u>
 <b>OTHER SPECIAL REVENUE FUNDS</b>				
All Other	\$79,464,071	\$73,678,943	\$0	\$0
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<u>\$79,464,071</u>	<u>\$73,678,943</u>	<u>\$0</u>	<u>\$0</u>

TREASURER OF STATE, OFFICE OF

DEPARTMENT TOTALS

	2011-12	2012-13
GENERAL FUND	\$94,000,000	\$94,000,000
OTHER SPECIAL REVENUE FUNDS	\$17,607	\$17,607
DEPARTMENT TOTAL - ALL FUNDS	<u>\$94,017,607</u>	<u>\$94,017,607</u>

Sec. B-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Revenue Services - Bureau of 0002

Initiative: RECLASSIFICATIONS

Ref. #: 100

Committee Vote:

In  
12-0

AFA Vote: \_\_\_\_\_

GENERAL FUND	2011-12	2012-13
Personal Services	\$2,676	\$2,853
All Other	(\$2,676)	(\$2,853)
GENERAL FUND TOTAL	<u>\$0</u>	<u>\$0</u>

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ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

DEPARTMENT TOTALS	2011-12	2012-13
GENERAL FUND	\$0	\$0
DEPARTMENT TOTAL - ALL FUNDS	<u>\$0</u>	<u>\$0</u>

Draft language attached  
as "A".

Amend 8-3

majority - keep formula  
amount same as  
Governor proposal

minority - keep formula not

comfortable  
recommending  
amount at  
this time.

## PART I

**Sec. I-1. 5 MRSA §13090-K, sub-§2**, as amended by PL 2001, c. 459, Pt. UUUU, §1, is further amended to read:

~~2. **Source of fund.** Beginning July 1, 2003 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, 2003 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year. after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.~~

**Sec. I-2. 21-A MRSA §1124 sub-§2, ¶B**, as amended by PL 2007, c. 443, Pt. §4, is further amended to read:

~~B. Two million dollars of the revenues from the taxes imposed under Title 36, Parts 3 and 8 and credited to the General Fund, transferred to the fund by the State Controller on or before January 1st of each year, beginning January 1, 1999. These revenues must be offset in an equitable manner by an equivalent reduction within the administrative divisions of the legislative branch and executive branch agencies. This section may not affect the funds distributed to the Local Government Fund under Title 30-A, section 5681.~~

**Sec. I-3. 23 MRSA §4210-B, sub-§7** as enacted by PL 2007, c. 677, §1, is amended to read:

~~7. **Sales tax revenue.** Beginning July 1, 2009 and every July 1st thereafter, the State Controller shall transfer to the STAR Transportation Fund an amount, as certified by the State Tax Assessor, that is equivalent to 50% of the revenue from the tax imposed on the value of rental for a period of less than one year of an automobile pursuant to Title 36, section 1811 for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund under Title 30-A, section 5681, subsection 5. Beginning on October 1, 2009 and every October 1st thereafter, the State Controller shall transfer to the STAR Transportation Fund an amount, as certified by the State Tax Assessor, that is equivalent to 50% of the revenue from the tax imposed on the value of~~

rental for a period of less than one year of an automobile pursuant to Title 36, section 1811 for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

Sec. I-4. 30-A §5681, as amended by PL 2009, c. 571, Pt. JJ, §1 is repealed. NO

Sec. I-5. 30-A §5686 is enacted to read:

**§5686. State-municipal revenue sharing**

1. Findings and purpose. The Legislature finds that:

A. The principal problem of financing municipal services is the burden on the property tax; and

B. To stabilize the municipal property tax burden and to aid in financing all municipal services, it is necessary to provide funds from the broad-based taxes of State Government.

2. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Population" means the population as determined by the latest Federal Decennial Census or the population as determined and certified by the Department of Health and Human Services, whichever is later. For the purposes of this section, the Department of Health and Human Services shall determine the population of each municipality at least once every 2 years. For the purposes of the distributions required by this section, beginning July 1, 2009 "population" means the most current population data available as of the January 1st prior to the fiscal year of distribution.

B. "Property tax burden" means the total real and personal property taxes assessed in the municipal fiscal year pertaining to the latest state valuation, except the taxes assessed on captured value within a tax increment financing district, divided by the latest state valuation certified to the Secretary of State.

C. "Disproportionate tax burden" means the total real and personal property taxes assessed in the municipal fiscal year pertaining to the latest state valuation, except the taxes assessed on captured value within a tax increment financing district, divided by the latest state valuation certified to the Secretary of State and reduced by .01.

3. Funding for State-municipal revenue sharing. The Legislature shall appropriate funds to the State-municipal revenue sharing program account established in the Treasury Department to strengthen the state-municipal fiscal relationship pursuant to the findings and objectives of subsection 1.

4. Distribution of State-municipal revenue sharing funds. The Treasurer of State shall distribute 1/12 of the annual appropriation by the 20<sup>th</sup> day of each month administering the state-municipal revenue sharing program. The funds must be distributed to each municipality in proportion to the product of the population of the municipality multiplied by the property tax burden of the municipality.

5. Funding for Disproportionate Tax Burden. The Legislature shall appropriate funds to the Disproportionate Tax Burden program account established in the Treasury Department to provide additional support for municipalities experiencing a higher-than average tax burden.

6. Distribution of Disproportionate Tax Burden funds. The Treasurer of State shall distribute 1/12 of the annual appropriation by the 20<sup>th</sup> day of each month. The funds must be distributed to each municipality in proportion to the product of the population of the municipality multiplied by the disproportionate tax burden of the municipality.

7. Plantations and unorganized territory. For purposes of state-municipal revenue sharing, plantations and the unorganized territory shall be treated as if they were municipalities.

8. Indian territory. For purposes of state-municipal revenue sharing, the Passamaquoddy Tribe and the Penobscot Nation Indian Territories shall be treated as if they were municipalities. In the absence of a levy of real and personal property taxes in either or both Indian territories, the property tax assessment is computed by multiplying the state valuation for the Indian territory for the period for which revenue sharing is being determined by the most current average equalized property tax rate of all municipalities in the State at that time as determined by the State Tax Assessor.

~~Sec. I-6. 36 MRSA, §700-A, as enacted by PL 2005, c. 623, §1 is repealed.~~

~~Sec. I-7. 36 MRSA, §1815, sub-§2, as amended by PL 2009, c. 477, is further amended to read:~~

~~2. Monthly transfer.~~ By the 20th day of each month, the assessor shall notify the State Controller and the Treasurer of State of the amount of revenue attributable to the tax collected under this Part in the previous month on sales occurring on the Passamaquoddy reservation at either Pleasant Point or Indian Township, reduced by the transfer to the Local Government Fund required by Title 30-A, section 5681. When

notified by the assessor, the State Controller shall transfer that amount to the Passamaquoddy Sales Tax Fund.

**Sec. I-8. 36 MRSA §2559**, as amended by PL 2009, c. 213, Pt. S, §13 and affected by §16, is further amended to read:

Revenues derived by the tax imposed by this chapter must be credited to a General Fund suspense account. On or before the last day of each month, the State Controller shall transfer a percentage of the revenues received by the State Tax Assessor during the preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A to F and L to the Local Government Fund as provided by Title 30-A, section 5681, subsection 5. The balance remaining the amount in the General Fund suspense account ~~must be transferred~~ to service provider tax General Fund revenue. On or before the 15th day of each month, the State Controller shall transfer all revenues received by the assessor during the preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs G to J to the Medical Care Services Other Special Revenue Funds account, the Other Special Revenue Funds Mental Health Services - Community Medicaid program, the Medicaid Services - Mental Retardation program and the Office of Substance Abuse - Medicaid Seed program within the Department of Health and Human Services.

**Sec. I-9. Effective date.** This Part takes effect July 1, 2011.

#### SUMMARY PART I

This Part does the following:

1. It repeals the current State-municipal revenue sharing provisions that require the transfer of revenue from the General Fund to the Other Special Revenue Fund accounts in the Treasury Department for the payment of revenue sharing and disproportionate tax burden funds to municipalities.
2. It enacts a new provision for funding of State-municipal revenue sharing and for disproportionate tax burden funds to municipalities through an appropriation made to General Fund program accounts in the Department of Treasury.
3. It repeals the provision that currently provides additional support from the transfer of revenue from the General Fund to the Disproportionate Tax Burden Fund Other Special Revenue account in Treasury Department. Any additional funding support will now be through an appropriation from the General Fund.

<b>Revenue</b>	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>Projections FY 2013-14</b>	<b>Projections FY 2014-15</b>
<b>General Fund</b>				
PART I	\$132,923,577	\$139,788,011	\$149,163,398	\$156,572,038
PART I, Section 6	\$3,000,000	\$3,500,000	\$4,000,000	\$4,000,000
<b>Other Special Revenue Funds</b>				
PART I	(\$132,923,577)	(\$139,788,011)	(\$149,163,398)	(\$156,572,038)
PART I, Section 6	(\$3,000,000)	(\$3,500,000)	(\$4,000,000)	(\$4,000,000)



In  
12-0

PART J

Sec. J-1. 36 MRSA §111, sub-§2, as amended by PL 2001, c. 396, §1 is repealed and the following enacted in its place:

2. Notice. "Notice" means written notification served personally, sent by certified mail, or sent by first-class mail to the last known address of the person for whom the notification is intended. A person's "last known address" is the person's address as reported on the person's most recently filed Maine tax return or as otherwise specified by the person in written correspondence on file with the bureau, unless the bureau determines that a different address is the most current address for the person, in which case the bureau must use that address. Notice by first-class mail is deemed to be received 3 days after the mailing, excluding Sundays and legal holidays. If the State Tax Assessor is required by a provision of this Title to give notice by certified mail and attempts to do so but the mailing is returned with the notation "unclaimed" or "refused" or a similar notation, the assessor may then give notice by sending the notification by first-class mail. In the case of a joint income tax return, notice may be a single joint notice except that, if the assessor is notified by either spouse that separate residences have been established, the assessor must mail a joint notice to each spouse. If the person for whom notification is intended is deceased or under a legal disability, and the assessor knows of the existence of a fiduciary relationship with respect to that person, notice must be sent by first-class mail to the last known address of the fiduciary.

