An Act To Promote Tax Fairness

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

PART A

Sec. A-1. 36 MRSA §6203-A, as enacted by PL 2003, c. 673, Pt. BB, §2, is amended to read:

§ 6203-A. Procedure for reimbursement

At least monthly on or before the last day of the month, the State Tax Assessor shall determine the benefit for each claimant under this chapter and certify the amount to the State Controller to be transferred to the so-called circuit breaker reserve established, maintained and administered by the State Controller from General Fund undedicated revenue within the individual income tax category. At least monthly, ~~the assessor shall pay the certified amounts to each approved applicant qualifying for the benefit under this chapter. Interest may not be allowed on any payment made to a claimant pursuant to this chapter~~payments of claims must be made as provided in section 6203-B.

Sec. A-2. 36 MRSA §6203-B is enacted to read:

§ 6203-B. Payment of claim

1. Payment options. Claimants under this chapter may select any one of the following payment options for each claim.

A. The claimant may choose to have payment made directly to the claimant.

B. Beginning with claims filed in 2008, the claimant may choose to have the payment applied against the claimant's individual income tax for the income tax year in which the claim is payable.

C. The claimant may choose to have payment made directly to the municipality where the claimant's homestead is located to offset an equal amount of property taxes owed by the claimant to the municipality.

2. Payment procedure. Upon approval of claims by the assessor, the assessor shall prepare and certify a list of individuals entitled to a claim under this chapter who have chosen a payment option authorized under subsection 1, paragraph A or C, together with the respective amount attributable to each individual and indicating the payment option chosen by the claimant, and shall forward the list to the State Controller on or before September 30th, except that for calendar year 2007 the certification must be made on or before October 10th. The Treasurer of State, upon direction of the State Controller, shall pay and distribute the claims certified by the assessor to the appropriate payee annually on or before October

20th. A claim of less than $10 may not be granted. Claims not certified by the assessor by September 30th may be certified as soon as practicable thereafter, but such claims need not be paid by the State Controller by October 20th.

3. Review by assessor; setoff required. The assessor shall review every application filed pursuant to this chapter and may reject a claim if the assessor determines that no payment is due. If the assessor determines that a claim has been incorrectly determined, the assessor shall adjust the claim. The assessor shall notify the claimant in writing of any rejection or adjustment and the reasons for the rejection or adjustment. The rejection or adjustment is final unless appealed by the claimant pursuant to section 6213. The assessor shall set off against the claim payment any other tax liability owed by the claimant pursuant to this Title.

4. Payments made in error. If the assessor determines that a claim has been incorrectly calculated or paid in error, the amount paid may be recovered by assessment pursuant to section 141, and the assessment bears interest, from the date of payment of the claim until refunded or paid, at the rate provided by section 186.

Sec. A-3. 36 MRSA §6204, as amended by PL 2005, c. 2, Pt. E, §3 and affected by §§7 and 8, is further amended to read:

§ 6204. Filing date

A claim may not be paid unless the claim is filed with the Bureau of Revenue Services on or after August 1st and on or before the following May 31st. For years for which relief is requested that begin after 2006, the period for filing a claim with the bureau begins on January 1st following the year for which relief is requested and ends on the following June 30th.

Sec. A-4. 36 MRSA §6210, as amended by PL 2005, c. 218, §59, is further amended to read:

§ 6210. Administration

The State Tax Assessor shall make available suitable forms with instructions for claimants. The claim must be in the form prescribed by the assessor and must be signed by the claimant.

~~The assessor shall include a checkoff to request an application for~~A claimant may apply for a benefit under the Maine Residents Property Tax Program on ~~the~~that claimant's individual income tax form. The assessor shall also provide a paperless option for filing an application for the Maine Residents Property Tax Program.

Sec. A-5. Modification of income tax form. The State Tax Assessor within the Bureau of Revenue Services, Department of Administrative and Financial Services shall modify the individual income tax form to include the ability of an individual to use the form to submit a claim under the Maine Residents Property Tax Program and to indicate the method of payment of the claim as described in the Maine Revised Statutes, Title 36, section 6203-B.

