

MAINE STATE LEGISLATURE

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122nd MAINE LEGISLATURE

FIRST SPECIAL SESSION-2005

Legislative Document

No. 1595

H.P. 1131

House of Representatives, April 26, 2005

An Act To Rebalance Maine's Tax Code

Reference to the Committee on Taxation suggested and ordered printed.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

Presented by Representative WOODBURY of Yarmouth.
Cosponsored by Senator PERRY of Penobscot.

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PART K

Sec. K-1. 36 MRSA §5219-Y is enacted to read:

§5219-Y. Principal residence transfer credit

A taxpayer who transfers property that was the taxpayer's permanent residence or who purchases property for that taxpayer's permanent residence, as defined in section 681, is allowed a refundable credit against the tax imposed under this Part equal to 50% of the tax paid by the taxpayer under section 4641-A.

Sec. K-2. Application. This Part applies to tax years beginning on or after January 1, 2006.

PART L

Sec. L-1. 36 MRSA §4365, as amended by PL 2003, c. 705, §6, is further amended to read:

§4365. Rate of tax

A tax is imposed on all cigarettes imported into this State or held in this State by any person for sale at the rate of 47 75 mills for each cigarette. Payment of the tax is evidenced by the affixing of stamps to the packages containing the cigarettes.

Sec. L-2. 36 MRSA §4365-E, as enacted by PL 2001, c. 439, Pt. SSSS, §2, is repealed.

Sec. L-3. 36 MRSA §4365-F is enacted to read:

§4365-F. Application of cigarette tax rate increase effective January 1, 2006

The following provisions apply to cigarettes held for resale on January 1, 2006.

1. Stamped rate. Cigarettes stamped at the rate of 47 mills per cigarette and held for resale after December 31, 2005 are subject to tax at the rate of 75 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 75 mills per cigarette and the tax rate of 50 mills per cigarette in effect before January 1, 2006. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of January 1, 2006, except that

2 cigarettes held in vending machines as of that date do not
3 require that stamp.

4 3. Vending machines. Notwithstanding any other provision
5 of this chapter, it is presumed that all cigarette vending
6 machines are filled to capacity on January 1, 2006 and that the
7 tax imposed by this section must be reported on that basis. A
8 credit against this inventory tax must be allowed for cigarettes
9 stamped at the rate of 75 mills per cigarette placed in vending
10 machines before January 1, 2006.

11 4. Payment. Payment of the tax imposed by this section
12 must be made to the State Tax Assessor by March 1, 2006,
13 accompanied by forms prescribed by the assessor.

14 **Sec. L-4. 36 MRSA §4366-A, sub-§2, ¶¶B and C,** as enacted by PL
15 2001, c. 439, Pt. SSSS, §3, are amended to read:

16 B. For stamps at the face value of 47 mills sold prior to
17 July 1, 2002, 2.16%; and

18 C. For stamps at the face value of 47 mills sold on or
19 after July 1, 2002, 2.03%.

20 **Sec. L-5. 36 MRSA §4366-A, sub-§2, ¶¶D and E** are enacted to
21 read:

22 D. For stamps at the face value of 75 mills sold prior to
23 January 1, 2006, 1.62%; and

24 E. For stamps at the face value of 75 mills sold on or
25 after January 1, 2006, 1.52%.

26 **Sec. L-6. 36 MRSA §4366-D,** as enacted by PL 2001, c. 450, Pt.
27 D, §1, is repealed.

28 **Sec. L-7. 36 MRSA §4403, sub-§1,** as amended by PL 1989, c.
29 588, Pt. D, §4, is further amended to read:

30 **1. Smokeless tobacco.** A tax is imposed on all smokeless
31 tobacco, including chewing tobacco and snuff, at the rate of 50%
32 of the wholesale sales price beginning October 1, 1989; 55% of
33 the wholesale sales price beginning January 1, 1991; and 62% of
34 the wholesale sales price beginning July 1, 1991; and 100% of the
35 wholesale sales price beginning January 1, 2006.

36 **Sec. L-8. 36 MRSA §4403, sub-§2,** as amended by PL 1989, c.
37 588, Pt. D, §4, is repealed and the following enacted in its
38 place:

2 Part B ties the standard deduction and personal exemption to
the same amount as the federal standard deduction and personal
exemption and eliminates the so-called "marriage penalty."
4

6 Part C restores the income tax credit for child care
expenses to 25% of the federal tax credit.

8 Part D increases the earned income tax credit to 25% of the
federal earned income credit and makes it refundable.
10

12 Part E conforms the deductibility of health savings accounts
and business expensing with federal law.

14 Part F increases the exemption for estates under the estate
tax to the same amount as under federal law.
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18 Part G amends the Maine Residents Property Tax Program, also
known as the circuit breaker program, by raising the maximum
benefit from \$2,000 to \$3,000 and increasing to \$5,000 the
maximum property taxes and rent constituting property taxes that
may be considered in calculating the benefit.
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24 Part H repeals certain exemptions and expands the
application of the sales and use tax.

26 Part I decreases the general sales tax rate and the service
provider tax from 5% to 4%. Part I also increases the rate of
sales tax imposed on:
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- 30 1. Liquor sold in licensed establishments from 7% to 10%;
- 32 2. Lodging in a hotel, rooming house or tourist or trailer
camp from 7% to 10%;
- 34 3. The rental of a motor vehicle for less than one year
36 from 10% to 20%; and
- 38 4. Prepared food from 7% to 8%.

40 Part J increases the real estate transfer tax from \$2.20 per
\$500 to \$5.00 per \$500.
42

44 Part K provides a credit of 50% of the real estate transfer
tax paid on a permanent residence.

46 Part L increases the tax on cigarettes by 50¢ to \$1.50 per
pack, the tax on smokeless tobacco products from 62% to 100% of
48 the wholesale price, the tax on cigars from 16% to 25% of the
wholesale price and the tax on other tobacco products from 16% to
50 100% of the wholesale sales price.

2 Part M increases the excise tax on malt liquor from 25¢ per
gallon to 50¢ per gallon, on wine from 30¢ per gallon to \$1 per
4 gallon and on hard cider from 25¢ per gallon to \$1 per gallon.