Sec. J-2. 36 MRSA §141, sub-§1, as amended by PL 2009, c. 496, §3 is further amended to read:

1. General provisions. Except as otherwise provided by this Title, an amount of tax that a person declares on a return filed with the State Tax Assessor to be due to the State is deemed to be assessed at the time the return is filed and is payable on or before the date prescribed for filing the return, determined without regard to any extension of time granted for filing the return. When a return is filed, the assessor shall ~~cause it to be examined~~ examine it and may conduct audits or investigations to determine the correct tax liability. If the assessor determines that the amount of tax shown on the return is less than the correct amount, the assessor shall assess the tax due the State and provide notice to the taxpayer of the assessment. Except as provided in subsection 2, an assessment may not be made after 3 years from the date the return was filed or 3 years from the date the return was required to be filed, whichever is later. The assessor may make a supplemental assessment within the assessment period prescribed by this section for the same period, periods or partial periods previously assessed if the assessor determines that a previous assessment understates the tax due or otherwise is imperfect or incomplete in any material respect.

Sec. J-3. 36 MRSA §141, sub-§2, ¶¶ A and E, as amended by PL 2003, c. 451, Pt. HH, §1 and affected by §2 are further amended to read:

**2. Exceptions.** The following are exceptions to the 3-year time limit specified in subsection 1.

A. An assessment may be made within 6 years from the date the return was filed if the tax liability shown on the return, after adjustments necessary to correct any mathematical errors apparent on the face of the return, is less than 1/2 of the tax liability determined by the ~~State Tax Assessor~~ assessor. In determining whether the 50% threshold provided by this paragraph is satisfied, the assessor may not consider any portion of the understated tax liability for which the taxpayer has substantial authority supporting its position.

E. The time limitations for assessment specified in this section may be extended to any later date to which the ~~State Tax Assessor~~ assessor and ~~person liable for tax~~ taxpayer agree in writing.

**Sec. J-4. 36 MRSA §145**, as enacted by PL 2007, c. 627, §5 is further amended to read:

**§145. Declaration of jeopardy**

If the State Tax Assessor determines that the collection of any tax will be jeopardized by delay, the assessor, upon giving notice of this determination to the person liable for the tax by personal service or certified mail, may demand an immediate return with respect to any period or immediate payment of any tax declared to be in jeopardy, or both, and may terminate the current reporting period and demand an immediate return and payment with respect to that period. Notwithstanding any other provision of law, taxes declared to be in jeopardy are payable immediately, and the assessor may proceed immediately to collect those taxes by any collection method authorized by this Title. The person liable for the tax may stay collection by requesting reconsideration of the declaration of jeopardy in accordance with section 151 and depositing with the assessor, within the time period specified in section 151, 30 days from receipt of notice of the determination of jeopardy a bond or other security in the amount of the liability with respect to which the stay of collection is sought. A determination of jeopardy by the assessor is presumed to be correct, and the burden of showing otherwise is on the taxpayer.

**Sec. J-5. 36 MRSA §151, first ¶**, as amended by PL 2001, c. 583, §1, is further amended to read:

Any A person who is subject to an assessment by the State Tax Assessor or entitled by law to receive notice of a determination of the assessor and who is aggrieved ~~as a result of~~ by that action may request in writing, within ~~30~~ 60 days after receipt of notice of the assessment or the determination, reconsideration by the assessor of the assessment or the determination. If a person who receives notice of an assessment ~~and~~ does not ~~file a request for reconsideration of the assessment in writing~~ within the specified time period 60 days, the assessor may not reconsider the assessment pursuant to this section and no review is available in Superior Court regardless of whether the ~~taxpayer~~ person subsequently makes payment and requests a refund.

Sec. J-6. 36 MRS §171, as amended by PL 2001. c. 583, §3 is further amended to read:

**§171. Demand letter**

**1. Taxes imposed by this Title.** If any tax imposed by this Title is not paid on or before its due date and no further administrative or judicial review of the assessment is available under section 151, the assessor, within 3 years after administrative and judicial review have been exhausted, may give the taxpayer notice of the amount to be paid, specifically designating the tax, interest and penalty due, and demand payment of that amount within 10 days of that taxpayer's receipt of notice. The notice must be given by personal service or sent by certified mail. The notice must include a warning that, upon failure of that taxpayer to pay as demanded, the assessor may proceed to collect the amount due by any collection method authorized by this Title. The notice must also describe the procedures applicable to the levy and sale of property under section 176-A, the alternatives available to the taxpayer that could forestall levy on property, including installment agreements, and the provisions of this Title relating to redemption of property and the release of the lien on property created by virtue of the levy. If the taxpayer has filed a petition for relief under the United States Bankruptcy Code, the running of the 3-year period of limitation imposed by this section is stayed until the bankruptcy case is closed or a discharge is granted, whichever occurs first.

**2. Other debts owed to State.** In the case of a fee, fine, penalty or other obligation first owed to the State on or after January 1, 1988 and authorized to be collected by the bureau, the assessor, within 3 years after the obligation is first placed with the bureau for collection, may give the taxpayer notice of the amount to be paid, including any interest and penalties provided by law, and demand payment of that amount within 10 days of that taxpayer's receipt of notice. The notice must be given by personal service or sent by certified mail. The notice must include a warning that, upon failure of that taxpayer to pay as demanded, the assessor may proceed to collect the amount due by any collection method authorized by section 175-A or 176-A. The notice must describe the procedures applicable to the levy and sale of property under section 176-A, the alternatives available to the taxpayer that could forestall levy on property, including installment agreements, and the provisions of this Title relating to redemption of property and the release of the lien on property created by virtue of the levy.

Sec. J-7. 36 MRS §172, as amended by PL 2003, c. 451, Part T, §15, is further amended to read:

**§172. Denial, suspension or revocation of license**

If any tax liability imposed under this Title that has become final, other than ~~property tax, assessed and deemed final~~ a liability for a tax imposed under this Title Part 2, remains unpaid in an amount exceeding \$1,000 for a period greater than 60 days after the taxpayer has received notice of ~~such that~~ finality by personal service or certified mail, and the taxpayer ~~refuses~~ fails to cooperate with the bureau in establishing and remaining in compliance with a reasonable plan for liquidating that liability, the State Tax Assessor shall certify the liability and lack of cooperation:

**1. Liquor licensee.** If the taxpayer is a liquor licensee, to the Department of Public Safety, which shall construe that liability and lack of cooperation to be a ground for denying, suspending or revoking the taxpayer's liquor license in accordance with Title 28-A, section 707 and chapter 33; or

**2. Motor vehicle dealer.** If the taxpayer is a licensed motor vehicle dealer, to the Secretary of State, who shall construe that liability and lack of cooperation to be a ground for denying, suspending or revoking the taxpayer's motor vehicle dealer license in accordance with Title 29-A, section 903.

**Sec. J-8. 36 MRSA §175, sub-§2,** as amended by PL 2009, c. 496, §4 is further amended to read:

**2. Failure to file or pay taxes; determination to prevent renewal, reissuance or other extension of license or certificate.** If the assessor determines that a person who holds a license or certificate of authority issued by this State to conduct a profession, trade or business has ~~neglected or refused~~ failed to file a return at the time required under this Title or to pay a tax liability due under this Title that has been demanded, other than taxes due pursuant to Part 2, and the person continues to fail to file or pay after at least 2 specific written notices, each giving 30 days to respond, have been sent by ~~certified mail or served by a civil officer~~ first-class mail, then the assessor shall notify the person ~~in writing~~ by certified mail or personal service that continued failure to file the required tax return or to pay the overdue tax liability may result in loss of the person's license or certificate of authority. If the person continues for a period in excess of 30 days from notice of possible denial of renewal or reissuance of a license or certificate of authority to fail to file or show reason why the person is not required to file or if the person continues not to pay, the assessor shall notify the person ~~in writing~~ by certified mail or personal service of the assessor's determination to prevent renewal, reissuance or extension of the license or certificate of authority by the issuing agency. A review of this determination is available by requesting reconsideration under section 151, subject to appeal to the Superior Court as provided in section 151. Either by failure to proceed to the next step of appeal or by exhaustion of the steps of appeal, the determination to prevent renewal or reissuance of the license or certificate of authority becomes final unless otherwise determined on appeal. In any event, the license or certificate of authority remains in effect until all appeals have been taken to their final conclusion.

**Sec. J-9. 36 MRSA §176-A, sub-§1, ¶B-1** is enacted to read:

B-1. "Notice" means written notification served personally or sent by certified mail, except with respect to notice to a person who has consented in writing to some other means of notification.