Sec. A-6. Application. This Part applies to applications for the Maine Residents Property Tax Program, under the Maine Revised Statutes, Title 36, chapter 907, filed on or after January 1, 2008, exclusive of applications filed on extension from the prior filing period.

PART B

Sec. B-1. 36 MRSA §6207, sub-§1, ¶A-1, as amended by PL 2005, c. 2, Pt. E, §4 and affected by §§7 and 8, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of ~~$2,000~~$3,000.

Sec. B-2. Application. This Part applies to claims for benefits under the Maine Residents Property Tax Program, under the Maine Revised Statutes, Title 36, chapter 907, filed for application periods that begin on or after August 1, 2008.

PART C

Sec. C-1. 36 MRSA §6201, sub-§1, as amended by PL 2005, c. 2, Pt. E, §1 and affected by §§7 and 8, is further amended to read:

1. Benefit base. "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. When calculating the benefit base when a homestead was rented out for not more than 30 days in the aggregate, property taxes accrued and rent constituting property taxes accrued must be adjusted to exclude a percentage of the property taxes accrued or rent constituting property taxes accrued that is equal to the percentage of the year during which the homestead was rented out by the claimant. The benefit base may not exceed $3,000 for single-member households and $4,000 for households with 2 or more members.

Sec. C-2. 36 MRSA §6201, sub-§2, as amended by PL 2001, c. 396, §40, is repealed and the following enacted in its place:

2. Claimant. "Claimant" means an individual who:

A. Has filed a claim under this chapter;

B. Was domiciled in this State during the entire calendar year for which relief is requested; and

C. Owned or otherwise maintained a homestead in this State during the entire year for which relief is requested, occupied that homestead for at least 6 months during that year and did not rent out that homestead for more than 30 days in the aggregate during that year.

Regardless of how many names of individuals appear on the property deed, the person who meets the qualifications described in this subsection and proves sole responsibility for the payment of the property taxes on the subject property is the claimant with respect to that property. If 2 or more individuals meet the qualifications in this subsection and share the payment of rent or responsibility for the payment of property taxes, each individual may apply on the basis of the rent paid or the property taxes levied on the homestead that reflects the ownership percentage of the claimant and the claimant's household. If 2 or more individuals claim the same property, the matter must be referred to the State Tax Assessor, whose decision is final.

Ownership of a homestead under this chapter may be by fee, by life tenancy, by bond for deed, as mortgagee or by any other possessory interest in which the owner is personally responsible for the tax for which a refund is claimed.

Sec. C-3. Application. This Part applies to claims for benefits under the Maine Residents Property Tax Program filed for application periods that begin on or after August 1, 2008.

PART D

Sec. D-1. 36 MRSA §683, sub-§1, as repealed and replaced by PL 2005, c. 2, Pt. F, §1 and affected by §5, is amended to read:

1. Exemption amount. Except for assessments for special benefits, the just value of ~~$13,000~~$20,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed ~~$13,000~~$20,000 of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

Sec. D-2. 36 MRSA §683, sub-§3, as amended by PL 2005, c. 2, Pt. F, §3 and affected by §5, is further amended to read:

3. Effect on state valuation. ~~Fifty~~Seventy-two and one-half percent of the just value of homesteads exempt under this subchapter must be included in the annual determination of state valuation under sections 208 and 305.

Sec. D-3. 36 MRSA §683, sub-§4, as amended by PL 2005, c. 2, Pt. F, §3 and affected by §5, is further amended to read:

4. Property tax rate. ~~Fifty~~Seventy-two and one-half percent of the value of homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. The municipal tax rate as finally determined may be applied to only the taxable portion of each homestead qualified for that tax year.

