

## Joint Standing Committee on Taxation

**LD 404**

**An Act to Promote Equity Among Health Care Clinics**

**INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
ABROMSON MAYO	OTP-AM	

LD 404 proposed to provide the same sales and use tax exemption to all nonprofit health clinics that is currently available to rural community health clinics, hospitals and their affiliated clinics, nonprofit dental health clinics and other similar health care providers.

This bill was carried over from the First Regular Session and was indefinitely postponed when removed from the Special Appropriations Table.

**LD 810**

**An Act to Amend the Laws Governing the Deduction of Pension And Retirement Benefits from State Income Tax**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GAGNON COLWELL	OTP-AM	S-407 H-824 CLOUGH

LD 810 proposed to increase the \$6,000 deduction from state income tax for certain public, private and military pensions to \$8,000 beginning January 1, 2002 with an additional \$1000 in each subsequent year until the amount of the deduction reached \$17,000 in 2011; thereafter, the amount of the deduction would be equal to the amount of the federal tax exemption for social security benefits. This bill was carried over from the First Regular Session

**Committee Amendment “A” (S-407)** proposed to change the maximum deduction to \$20,000 in 2012 and after and to clarify the application of the deduction to spousal benefits.

**House Amendment “A” to Committee Amendment “A” (H-824)** proposed to include interest, ordinary dividends and capital gains within the definition of retirement income for the purpose of applying the deductions for persons who are at least 65 years old.

LD 810 remained tabled in the House when the Legislature adjourned.

**LD 883**

**An Act to Return a Percentage of Sales and Use Tax to Municipalities**

**ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMONT MENDROS	ONTP	

LD 883 proposed to require the State to distribute to municipalities 10% of the amount by which sales and use tax revenues for the preceding fiscal year exceed sales and use tax revenues in fiscal year 2000-01. The local

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revenues would be distributed to municipalities based upon the proportion of sales and use tax revenue attributable to the municipality.

This bill was carried over from the First Regular Session. It was the vehicle for proposals to authorize a local option sales tax.

**LD 909**                      **An Act to Improve the Circuit Breaker Program Application Process**                      **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GAGNON GREEN	ONTP	

LD 909 was a concept draft pursuant to Joint Rule 208 that proposed to simplify the application process for the Maine Residents Property Tax Program, commonly referred to as the "circuit breaker program." This bill was carried over from the First Regular Session.

**LD 1570**                      **An Act to Update the Property Tax Exemption for Pollution Control Facilities to Promote Clean Production Through Pollution Prevention and Toxics Use Reduction**                      **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
COWGER GAGNON	OTP-AM	H-1029

LD 1570 proposed to establish a property tax exemption for certain clean production systems and eliminate the sales tax exemption for water and air pollution control facilities. It also proposed to establish the Task Force to Study Clean Production Tax Exemptions.

**Committee Amendment "A" (H-1029)** proposed to replace the bill and to provide an income tax credit to taxpayers that invest in clean technologies or make changes in processes that substantially reduce or eliminate pollution otherwise allowed to be released to the environment. The income tax credit was intended to provide an incentive for taxpayers to voluntarily commit to permanent pollutant reductions and eliminations beyond those required to comply with regulatory requirements. The amendment also proposed to require the State to reimburse municipalities for 50% of the property tax loss attributable to property that first qualifies for a property tax exemption as a pollution control facility after April 1, 2002 if the facility also has a quantifiable function other than pollution control. Reimbursement would be limited to the 12 years following the year in which the facility first becomes exempt.

This bill was indefinitely postponed when removed from the Special Appropriations Table.

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**LD 1833**                      **Resolve, Relating to the State Valuation for the Town of Dexter**                      **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAVIS P TOBIN	ONTP	

LD 1833 proposed to authorize the Town of Dexter to seek an adjustment of its state valuation for the year 2003 without meeting the percentage reduction in valuation required under the provisions of current law.

See also LD 2154.

**LD 1834**                      **An Act to Ensure Continued Reporting of Tax Incentive Recipients**                      **PUBLIC 481**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GAGNON	OTP-AM	S-408

LD 1834 proposed to repeal the sunset date of August 1, 2002 for the economic development incentive laws in order to maintain the reporting requirements for recipients of benefits under listed economic development incentives who receive \$10,000 or more per year in incentives.

**Committee Amendment “A” (S-408)** replaced the original bill and proposed to repeal the Economic Development Incentive Commission and remove the August 1, 2002 sunset date for business and agency reporting regarding economic development incentives. The amendment also proposed to clarify that the reporting requirements apply to businesses that are not employers.

### *Enacted Law Summary:*

Public Law 2001, chapter 481 repeals the Economic Development Incentive Commission, removes the August 1, 2002 sunset date for business and agency reporting regarding economic development incentives and clarifies that the reporting requirements apply to businesses that are not employers.