**Sec. J-10. 36 MRSA §176-A, sub-§1, ¶D,** as enacted by PL 1989, c. 880, Pt. E, §3 is repealed.

Sec. J-11. 36 MRSA §176-A, sub-§2, ¶E, as amended by PL 2001, c. 583, §5 is further amended to read:

E. The effect of a levy on salary or wages payable to or received by a taxpayer is continuous from the date the levy is first made until the liability giving rise to the levy is satisfied. Except as otherwise provided by this paragraph, a levy on any other intangible personal property or rights to intangible personal property remains in effect until one year after the date that notice of levy ~~and demand~~ under subsection 3, paragraph A is ~~served on~~ received by the person in possession of or liable to the taxpayer with respect to intangible personal property, including property that is first possessed or liabilities that arise after the date of ~~service~~ receipt of the notice of levy ~~and demand~~. In the case of a levy upon property held by a financial institution described in subsection 3, paragraph A, the levy extends only ~~extends~~ to accounts in existence on the date the notice of levy ~~and demand~~ is ~~served on~~ received by the financial institution, but includes deposits made or collected in those accounts after the notice of levy is ~~served~~ received. A levy on intangible personal property or rights to intangible personal property, ownership of which is disputed at on the time date that notice of the levy is served received, remains in effect until one year after the dispute is resolved by ~~competent~~ authority.

Sec. J-12. 36 MRSA §176-A, sub-§3, as amended by PL 2001, c. 396, §7 is further amended to read:

**3. Surrender of property or discharge of obligation; exceptions; personal liability; penalty.** A surrender of property or discharge of obligation is governed by this subsection.

A. Except as otherwise provided in paragraph B, any person who is in possession of, or obligated with respect to, property or rights to property subject to levy upon which a levy has been made shall, upon demand of the assessor, surrender ~~any such~~ the property or rights or discharge ~~any such~~ the obligation to the assessor within 21 days after receipt of the notice of levy, except that part of the property or rights as that is, at the time of the demand, subject to an attachment or execution under ~~any~~ judicial process. It is a defense to the liability imposed by this subsection that the person ~~refusing who fails~~ to comply with the terms of a notice of a levy or that person's bailor has a valid claim against the delinquent taxpayer ~~accruing that accrued~~ that accrued prior to ~~service receipt~~ receipt of the notice of levy or a valid security interest or lien upon the property of the taxpayer that was perfected prior to ~~service receipt~~ receipt of the notice of levy; but this defense ~~exonerates the~~ person refusing to comply from liability is available only to the extent of that claim, security interest or lien.

Any financial institution chartered under state or federal law, including, but not limited to, trust companies, savings banks, savings and loan associations, national banks and credit unions, shall surrender to the assessor any deposits, including any interest in the financial institution that would otherwise be required to be surrendered under this subsection only after 21 days after ~~service receipt of the~~

notice of levy, but not later than 30 days after service receipt of the notice of levy. Except as provided in subsection 5, paragraph D, with respect to a levy on salary or wages, any person in possession of, or obligated with respect to, property subject to a continuing levy against intangible personal property, which property is first possessed or which obligation first arises subsequent to service receipt of a notice of levy ~~on such~~ by that person, shall, upon demand of the assessor, surrender the property or rights, or discharge the obligation to the assessor within 30 days after the property is first possessed or the obligation first arises.

B. A levy with respect to a life insurance or endowment contract is governed by this paragraph.

(1) A levy on an organization with respect to a life insurance or endowment contract issued by that organization, without necessity for the surrender of the contract document, constitutes a demand by the assessor for payment of the amount described in subparagraph (2) and the exercise of the right of the person against whom the tax is assessed to the advance of that amount. The organization shall pay over the amount no later than 90 days after service receipt of the notice of levy. Notice must include a certification by the assessor that a copy of the notice has been mailed to the person against whom the tax is assessed at that person's last known address.

(2) A levy under this paragraph is deemed to be satisfied if the organization pays over to the assessor the amount that the organization could have advanced to the person against whom the tax is assessed on the date prescribed in subparagraph (1) for the satisfaction of the levy, increased by the amount of any advance, including contractual interest, made to the person on or after the date the organization ~~had actual~~ received notice or otherwise had knowledge of the existence of the lien with respect to which the levy is made, other than an advance, including contractual interest, made automatically to maintain the contract in force under an agreement entered into before the organization ~~had any~~ received such notice or had such knowledge.

(3) The satisfaction of a levy under subparagraph (2) is without prejudice to any civil action for the enforcement of any lien imposed by section 175-A with respect to the contract.

C. Any person who fails or refuses to surrender any property or rights to property, subject to levy, upon demand by the assessor:

(1) Is liable in person and estate to the State in a sum equal to the value of the property not so surrendered, but not exceeding the amount of taxes for the collection of which the levy has been made, together with costs and interest at the rate determined pursuant to section 186 on the sum from the date of the levy. Any amount, other than costs, recovered under this paragraph must be credited against the tax liability for the collection of which the levy was made; and

(2) Without reasonable cause, is liable for a penalty equal to 50% of the amount recoverable under subparagraph (1). A part of the penalty may not be credited against the tax liability for the collection of which the levy was made.

~~It is lawful for the~~ The assessor to may collect the liability established by this paragraph by assessment and collection in the manner described in this Part.

D. Any person in possession of, or obligated with respect to, property subject to levy upon which a levy has been made, who, upon demand by the assessor, surrenders that property or rights to that property, or discharges the obligation to the assessor, or who pays a liability under paragraph C, subparagraph (1) is discharged from any obligation or liability to the delinquent taxpayer with respect to the property arising from the surrender or payment. In the case of a levy satisfied pursuant to paragraph B, the organization is discharged from any obligation or liability to any beneficiary arising from the surrender or payment.

**Sec. J-13.** 36 MRS §176-A, sub-§5, ¶D, as enacted by PL 1989, c. 880, Pt. §3 is amended to read:

D. A levy upon salary and wages must specify the amount of percentage to be surrendered and delivered to the assessor by the taxpayer's employer for each pay period, consistent with the provisions of this paragraph. Salaries and wages are exempt from levy to the extent of 75% of the taxpayer's disposable earnings for any pay period, or an amount equal to the federal minimum hourly wage multiplied by 30, multiplied by the number of weeks in the pay period, whichever is less. A levy on salaries and wages is continuous from the date on which the notice of levy is ~~served~~ received until the delinquency is discharged and applies to all pay periods commencing after the ~~that date on which the notice of levy is served~~. The assessor shall notify the taxpayer's employer ~~immediately~~ as soon as practicable upon discharge of the delinquency that the levy has been discontinued.

**Sec. J-14.** 36 MRS §176-A, sub-§6, ¶¶A and B, as amended by PL 2009, c. 434, §10 are further amended to read

A. As soon as practicable after seizure of property, the assessor shall give notice ~~in writing~~ to the owner of the property, or, in the case of personal property, the possessor of the property, or leave notice at the owner's or possessor's usual place of abode or business, if any, within the State. If the owner or possessor cannot be readily located, or has no dwelling or place of business within the State, the notice may be mailed ~~sent to that person's last known address~~ by first-class mail. In the case of real property, the notice must be filed in the registry of deeds in the county where the property is located. The notice must specify the sum demanded and contain:

- (1) In the case of personal property, an account of the property seized; and
- (2) In the case of real property, a description with reasonable certainty of the property seized.

In the case of levy on a motor vehicle that is the subject of a Certificate of Title issued by the Secretary of State, a copy of the notice must be filed with the Secretary of State, who shall note the levy in the records of ownership of the motor vehicle in question. In the case of levy on that type of personal property, a security interest in which may be perfected by filing in the office of the Secretary of State, a copy of the notice must be filed in the office of the Secretary of State, who shall file the notice of levy as a financing statement.

B. The assessor, as soon as practicable after the seizure of property, shall cause a notice to be published in a newspaper of general circulation within the county where the seizure is made, or, if there is no such newspaper, post the notice at the city or town hall nearest the place where the seizure is made and in at least 2 other public places. In the case of real property, the notice must be ~~served on~~ sent by certified mail to all persons holding an interest of record, including, without limitation, recorded leases and security interest of all types, in the property as reflected at the time the notice of levy is recorded by the indices of the registry of deeds in the county where the property is located. In the case of ~~personal property that is~~ a motor vehicle subject to a certificate of title issued by the Secretary of State, notice must be ~~served on~~ sent by certified mail to all persons holding a security interest of record in the motor vehicle as set forth in the records of the Secretary of State. In the case of personal property that ~~may be~~ is the subject of a security interest perfected by filing in the office of the Secretary of State, notice must be ~~served upon~~ sent by certified mail to all secured parties claiming an interest in the property seized as reflected at the time the notice of levy is recorded in the records maintained by the Secretary of State pursuant to Title 11. The notice must specify the property to be sold, subject to the liabilities of prior encumbrances, if any, and the time, place, manner and conditions of the sale. If levy is made without regard to the 10-day period provided in section 171, public notice of sale of the property seized may not be made within the 10-day period unless subsection 7 applies. It is a Class E crime to intentionally remove or deface the posted notice of sale prior to the scheduled sale date, unless the property has been redeemed or the sale is for some other reason canceled. The assessor or any law enforcement officer may enter onto the land if necessary to carry out the purposes of this section.