Sec. D-4. 36 MRSA §685, sub-§2, as amended by PL 2005, c. 2, Pt. F, §4 and affected by §5, is further amended to read:

2. Entitlement to reimbursement by the State; calculation. A municipality that has approved homestead exemptions under this subchapter may recover from the State ~~50%~~27.5% of the taxes lost by reason of the exemptions upon proof in a form satisfactory to the bureau. The bureau shall reimburse the Unorganized Territory Education and Services Fund for ~~50%~~27.5% of taxes lost by reason of the exemption.

Sec. D-5. Application. This Part applies to property tax valuations determined on or after April 1, 2008.

PART E

Sec. E-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 to 2007. For tax years beginning on or after January 1, 2002 but before January 1, 2008, for single individuals and married persons filing separate returns:

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. E-2. 36 MRSA §5111, sub-§1-C is enacted to read:

1-C. Single individuals and married persons filing separate returns; tax years beginning 2008. For tax years beginning on or after January 1, 2008, for single individuals and married persons filing separate returns:

If Maine Taxable income is:	The tax is:
Less than $4,750	2% of the Maine taxable income
At least $4,750 but less than $9,450	$95 plus 4.5% of the excess over $4,750
At least $9,450 but less than $18,950	$307 plus 7% of the excess over $9,450

$18,950 or more	$972 plus 7.9% of the excess over $18,950

Sec. E-3. 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 to 2007. For tax years beginning on or after January 1, 2002 but before January 1, 2008, for unmarried individuals or legally separated individuals who qualify as heads of households:

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	$126 plus 4.5% of the excess over $6,300
At least $12,500 but less than $25,050	$405 plus 7% of the excess over $12,500
$25,050 or more	$1,284 plus 8.5% of the excess over $25,050

Sec. E-4. 36 MRSA §5111, sub-§2-C is enacted to read:

2-C. Heads of households; tax years beginning 2008. For tax years beginning on or after January 1, 2008, for unmarried individuals or legally separated individuals who qualify as heads of households:

If Maine Taxable income is:	The tax is:
Less than $7,150	2% of the Maine taxable income
At least $7,150 but less than $14,200	$143 plus 4.5% of the excess over $7,150
At least $14,200 but less than $28,450	$460 plus 7% of the excess over $14,200
$28,450 or more	$1,458 plus 7.9% of the excess over $28,450

Sec. E-5. 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 to 2007. For tax years beginning on or after January 1, 2002 but before January 1, 2008, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

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. E-6. 36 MRSA §5111, sub-§3-C is enacted to read:

3-C. Individuals filing married joint return or surviving spouses; tax years beginning 2008. For tax years beginning on or after January 1, 2008, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine Taxable income is:	The tax is:
Less than $9,500	2% of the Maine taxable income
At least $9,500 but less than $18,950	$190 plus 4.5% of the excess over $9,500
At least $18,950 but less than $37,950	$615 plus 7% of the excess over $18,950
$37,950 or more	$1,945 plus 7.9% of the excess over $37,950

Sec. E-7. 36 MRSA §5403, as repealed and replaced by PL 1999, c. 731, Pt. T, §10 and affected by §11, is amended to read:

§ 5403. Annual adjustments for inflation

Beginning in ~~2002~~2008, and each subsequent calendar year thereafter, on or about September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for taxable years beginning in the succeeding calendar year by the dollar amounts of the tax rate tables specified in section 5111, subsections ~~1-B~~1-C, ~~2-B~~2-C and ~~3-B~~3-C. If the dollar amounts of each rate bracket, adjusted by application of the cost-of-living adjustment, are not multiples of $50, any increase must be rounded to the next lowest multiple of $50. If the cost-of-living adjustment for any taxable year is 1.000 or less, no adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate tables. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.

Sec. E-8. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART F

Sec. F-1. 36 MRSA §5219-S, as amended by PL 2003, c. 20, Pt. GG, §1, is further amended to read:

§ 5219-S. Earned income credit

A taxpayer is allowed a refundable credit against the taxes otherwise due under this Part equal to ~~5%~~25% of the federal earned income credit for the same taxable year~~, except that for tax years beginning in 2003, 2004 and 2005, the applicable percentage is 4.92% instead of 5%. The credit may not reduce the state income tax to less than zero~~.