**Sec. J-15.** 36 MRSA §176-A, sub-§15, as enacted by PL 1989, c. 880, Pt. E, §3 is amended to read:

**15. Actions permitted.** Any person, other than the taxpayer whose delinquency occasioned the levy:

A. Who claims an interest in property that has wrongfully been levied upon may apply to the assessor for a stay of proceedings under this section at any time before the property has been sold but within 5 days after receiving ~~actual~~ notice of the levy. ~~Any~~ An action for a stay is governed by Title 5, section 11004; or



B. Who claims pecuniary loss because property was wrongfully levied upon and sold, may bring a civil action against the assessor in the Superior Court. A recovery in such an action may not exceed the proceeds of the sale.

Except as provided in this subsection, a suit contesting or restraining the collection of taxes pursuant to this section may not be maintained in any court of this State by any person. Any award must be paid from the revenue account to which the money was originally credited.

## SUMMARY PART J

This Part amends certain uniform administrative provisions of Title 36. The changes provide that regular tax assessments may be sent by regular first class mail, rather than by certified mail. It also increases from 30 to 60 days the time limit for requesting administrative reconsideration of a tax assessment or other determination of the State Tax Assessor.

In  
12-0

### PART K

**Sec. K-1. 36 MRSA §187-B, sub-§1**, as amended by PL 2007, c. 627, §6, is further amended to read:

**1. Failure to file return.** Any A person who fails to make and file any return required under this Title at or before the time the return becomes due is liable for one of the following penalties if the person's tax liability shown on ~~such~~ that return or otherwise determined to be due is greater than \$25.

A. If the return is filed before or within 30 days after the taxpayer receives from the assessor a formal demand that the return be filed, or if the return is not filed but the tax due is assessed by the assessor before the taxpayer receives from the assessor a formal demand that the return be filed, the penalty is \$25 or 10% of the tax due, whichever is greater. ;

B. If the return is not filed within 30 days after the taxpayer receives from the assessor a formal demand that the return be filed, the penalty is ~~100%~~ \$25 or 25% of the tax due, whichever is greater. The ~~30-day~~ period provided by this paragraph is must be extended for up to 120 days if the taxpayer requests an extension in writing prior to the expiration of the original 30-day period. ; or

C. If the return is not filed and the assessor makes a determination of jeopardy pursuant to section 145, the penalty is ~~100%~~ 25% of the tax due.

This subsection does not apply to ~~any~~ a return required pursuant to chapter 459 ~~and~~ that is administered pursuant to the International Fuel Tax Agreement.

**Sec. K-2. Application.** This Part takes effect October 1, 2011 and applies to penalties accruing under this section on or after October 1, 2011.

### SUMMARY PART K

This Part reduces the amount of penalties imposed for failure to file a tax return after the taxpayer receives a formal demand that the return be filed.

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
Revenue				
General Fund				
PART K	(\$112,500)	(\$150,000)	(\$150,000)	(\$150,000)

In  
11-0

## PART L

Sec. L-1. 36 MRSA §187-B, sub-§7, as amended by PL 2007, c. 437, §5, is further amended to read:

7. **Reasonable cause.** ~~For reasonable cause, the State Tax Assessor~~ The assessor shall waive or abate or, in the case of those penalties that do not accrue automatically under subsection 6, refrain from imposing any penalty imposed by subsection 1; subsection, 1-A; subsection, 2; subsections, 4-A, 4-B, 5-A and or 5-B; or by the terms of the International Fuel Tax Agreement if grounds constituting reasonable cause are established by the taxpayer or if the assessor determines that grounds constituting reasonable cause are otherwise apparent. Reasonable cause includes, but is not limited to, the following circumstances:

- A. The failure to file or pay resulted directly from erroneous information provided by the Bureau of Revenue Services;
- B. The failure to file or pay resulted directly from the death or serious illness of the taxpayer or a member of the taxpayer's immediate family;
- C. The failure to file or pay resulted directly from a natural disaster;
- D. A return that was due monthly was filed and paid less than one month late and all of the taxpayer's returns and payments during the preceding 12 months were timely;
- E. A return that was due other than monthly was filed and paid less than one month late and all of the taxpayer's returns and payments during the preceding 3 years were timely;
- F. The taxpayer has supplied substantial authority justifying the failure to file or pay; or
- G. The amount subject to a penalty imposed by ~~subsections~~ subsection 1, 2, and 4-A; ~~and subsection or~~ or 5-A is de minimis when considered in relation to the amount otherwise properly paid, the reason for the failure to file or pay and the taxpayer's compliance history.

~~The~~ Absent a determination by the assessor that grounds constituting reasonable cause are otherwise apparent, the burden of establishing grounds for waiver or abatement is on the taxpayer.

## SUMMARY PART L

This Part clarifies that in addition to a taxpayer establishing that reasonable cause exists for waiver or abatement of certain tax penalties, the penalties shall also be waived if the State Tax Assessor determines that grounds constituting reasonable cause are otherwise apparent.

Language to be provided  
(Draft in progress)

Amend 9-4

See description  
in Attachment  
"B"

majority - increase exclusion  
to 2 million, fix  
rate structure,  
fix QTP, nonresident  
issues - language  
attached.  
minority - fix QTP only

**PART M**

**Sec. M-1.** ~~36~~ **MRSA §4062, sub-§1-A, ¶A** as amended by PL 2009, c. 213, Pt. E, §1 and affected by §6, is further amended to read:

A. For the estates of decedents dying after December 31, 2002, "federal credit" means the maximum credit against the tax on the federal taxable estate for state death taxes determined under the Code, Section 2011 as of December 31, 2002 exclusive of the reduction of the maximum credit contained in the Code, Section 2011(b)(2); the period of limitations under the Code, Section 2011(c); and the termination provision contained in the Code, Section 2011(f). The state death tax deduction contained in the Code, Section 2058 must be disregarded. ~~The unified credit must be determined under the Code, Section 2010 as of December 31, 2009.~~ The termination provision contained in the Code, Section 2210 must be disregarded. Notwithstanding any other provision of this Title to the contrary, the tax determined by this chapter for estates of decedents dying after December 31, 2009 must be determined in accordance with the law applicable to decedents dying during calendar year 2009 and as if the unified credit determined under that Code, Section 2010 is calculated upon an applicable exclusion amount of \$2,000,000; and

**Sec. M-2. Application.** This Part applies to estates of decedents dying on or after January 1, 2013.

**SUMMARY  
PART M**

This Part raises the Maine estate tax exclusion amount from \$1,000,000 to \$2,000,000 beginning with estates of decedents dying on or after January 1, 2013.

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
Revenue				
General Fund				
PART M	\$0	\$0	(\$15,400,648)	(\$17,004,281)

In  
8-5

## PART N

**Sec. N-1. 36 MRSA §5111, sub-§1-B** as enacted by PL 1999, c. 731, Pt. T, §3 is amended to read:

**1-B. Single individuals and married persons filing separate returns; tax years beginning 2002.** For tax years beginning on or after January 1, 2002, for single individuals and married persons filing separate returns, except that for tax years beginning on or after January 1, 2013, the 8.5% rate is replaced with 7.95%:

If Maine Taxable income is:	The tax is:
Less than \$4,200	2% of the Maine taxable income
At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
\$16,700 or more	\$856 plus 8.5% of the excess over \$16,700

**Sec. N-2. 36 MRSA §5111, sub-§2-B** as enacted by PL 1999, c. 731, Pt. T, §5 is amended to read:

**2-B. Heads of households; tax years beginning 2002.** For tax years beginning on or after January 1, 2002, for unmarried individuals or legally separated individuals who qualify as heads of households, except that for tax years beginning on or after January 1, 2013, the 8.5% rate is replaced with 7.95%:

If Maine Taxable income is:	The tax is:
Less than \$6,300	2% of the Maine taxable income
At least \$6,300 but less than \$12,500	\$84 plus 4.5% of the excess over \$6,300
At least \$12,500 but less than \$25,050	\$271 plus 7% of the excess over \$12,500
\$25,050 or more	\$856 plus 8.5% of the excess over \$25,050

**Sec. N-3. 36 MRSA §5111, sub-§3-B** as enacted by PL 1999, c. 731, Pt. T, §7 is amended to read:

**3-B. Individuals filing married joint return or surviving spouses; tax years beginning 2002.** For tax years beginning on or after January 1, 2002, for individuals filing married joint returns or surviving spouses permitted to file a joint return, except that for tax years beginning on or after January 1, 2013, the 8.5% rate is replaced with 7.95%:

If Maine Taxable income is:	The tax is:
Less than \$8,400	2% of the Maine taxable income
At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
\$33,400 or more	\$1,711 plus 8.5% of the excess over \$33,400

**Sec. N-4. 36 MRSA §5124-A**, as amended by PL 2009, c. 213, Pt. BBBB, §9 is further amended to read:

**§ 5124-A. Standard deduction; resident**

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, ~~exclusive of the Code, Section 63(e)(1)(C) and Section 63(e)(1)(E), except that for tax years beginning after 2002, the Code, Section 63(e)(2) must be applied as if the basic standard deduction is \$5,000 in the case of a joint return and a surviving spouse and \$2,500 in the case of a married individual filing a separate return.~~

**Sec. N-5. 36 MRSA §5125, sub-§3, ¶F** as enacted by PL 2007, c. 539, Pt. CCC, §11 is repealed.

**Sec. N-6. 36 MRSA §5126** as amended by PL 2001, c. 583, §16 is further amended to read:

**§ 5126. Personal exemptions**

For income tax years beginning on or after January 1, 1998 but before January 1, 1999, a resident individual is allowed \$2,400 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2000, but before January 1, 2012, a resident individual is allowed \$2,850 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2012, a resident individual is allowed a deduction equal to the total amount of deductions allowed for personal exemptions in accordance with the Code, Section 151.

**Sec. N-7. 36 MRSA §5203-C, sub-§2**, as enacted by PL 2003, c. 673, Pt. JJ, §3 and affected by §6 is amended to read:

**2. Tax imposed.** In addition to all other taxes contained in this Part, a tax in an amount equal to the alternative minimum tax is imposed for each taxable year on the following taxpayers:

A. Resident individuals, trusts and estates. The tax imposed by this subsection does not apply to resident individuals, trusts and estates for tax years beginning on or after January 1, 2012;

B. Nonresident individuals, trusts and estates with Maine-source income. The tax imposed by this subsection does not apply to nonresident individuals, trusts and estates for tax years beginning on or after January 1, 2012; and

C. Taxable corporations required to file an income tax return under this Part, excluding financial institutions subject to the tax imposed by chapter 819 and persons not subject to the federal alternative minimum tax under the Code, Section 55(e).

**Sec. N-8. 36 MRSA §5203-C, sub-§4, ¶B,** as enacted by PL 2003, c. 673, Pt. JJ, §3 and affected by §6 is amended to read:

B. The credit allowable for a taxable year under this subsection is limited to the amount, if any, by which the regular income tax after application of all other credits arising under this Part exceeds the tentative minimum tax. In any year when the tax under this section does not apply, the tentative minimum tax is disregarded for purposes of calculating the credit limitation.

**Sec. N-9. 36 MRSA §5204** as amended by PL 1987, c. 772, §38 is repealed.

**Sec. N-10. 36 MRSA §5204-A** as amended by PL 1993, c. 395, §20 is repealed.

**Sec. N-11. Application.** Unless otherwise indicated, this Part applies to income tax years beginning on or after January 1, 2012.

## SUMMARY PART N

This Part does the following effective for tax years beginning on or after January 1, 2012:

1. It conforms the Maine standard deduction amounts to the federal amounts.
2. It conforms the Maine personal exemption amount to the federal amount.
3. It repeals the exclusion of mortgage insurance premiums from Maine itemized deductions.
4. It eliminates the Maine alternative minimum tax on individuals.
5. It repeals the lump-sum retirement plan distribution tax and the early distribution from retirement plan tax.

6. It reduces the top individual income tax rate from 8.5% to 7.95% for tax years beginning on or after January 1, 2013.

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>Projections FY 2013-14</b>	<b>Projections FY 2014-15</b>
<b>Revenue</b>				
<b>General Fund</b>				
PART N	(\$32,908,000)	(\$102,742,000)	(\$135,585,000)	(\$141,564,000)



**PART O**

**Sec. O-1. 36 MRS §5122, sub-§1, ¶N** as amended by PL 2007, c. 410, Pt. CCC, §2 and affected by §4 is further amended to read:

N. With respect to property placed in service during the taxable year, an amount equal to the net increase in depreciation or expensing attributable to:

- (1) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 30% bonus depreciation deduction claimed by the taxpayer pursuant to Section 101 of the federal Job Creation and Worker Assistance Act of 2002, Public Law 107-147 with respect to property placed in service during the taxable year;
- (2) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 50% bonus depreciation deduction claimed by the taxpayer pursuant to Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 with respect to property placed in service during the taxable year; and
- (3) For taxable years beginning on or after January 1, 2003 but prior to January 1, 2011, the increase in aggregate cost under Section 179 of the Code arising from amendments to the Code applicable to tax years beginning on or after January 1, 2003;

**Sec. O-2. 36 MRS §5122, sub-§1, ¶AA** as amended by PL 2009, c. 213, Pt. BBBB, §3 is further amended to read:

~~AA. For taxable years beginning on or after January 1, 2008 but prior to January 1, 2011, an amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) arising from amendments to the Code applicable to taxable years beginning on or after January 1, 2008;~~

**Sec. O-3. 36 MRS §5200-A, sub-§1, ¶N** as amended by PL 2007, c. 240, Pt. CCC, §3 and affected by §4 is further amended to read:

N. With respect to property placed in service during the taxable year, an amount equal to the net increase in depreciation or expensing attributable to:

- (1) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 30% bonus depreciation deduction claimed by the taxpayer pursuant to Section 101 of the federal Job Creation and Worker Assistance Act of 2002, Public Law 107-147 with respect to property placed in service during the taxable year;

(2) For taxable years beginning on or after January 1, 2002 but prior to January 1, 2006, a 50% bonus depreciation deduction claimed by the taxpayer pursuant to Section 201 of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003, Public Law 108-27 with respect to property placed in service during the taxable year; and

(3) For taxable years beginning on or after January 1, 2003 but prior to January 1, 2011, the increase in aggregate cost under Section 179 of the Code arising from amendments to the Code applicable to tax years beginning on or after January 1, 2003;

~~Sec. O-4. 36 MRSA §5200-A, sub-§1, ¶T, as repealed and replaced by PL 2009, c. 652, Pt. A, §53 is amended to read:~~

~~T. For taxable years beginning on or after January 1, 2008 but prior to January 1, 2011, an amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) arising from amendments to the Code applicable to taxable years beginning on or after January 1, 2008;~~

**Sec. O-5. Application.** This Part applies to tax years beginning on or after January 1, 2011.

**SUMMARY  
PART O**

This Part repeals the addition modifications related to ~~federal bonus depreciation~~ and the increased section 179 thresholds for tax years beginning on or after January 1, 2011. The repeal will allow taxpayers to take advantage of ~~the increased depreciation deductions under Internal Revenue Code section 168(k) and~~ the higher Internal Revenue Code section 179 expense thresholds when calculating Maine income.

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
<b>Revenue</b>				
<b>General Fund</b>				
PART O	( <del>\$52,967,225</del> )	(\$14,206,480)	\$7,725,630	\$7,812,166

Ih 8-5

minority report  
restore benefit to 100%

**PART P**

Sec. P-1. 36 MRSA §6207, sub-§1, ¶B, as amended by PL 2009, c. 213, Pt. XXX, §2, is further amended to read:

B. For application periods beginning on August 1, 2009, ~~and~~ on August 1, 2010, on August 1, 2011 and on August 1, 2012, the benefit is limited to 80% of the amount determined under paragraph A-1.

**SUMMARY  
PART P**

This Part amends the Circuitbreaker program to limit the amount of the benefit to 80% of the amount in 2012 and 2013.

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>Projections FY 2013-14</b>	<b>Projections FY 2014-15</b>
<b>Revenue</b>				
<b>General Fund</b>				
PART P	\$10,976,000	\$11,309,200	\$0	\$0

In  
12-1

**PART Q**

**Sec. Q-1. 36 MRSA § 6652, sub-§4**, as amended by PL 2009, c. 496, §28 is further amended to read:

**4. Reimbursement percentage.** The reimbursement under this chapter is an amount equal to the percentage specified in paragraphs A and B of taxes assessed and paid with respect to each item of eligible property, except that for claims filed for application periods that begin on August 1, 2006, August 1, 2009, ~~or~~ August 1, 2010, August 1, 2011 or August 1, 2012 the reimbursement is 90% of that amount.

A. For each of the first to 12th years for which reimbursement is made, the percentage is 100%.

B. Pursuant to section 699, subsection 2, reimbursement under this chapter after the 12th year for which reimbursement is made is according to the following percentages of taxes assessed and paid with respect to each item of eligible property.

- (1) For the 13th year for which reimbursement is made, the percentage is 75%.
- (2) For the 14th year for which reimbursement is made, the percentage is 70%.
- (3) For the 15th year for which reimbursement is made, the percentage is 65%.
- (4) For the 16th year for which reimbursement is made, the percentage is 60%.
- (5) For the 17th year for which reimbursement is made, the percentage is 55%.
- (6) For the 18th year for which reimbursement is made and for subsequent years, the percentage is 50%.

**SUMMARY  
PART Q**

This Part amends the Business Equipment Tax Reimbursement program to decrease the reimbursement percentage for business equipment reimbursement to 90% of the benefit for the 2012-2013 biennium.

	<b>FY 2011-12</b>	<b>FY 2012-13</b>	<b>Projections FY 2013-14</b>	<b>Projections FY 2014-15</b>
<b>Revenue</b>				
<b>General Fund</b>				
PART Q	\$5,155,300	\$4,628,258	\$0	\$0

In  
12-0

## PART FFF

Sec. -1. 36 MRSA §505, sub-§4, as amended by PL 2005, c. 332, sub-§12 is further amended to read

**4. When interest collected.** The date or dates from and after which interest must accrue, which must also be the date or dates on which taxes become delinquent. The rate of interest must be specified in the vote and must apply to delinquent taxes committed during the taxable year until those taxes are paid in full. Except as provided in subsection 4-A, the maximum rate of interest must be established by the Treasurer of State and may not exceed the prime rate as published in the Wall Street Journal on the first business day of the calendar year, rounded up to the next whole percent plus 3 percentage points. The Treasurer of State shall ~~send a written notice of~~ publish that rate of interest to the office's website on or before January 20th of each year to the chief municipal officer of each municipality. The interest must be added to and become part of the taxes.