36 §05219-S

Credit for consumption of wood processing residue

(REALLOCATED TO TITLE 36, SECTION 5219-T)

Sec. F-2. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART G

Sec. G-1. 36 MRSA §1811, as amended by PL 2003, c. 673, Pt. V, §23 and affected by §29, is further amended to read:

§ 1811. Sales tax

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; 7% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of rental for a period of less than one year of an automobile; 7% on the value of prepared food; and ~~5%~~6% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

The tax imposed upon the sale and distribution of gas, water or electricity by any public utility, the rates for which sale and distribution are established by the Public Utilities Commission, must be added to the rates so established. No tax may be imposed upon the sale or use of electrical energy, or water stored for the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary by or to its parent corporation, except for electrical energy or water purchased for resale to or by such wholly owned subsidiary.

Rental or lease of an automobile for one year or more must be taxed at the time of the lease or rental transaction at ~~5%~~6% of the following: the total monthly lease payment multiplied by the number of payments in the lease or rental, the amount of equity involved in any trade-in and the value of any cash down payment. Collection and remittance of the tax is the responsibility of the person that negotiates the lease transaction with the lessee.

Sec. G-2. Effective date. This Part takes effect January 1, 2008.

PART H

Sec. H-1. Statutory referendum procedure; submission at election; form of question; effective date. This Act must be submitted to the legal voters of the State at a statewide election held in the month of November following passage of this Act. The municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Act by voting on the following question:

"Do you favor amending Maine tax law to:

1. Allow a person to use the individual income tax form to apply for benefits under the Maine Residents Property Tax Program, also known as the Circuitbreaker Program;

2. Increase the maximum benefit under the Circuitbreaker Program to $3,000;

3. Allow homeowners to rent their homesteads for a maximum of 30 days and still be eligible for benefits under the Circuitbreaker Program;

4. Increase the amount of the exemption under the Maine resident homestead property tax exemption to $20,000 and requiring the State to reimburse municipalities for 72.5% of the revenue lost due to the exemption;

5. Decrease the top income tax rate to 7.9%;

6. Increase the earned income tax credit to 25% of the federal credit and making it refundable; and

7. Increase the general sales tax rate to 6%?"

The legal voters of each city, town and plantation shall vote by ballot on this question and designate their choice by a cross or check mark placed within a corresponding square below the word "Yes" or "No." The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns. If a majority of the legal votes are cast in favor of this Act, the Governor shall proclaim the result without delay and this Act becomes effective 30 days after the date of the proclamation.

The Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this Act necessary to carry out the purposes of this referendum.

SUMMARY

This bill amends Maine tax law in the following ways.

Part A amends the Maine Residents Property Tax Program, also known as the Circuitbreaker Program, by allowing an individual to apply for a benefit using the individual income tax form. Due to the difference in the time period covered by the Circuitbreaker Program and individual income taxes, the filing period of August 1st to the following May 31st for benefits under the Circuitbreaker Program is changed to January 1st to the following June 30th, beginning with benefit years beginning after 2007.

Part B also amends the Circuitbreaker Program to increase the maximum refund under the program from $2,000 to $3,000.

Part C amends the Circuitbreaker Program, by allowing certain homeowners who rent their homesteads for a maximum of 30 days in the aggregate during the year to qualify for benefits under the program and prorating benefits to reflect the rental period.

Part D increases the amount of the exemption under the Maine resident homestead property tax exemption program from $13,000 to $20,000 and increases the State reimbursement to 72.5% of the municipal property taxes lost as a result of the exemption, beginning in 2008.

Part E decreases the top income tax rate, beginning with tax year 2008, from 8.5% to 7.9%.

Part F increases the earned income credit from 5% of the federal credit to 25% and makes it refundable.

Part G increases the general sales tax rate from 5% to 6%, effective January 1, 2008.

Part H sends the proposals in this bill out to referendum to be voted on in November 2007.