## SUMMARY PART FFF

This Part replaces the requirement that the Treasurer of State provide written notice to each municipality of the maximum rate of interest that municipalities may charge on delinquent taxes with a requirement to publish that rate on the office's website.

In  
12-0

**PART LLL**

**Sec. LLL-1. Tax expenditures.** In accordance with the Maine Revised Statutes, Title 5, section 1666, funding is continued for each individual tax expenditure, as defined in Title 5, section 1666, reported in the budget document submitted by the Governor on February 11, 2011.

**SUMMARY  
PART LLL**

This Part continues authorization for each individual tax expenditure as provided for by statute.

**Note: This Language Part was submitted by the Governor as a proposed addition. It will not match what was posted on the Bureau of the Budget website.**

## **Addendum – DRAFT LANGUAGE**

***Please note some of the language from the bills may need to be revised to incorporate key pieces of amendments***

- 1) Exempt Taxes on Retirement Meals for Seniors – *(LD 21)*
- 2) Tax Exemption on Fuel for Commercial Fishing Vessels – *(LD 185)*
- 3) Exemption for Taxes on Bags Provided to Redemption Centers for Returnable Containers – *(LD 6)*
- 4) Exemption on Parts and Supplies for Windjammers *(LD 59)*
- 5) Credit for investment in public fishery infrastructure *(LD 421)*
- 6) Promote the circuitbreaker program through municipalities *(Draft language attached)*
- 7) Part I – Revenue Sharing – *Draft attached - dollar amounts can only be completed upon completion of revenue estimates.*
- 8) BETR – Additional language regarding good faith efforts to sell.



**HP0013  
LD 21**

**First Regular Session - 125th Maine Legislature**

**LR 46  
Item 1**

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**An Act To Exempt from the Sales Tax Meals  
Provided at Retirement Facilities**

---

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 36 MRSA §1752, sub-§11-A** is enacted to read:

**11-A. Retirement facility.** "Retirement facility" means a facility that includes residential dwelling units where, on an average monthly basis, at least 80% of the residents of the facility are persons 62 years of age or older.

**Sec. 2. 36 MRSA §1760, sub-§6, ¶E,** as amended by PL 2007, c. 529, §2, is further amended to read:

E. Served by colleges to employees of the college when the meals are purchased with debit cards issued by the colleges; ~~and~~

**Sec. 3. 36 MRSA §1760, sub-§6, ¶F,** as amended by PL 2009, c. 211, Pt. B, §30, is further amended to read:

F. Served by youth camps licensed by the Department of Health and Human Services and defined in Title 22, section 2491, subsection 16 ~~;~~ and

**Sec. 4. 36 MRSA §1760, sub-§6, ¶G** is enacted to read:

G. Served by a retirement facility to its residents when the cost of the meals is included in a comprehensive fee that includes the right to reside in a residential dwelling unit and meals or other services, whether that fee is charged annually, monthly, weekly or daily.

**Sec. 5. Retroactivity.** This Act applies retroactively to transactions for which an assessment was not made before April 1, 2009.

**Sec. 6. Effective date.** This Act takes effect October 1, 2011.

**SUMMARY**

This bill exempts from the sales tax meals provided to residents of full-service retirement facilities and applies the exemption retroactively to



# 125th MAINE LEGISLATURE

LD 21

LR 46(01)

**An Act To Exempt from the Sales Tax Meals Provided at Retirement Facilities**

**Preliminary Fiscal Impact Statement for Original Bill**

**Sponsor: Rep. McKane of Newcastle**

**Committee: Taxation**

**Fiscal Note Required: Yes**

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## Preliminary Fiscal Impact Statement

Current biennium cost increase - General Fund

### Fiscal Detail and Notes

Exempting meals provided to residents of full-service retirement facilities from sales tax and applying the exemption retroactively will reduce General Fund revenues. The Bureau of Revenue Services indicates that additional clarification is required regarding the effective date of the bill and related terms for the extent of the revenue loss to be more precisely determined.

2

HP0162  
LD 185First Regular Session - 125th Maine Legislature  
C "A", Filing Number H-53, Sponsored byLR 304  
Item 2

Amend the bill by striking out the title and substituting the following:

Commercial Fishing

**'An Act To Refund the Sales Tax Paid on Fuel Used  
in Commercial Groundfishing Boats'**

Amend the bill by striking out everything after the title and before the summary and inserting the following:

**'Emergency preamble. Whereas,** acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

**Whereas,** fuel costs are increasing rapidly and putting Maine commercial groundfishing businesses in financial jeopardy; and

**Whereas,** it is necessary to enact this legislation as early as possible in the fishing season to alleviate the burden on those businesses; and

**Whereas,** in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 36 MRSA §2013, sub-§1, ¶B-1** is enacted to read:

B-1. "Commercial groundfishing boat" has the same meaning as in section 1752, subsection 1H.

**Sec. 2. 36 MRSA §2013, sub-§2,** as amended by PL 2001, c. 396, §24, is further amended to read:

**2. Refund authorized.** Any person, association of persons, firm or corporation that purchases electricity, or that purchases or leases depreciable machinery or equipment, for use in commercial agricultural production, commercial fishing or commercial aquacultural production or that purchases fuel for use in a commercial groundfishing boat must be

refunded the amount of sales tax paid upon presenting to the State Tax Assessor evidence that the purchase is eligible for refund under this section.

Evidence required by the assessor may include a copy or copies of that portion of the purchaser's or lessee's most recent filing under the United States Internal Revenue Code that indicates that the purchaser or lessee is engaged in commercial agricultural production, commercial fishing or commercial aquacultural production and that the purchased machinery or equipment is depreciable for those purposes or would be depreciable for those purposes if owned by the lessee.

In the event that any piece of machinery or equipment is only partially depreciable under the United States Internal Revenue Code, any reimbursement of the sales tax must be prorated accordingly. In the event that electricity or fuel for a commercial groundfishing boat is used in qualifying and nonqualifying activities, any reimbursement of the sales tax must be prorated accordingly.

Application for refunds must be filed with the assessor within 36 months of the date of purchase or execution of the lease.

**Sec. 3. 36 MRSA §2013, sub-§3**, as amended by PL 2001, c. 396, §24, is further amended to read:

**3. Purchases made free of tax with certificate.** Sales tax need not be paid on the purchase of electricity, fuel for a commercial groundfishing boat or of a single item of machinery or equipment if the purchaser has obtained a certificate from the assessor stating that the purchaser is engaged in commercial agricultural production, commercial fishing or commercial aquacultural production and authorizing the purchaser to purchase electricity, fuel for a commercial groundfishing boat or depreciable machinery and equipment without paying Maine sales tax. The seller is required to obtain a copy of the certificate together with an affidavit as prescribed by the assessor, to be maintained in the seller's records, attesting to the qualification of the purchase for exemption pursuant to this section. In order to qualify for this exemption, the electricity, fuel for a commercial groundfishing boat or depreciable machinery or equipment must be used directly in commercial agricultural production, commercial fishing or commercial aquacultural production. In order to qualify for this exemption, the electricity or fuel for a commercial groundfishing boat must be used in qualifying activities, including support operations.

**Sec. 4. 36 MRSA §3218, 3rd ¶**, as repealed and replaced by PL 2003, c. 390, §17, is amended to read:

~~All~~ Except for fuel that qualifies for a refund or exemption under section 2013, all fuel qualifying for a refund under this section is subject to the use tax imposed by chapter 215.

*add to 1st paragraph section 1 -*

**Sec. 5. Application.** This Act applies to purchases of fuel for use in a commercial groundfishing boat as defined in the Maine Revised Statutes, Title 36, section 1752, subsection 1-H on or after October 1, 2011.

*Keep*

**Emergency clause.** In view of the emergency cited in the preamble, this legislation takes effect when approved.'

### SUMMARY

This amendment limits the tax refund proposed in the bill to the tax paid on fuel for commercial groundfishing boats. It also adds a section to exclude this type of purchase from the use tax as well.

#### Related Pages

- |                                   |                                    |                                         |
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[Office of Legislative Information](#)  
100 State House Station  
Augusta, ME 04333

voice: (207) 287-1692  
fax: (207) 287-1580  
tty: (207) 287-6826

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## An Act To Refund the Sales Tax Paid on Fuel Used in Commercial Fishing

→ add emergency from **Vessels** amendment

Be it enacted by the People of the State of Maine as follows:

**Sec. 1. 36 MRSA §2013, sub-§2**, as amended by PL 2001, c. 396, §24, is further amended to read:

**2. Refund authorized.** Any person, association of persons, firm or corporation that purchases electricity, or that purchases or leases depreciable machinery or equipment, for use in commercial agricultural production, commercial fishing or commercial aquacultural production or that purchases fuel for use in a commercial fishing vessel must be refunded the amount of sales tax paid upon presenting to the State Tax Assessor evidence that the purchase is eligible for refund under this section.

Evidence required by the assessor may include a copy or copies of that portion of the purchaser's or lessee's most recent filing under the United States Internal Revenue Code that indicates that the purchaser or lessee is engaged in commercial agricultural production, commercial fishing or commercial aquacultural production and that the purchased machinery or equipment is depreciable for those purposes or would be depreciable for those purposes if owned by the lessee.

In the event that any piece of machinery or equipment is only partially depreciable under the United States Internal Revenue Code, any reimbursement of the sales tax must be prorated accordingly. In the event that electricity or fuel for a commercial fishing vessel is used in qualifying and nonqualifying activities, any reimbursement of the sales tax must be prorated accordingly.

Application for refunds must be filed with the assessor within 36 months of the date of purchase or execution of the lease.

**Sec. 2. 36 MRSA §2013, sub-§3**, as amended by PL 2001, c. 396, §24, is further amended to read:

**3. Purchases made free of tax with certificate.** Sales tax need not be paid on the purchase of electricity, fuel for a commercial fishing vessel or of a single item of machinery or equipment if the purchaser has obtained a certificate from the assessor stating that the purchaser is engaged in commercial agricultural production, commercial fishing or commercial aquacultural production and authorizing the purchaser to purchase electricity, fuel for a commercial fishing vessel or depreciable machinery and equipment without paying Maine sales tax. The seller is required to obtain a copy of the certificate together with an affidavit as prescribed by the assessor, to be maintained in the seller's records, attesting to the qualification of the purchase for exemption pursuant to this section. In order to qualify for this exemption, the electricity, fuel for a commercial fishing vessel or depreciable machinery or equipment must be used directly in commercial agricultural production, commercial fishing or commercial aquacultural production. In order to qualify for this exemption, the electricity or

fuel for a commercial fishing vessel must be used in qualifying activities, including support operations.

**Sec. 3. Application.** This Act applies to ~~purchases of~~ fuel for use in a commercial fishing vessel on or after October 1, ~~2011~~.

### SUMMARY

This bill requires the refund of sales tax on purchases of fuel for use in a commercial fishing vessel and permits the issuance of a certificate permitting the purchases of such fuel without paying sales tax if the purchaser obtains a certificate verifying eligibility from the State Tax Assessor.



# 125th MAINE LEGISLATURE

LD 185

LR 304(01)

## An Act To Refund the Sales Tax Paid on Fuel Used in Commercial Fishing Vessels

### Preliminary Fiscal Impact Statement for Original Bill

Sponsor: Rep. MacDonald of Boothbay

Committee: Taxation

Fiscal Note Required: Yes

### Preliminary Fiscal Impact Statement

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
<b>Net Cost (Savings)</b>				
General Fund	\$427,500	\$570,000	\$570,000	\$570,000
<b>Revenue</b>				
General Fund	(\$427,500)	(\$570,000)	(\$570,000)	(\$570,000)
Other Special Revenue Funds	(\$22,500)	(\$30,000)	(\$30,000)	(\$30,000)

#### Fiscal Detail and Notes

Requiring the refund of sales tax on purchases of fuel for use in commercial fishing vessels and allowing eligible certificate holders to purchase free of sales tax for such purchases will result in a loss to the General Fund and reduce revenues available for revenue sharing. Any costs associated with education efforts regarding the new refund and exemption system can be absorbed within existing budgeted resources.

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PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

Amend the bill by striking out everything after the title and before the summary and inserting the following:

**Emergency preamble.** Whereas, acts and resolves of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

**Whereas,** certain taxpayers have suffered losses due to lack of clarity in the law; and

**Whereas,** there may be audits under way or planned by Maine Revenue Services that will include audit findings based on the clarity of this law; and

**Whereas,** in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 36 MRSA §1760, sub-§92** is enacted to read:

**92. Plastic bags sold to redemption centers.** Sales to a local redemption center licensed under Title 32, section 1871A of plastic bags used by the redemption center to sort, store or transport returnable beverage containers.

**Sec. 2. Retroactivity.** This Act applies retroactively to January 1, 2004.

**Emergency clause.** In view of the emergency cited in the preamble, this legislation takes effect when approved.'

## SUMMARY

This amendment adds an emergency preamble and emergency clause and makes the bill retroactive to January 1, 2004. It also clarifies that the plastic bags must be sold to licensed redemption centers and used to sort, store or transport beverage containers to qualify for the exemption.

## FISCAL NOTE REQUIRED

(See attached)



# 125th MAINE LEGISLATURE

LD 6

LR 75(02)

## An Act To Provide a Sales Tax Exemption for Bags Provided by Redemption Centers for Returnable Containers

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

### Fiscal Note

	FY 2010-11	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
<b>Net Cost (Savings)</b>					
General Fund	\$66,880	\$158,175	\$27,301	\$28,529	\$29,813
<b>Revenue</b>					
General Fund	(\$66,880)	(\$158,175)	(\$27,301)	(\$28,529)	(\$29,813)
Other Special Revenue Funds	(\$3,520)	(\$8,325)	(\$1,437)	(\$1,502)	(\$1,569)

#### Fiscal Detail and Notes

Creating an exemption from sales tax on a retroactive basis back to Jan 2004 for plastic bags used by licensed local redemption centers to sort, store and transport returnable beverage containers will result in a loss of revenue to the General Fund and reduce revenue sharing. Any additional costs associated with administration of the sales tax exemption can be absorbed within existing budgeted resources.

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## An Act To Provide Sales Tax Exemption or Refund on Parts and Supplies Purchased To Operate Windjammers

Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §2020 is enacted to read:

### § 2020. Refund of sales tax on purchases of parts and supplies for windjammers

**1. Definition.** For purposes of this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Parts and supplies" means any products necessary for the operation, repair or maintenance of a windjammer, including, but not limited to, sails, rope, wood, rigging, masts, paints, varnishes, undersealers, engines and pumps, and lubricants and fuel.

B. "Windjammer" means a large commercial sailing ship designed to carry cargo on long voyages with at least 3 masts and a cargo capacity of at least 2,000 tons that is used to carry cargo or passengers for a fee.

**2. Refund authorized.** The State Tax Assessor shall refund to a person that purchases parts and supplies for use in the operation, repair or maintenance of a windjammer the amount of sales tax paid with respect to those parts and supplies upon the person's presenting evidence that the purchase is eligible for a refund under this section. The refund claim must be submitted on a form prescribed by the assessor and must be accompanied by a copy or copies of that portion of the purchaser's most recent filing under the Code indicating that the purchaser is engaged in the operation of a windjammer and such additional information as the assessor may require. An application for a refund under this subsection must be filed with the assessor within 36 months of the date of purchase.

**3. Purchases made free of tax with certificate.** Sales tax need not be paid on the purchase of parts and supplies for use in the operation, repair or maintenance of a windjammer if the purchaser has obtained a certificate from the assessor stating that the purchaser is engaged in the operation of a windjammer and authorizing the purchaser to purchase parts and supplies for use in the operation, repair and maintenance of a windjammer without paying Maine sales tax. The seller shall obtain a copy of the certificate together with an affidavit as prescribed by the assessor, to be maintained in the seller's records, attesting to the qualification of purchases for exemption pursuant to this section.

**4. Audit.** The assessor may audit a claim for refund filed under subsection 2 or the use of a certificate issued under subsection 3. If the assessor determines that the amount of the claimed refund is incorrect or that the certificate has been used inappropriately, the assessor may issue an assessment within 3 years from the date of purchase or the date the claim was filed, whichever is later, or at any time if a fraudulent claim was filed. The claimant may seek reconsideration of the assessment pursuant to section 151.

**5. Payment of claims.** The assessor shall pay the approved amount to qualified applicants under this section within 30 days after receipt of a properly completed claim. Interest is not allowed on any payment made to a claimant pursuant to this section.

### SUMMARY

This bill authorizes a sales tax refund or exemption certificate for purchases of parts and supplies used for the operation, repair or maintenance of a windjammer that is used to carry cargo or passengers for a fee.

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Amend the bill in section 1 in §2020 in subsection 1 in paragraph A in the first line (page 1, line 6 in L.D.) by striking out the following: "necessary" and inserting the following: 'used directly and primarily'

Amend the bill in section 1 in §2020 in subsection 1 by striking out all of paragraph B (page 1, lines 10 to 12 in L.D.) and inserting the following:

'B. "Windjammer" means a United States Coast Guardcertified sailing vessel based in the State of traditional construction and designed to a historic standard that is used primarily for providing overnight passenger cruises along the Maine coast for a fee.'

### SUMMARY

This amendment provides that parts and supplies must be used primarily and directly for a windjammer, provides a more accurate definition of "windjammer" and requires a windjammer to be based in this State in order to qualify for a sales tax exemption or refund.

# 125th MAINE LEGISLATURE

LD 59

LR 335(02)

## An Act To Provide Sales Tax Exemption or Refund on Parts and Supplies Purchased To Operate Windjammers

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

### Fiscal Note

	FY 2011-12	FY 2012-13	Projections FY 2013-14	Projections FY 2014-15
<b>Net Cost (Savings)</b>				
General Fund	\$54,880	\$72,200	\$76,000	\$79,000
<b>Appropriations/Allocations</b>				
General Fund	\$7,000	\$0	\$0	\$0
<b>Revenue</b>				
General Fund	(\$47,880)	(\$72,200)	(\$76,000)	(\$79,000)
Other Special Revenue Funds	(\$2,520)	(\$3,800)	(\$4,000)	(\$4,200)

### Fiscal Detail and Notes

Authorizing sales tax refunds and exemption certificates for the purchase of parts and supplies used for the operation, repair or maintenance of windjammers based in this state that are used to carry cargo or passengers for a fee will deprive the General Fund of certain sales tax revenues and reduce revenue sharing. The bill includes a General Fund appropriation to the Bureau of Revenue Services to change computer systems, create tax certificates and generate new tax forms, as well as for the costs of implementing the refund and exemption on a one-time basis.

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## **An Act To Create the Maine Fishery Infrastructure Tax Credit Program**

**Be it enacted by the People of the State of Maine as follows:**

**Sec. 1. 5 MRSA §13070-J, sub-§1, ¶D**, as amended by PL 2009, c. 337, §5, is further amended to read:

D. "Economic development incentive" means federal and state statutorily defined programs that receive state funds, dedicated revenue funds and tax expenditures as defined by section 1666 whose purposes are to create, attract or retain business entities related to business development in the State, including but not limited to:

- (1) Assistance from Maine Quality Centers under Title 20A, chapter 431A;
- (2) The Governor's Training Initiative Program under Title 26, chapter 25, subchapter 4;
- (3) Municipal tax increment financing under Title 30A, chapter 206;
- (4) The jobs and investment tax credit under Title 36, section 5215;
- (5) The research expense tax credit under Title 36, section 5219K;
- (6) Reimbursement for taxes paid on certain business property under Title 36, chapter 915;
- (7) Employment tax increment financing under Title 36, chapter 917;
- (8) The shipbuilding facility credit under Title 36, chapter 919;
- (9) The credit for seed capital investment under Title 36, section 5216B; and
- (10) The credit for pollution-reducing boilers under Title 36, section 5219Z; and
- (11) The credit for Maine fishery infrastructure investment under Title 36, section 5216-D.

**Sec. 2. 12 MRSA c. 903, sub-c. 8** is enacted to read:

### **SUBCHAPTER 8**

#### **MAINE FISHERY INFRASTRUCTURE TAX CREDIT PROGRAM**

##### **§ 10331. Tax credit certificates**

- 1. Authorization; short title.** In order to encourage investment in and contributions to

infrastructure improvements and facilities that enhance the State's fisheries, the department is authorized to issue certificates of eligibility for the Maine fishery infrastructure investment tax credit permitted by Title 36, section 5216D, subject to the requirements of this section. This program may be known and cited as "the Maine Fishery Infrastructure Tax Credit Program."

**2. Eligibility for tax credit certificate; rules.** The department shall adopt rules in accordance with the Maine Administrative Procedure Act to implement the Maine Fishery Infrastructure Tax Credit Program. Rules adopted pursuant to this subsection are major substantive rules as defined by Title 5, chapter 375, subchapter 2A. The rules must establish requirements for public fishery infrastructure project eligibility for a tax credit certificate and must include at least the following.

A. A tax credit certificate may be issued in an amount not more than 50% of the amount of cash actually invested in or contributed to an eligible public fishery infrastructure project in any calendar year.

B. An eligible public fishery infrastructure projects must be determined by the department to have a public benefit and be:

(1) A publicly owned infrastructure improvement or facility that enhances the State's fisheries; or

(2) A privately owned infrastructure improvement or facility that is publicly accessible.

**3. Credit certificate limit.** The aggregate investment or contribution eligible for tax credits under this subchapter may not exceed \$5,000,000 per project.

**4. List of projects.** The department shall develop and maintain a list of projects eligible under this subchapter and rules adopted under this subchapter.

**5. Revocation of tax credit certificate.** The department may revoke a tax credit certificate under this subchapter if any representation to the department in connection with the application for the certificate proves to have been false when made or if the applicant violates any conditions established by the department and stated in the tax credit certificate. The revocation may be in full or in part as the department determines. The department shall specify the amount of credit being revoked and send notice of the revocation to the investor or contributor and to the State Tax Assessor.

**6. Reports.** As a condition for determination of eligibility or continuation of eligibility for a tax credit certificate under this subchapter, the department may require any information or reports from the public fishery infrastructure project that it considers necessary.

**Sec. 3. 36 MRSA §5216-D** is enacted to read:

**§ 5216-D. Maine Fishery Infrastructure Investment Tax Credit Program**

**1. Definitions.** As used in this section, unless the context indicates otherwise, the following

terms have the following meanings.

- A. "Certificate" means a tax credit certificate issued by the Department of Inland Fisheries and Wildlife pursuant to Title 12, chapter 903, subchapter 8.
- B. "Investment" means an investment or contribution for which a certificate has been received.
- C. "Investor" means a taxpayer that has received a certificate.

**2. Credit.** An investor is entitled to a credit against the tax otherwise due under this Part equal to the amount of the tax credit certificate issued by the Department of Inland Fisheries and Wildlife in accordance with Title 12, section 10331 and as limited by subsection 3. In the case of partnerships, limited liability companies, S corporations, nontaxable trusts and any other entities that are treated as flow-through entities for tax purposes under the Code, but not including flow-through entities taxed under chapter 819, the individual partners, members, stockholders, beneficiaries or equity owners of such entities must be treated as the investors under this section and are allowed a credit against the tax otherwise due from them under this Part in proportion to their respective interests in those partnerships, limited liability companies, S corporations, nontaxable trusts or other flow-through entities. Except as limited or authorized by subsection 3 or 4, 25% of the credit must be taken in the taxable year the investment is made and 25% per year must be taken in each of the next 3 taxable years.

**3. Limitation.** The amount of the credit allowed under this section for any one taxable year may not exceed 50% of the tax imposed by this Part on the investor for the taxable year before application of the credit.

**4. Carry forward.** A credit under this section not taken because of the limitation in subsection 3 must be taken in the next taxable year in which the credit may be taken, and the limitation of subsection 3 also applies to the carry-forward years. In no case may this carry-forward period exceed 15 years.

**5. Recapture.** If the Department of Inland Fisheries and Wildlife revokes a certificate, there must be added to the tax imposed on the investor under this Part for the taxable year in which the revocation occurs an amount equal to the excess of the amount of credit revoked over the amount of credit not yet taken.

**6. Effect of other tax benefits.** A person may not claim a credit under this section if the person also claims a deduction for the same investment under another provision of this Part.

## SUMMARY

This bill provides an income tax credit for investment in or contributions to eligible public fishery infrastructure projects in the State. Eligible projects must be certified by the Department of Inland Fisheries and Wildlife, which is required to adopt rules for determination of eligibility. Tax certificates may be issued for up to \$5,000,000 per project. Credits must be taken in increments of 25% over 4 years and may not exceed 50% of the total tax imposed on the investor for the taxable year before application of the credit. Unused credits may be carried forward for up to 15 years.



Circuit breaker

6

Section X. 36 MRSA, Section 507, as amended by PL 2007, c. 432, section 1, is further amended to read:

**§507. Taxpayer information**

A municipality that issues a property tax bill to a taxpayer must issue the following information.

**1. Reductions to tax.** The property tax bill must contain a statement or calculation that demonstrates the amount or percentage by which the taxpayer's tax has been reduced by the distribution of state-municipal revenue sharing, state reimbursement for the Maine resident homestead property tax exemption and state aid for education. The State Tax Assessor shall annually provide each municipality with the amount of state-municipal revenue sharing and state aid for education subject to identification under this section.

**2. Distribution to education and government.** The property tax bill ~~must~~ may indicate the percentage of property taxes distributed to education and local, county and state government.

**3. Indebtedness.** The property tax bill ~~must~~ may indicate the outstanding bonded indebtedness of the issuing municipality as of the date the bill is issued.

**4. Due date and interest.** Each property tax bill issued by a municipality must clearly state the date interest will begin to accrue on delinquent taxes.

**5. Property tax relief.** Any property tax bill issued by a municipality after January 1, 2012 must include a statement that reads in substance: You may be eligible for property tax relief. For information regarding the Maine Residents Property Tax Program call 1-800-\_\_\_\_\_ or connect on-line at this address

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**Amend Part I by striking everything and replacing it with the following**

**5-C. Transfers to General Fund.** For the months beginning on or after July 1, 2011, \$ \_\_\_\_\_ in fiscal year 2011-12 and \$ \_\_\_\_\_ in fiscal year 2012-13 from the total transfers pursuant to subsection 5 must be transferred to General Fund undedicated revenue. The amounts transferred to General Fund undedicated revenue each fiscal year pursuant to this subsection must be deducted from the distributions required by subsections 4-A and 4-B based on the percentage share of the transfers to the Local Government Fund pursuant to subsection 5. The reductions in this subsection must be allocated to each month proportionately based on the budgeted monthly transfers to the Local Government Fund as determined at the beginning of the fiscal year.

BETR

8

Sec. \_\_\_\_ 36 MRSA, § 6662 as enacted, is amended to read:

Reimbursement under this chapter may not be made for property tax payments made with respect to property located at a facility that has permanently ceased all productive operations on April 1st of the year for which the property taxes are assessed and where no productive operations have been conducted for at least 12 months before the date that reimbursement is requested. ~~This section does not apply~~ The 12-month cessation of operation limit is increased to 36 months if the owner of the facility has publicly advertised that the facility is available for sale or lease and has made a good faith effort to market and sell or lease the facility to prospective buyers or lessees.

### SUMMARY

This section limits reimbursement of idle property through the Business Equipment Tax Reimbursement ("BETR") program to three years after the cessation of business operations when the owner has been engaged in a good faith effort to sell the business.