**LD 1842**                      **Resolve, Authorizing the State Tax Assessor to Convey the Interest of the State in Certain Real Estate in the Unorganized Territory**                      **RESOLVE 73**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GREEN	OTP-AM	H-770

LD 1842 proposed to authorize the State Tax Assessor to convey the interest of the State in several parcels of real estate in the Unorganized Territory.

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**Committee Amendment “A” (H-770)** proposed to add a fiscal note to the resolve.

### *Enacted Law Summary:*

Resolve 2001, chapter 73 authorizes the State Tax Assessor to convey the interest of the State in several parcels of real estate in the Unorganized Territory.

**LD 1870**

**An Act to Make Minor Substantive Changes to the Tax Laws**

**PUBLIC 526**

Sponsor(s)  
GAGNON

Committee Report  
OTP-AM

Amendments Adopted  
S-429

LD 1870 proposed to accomplish the following.

1. It proposed, in response to a court decision, to amend the grounds for imposing a 6-year statute of limitations for tax assessments based on information not reported on a tax return.
2. It proposed to amend the sales tax law to make it clear that the tax applies to the rental of digital video discs and similar items as well as to the rental of video tapes.
3. It proposed to repeal the statutory provisions requiring cigarette and tobacco product distribution license fees because the fee generates less revenue than the costs of incorporating it into the revenue database.
4. It proposed to amend the income tax credit provided in the Maine Revised Statutes, Title 36, section 5219-R to provide that a credit for rehabilitation of historic structures is not allowed for expenditures incurred prior to January 1, 2000 for tax years beginning on or after January 1, 2001 in order to ensure that the credit is not available for expenditures undertaken in years before the credit was enacted.

**Committee Amendment “A” (S-429)** proposed to strike a provision from the bill amending the application of the 6-year statute of limitations for tax assessments based on information not reported on a tax return.

### *Enacted Law Summary:*

Public Law 2001, chapter 526 makes minor substantive changes to the tax laws. It accomplishes the following.

1. It amends the sales tax law to make it clear that the tax applies to the rental of digital video discs and similar items as well as to the rental of video tapes.
2. It repeals the statutory provisions requiring cigarette and tobacco product distribution license fees.
3. It amends the income tax credit provided in the Maine Revised Statutes, Title 36, section 5219-R to provide that a credit is not allowed for expenditures incurred prior to January 1, 2000 for tax years beginning on or after January 1, 2001.

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LD 1871

### An Act to Conform Maine Tax Law to the Federal Mobile Telecommunications Sourcing Act

**PUBLIC 584  
EMERGENCY**

<u>Sponsor(s)</u> GAGNON		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> S-481
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LD 1871 proposed to provide standards for determining the state jurisdiction that may tax mobile Telecommunications services by conforming Maine's sales and use tax law to the federal Mobile Telecommunications Sourcing Act.

**Committee Amendment “A” (S-481)** proposed to make technical corrections in order to ensure that the bill properly conforms the State's sales and use tax law and the E-9-1-1 surcharge to the federal Mobile Telecommunications Sourcing Act.

#### *Enacted Law Summary:*

Public Law 2001, chapter 584 provides standards for determining the state jurisdiction that may tax mobile telecommunications services by conforming Maine’s sales and use tax law to the federal Mobile Telecommunications Sourcing Act. This bill was enacted as an emergency measure. It took effect April 1, 2002 and applies to bills issued by providers of telecommunications services after August 1, 2002.

LD 1872

### An Act to Enable the State to Enter into an Agreement with Other States to Simplify and Modernize Sales and Use Tax Administration

**PUBLIC 496  
EMERGENCY**

<u>Sponsor(s)</u> GAGNON		<u>Committee Report</u> OTP		<u>Amendments Adopted</u>
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LD 1872 proposed to authorize the State Tax Assessor to enter into an agreement with other states governing the uniform administration of sales and use tax laws.

#### *Enacted Law Summary:*

Public Law 2001, chapter 496 authorizes the State Tax Assessor to enter into an agreement with other states governing the uniform administration of sales and use tax laws. Any recommended changes in State sales and use tax laws resulting from the agreement would have to be separately enacted by the Legislature. This bill was enacted as an emergency measure and took effect March 1, 2002.

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LD 1873

An Act to Amend the Tax Laws

**PUBLIC 583  
EMERGENCY**

Sponsor(s)  
GAGNON

Committee Report  
OTP-AM

Amendments Adopted  
S-444

LD 1873 proposed to make the following changes to the laws governing taxation.

1. It proposed to provide that if a person receives notice of an assessment and does not file a request for reconsideration within the specified time period, the State Tax Assessor may not reconsider the assessment and no review is available in Superior Court, regardless of whether the taxpayer subsequently makes payment and requests a refund.
2. It proposed to amend the provisions regarding time of filing or payment of taxes to include filing or payment via a delivery service other than the United States Postal Service.
3. It proposed to amend the provisions regarding levy and sale of property.
4. It proposed to amend the provisions governing injunctions.
5. It proposed to change the method by which the interest rate applied to the late payment of taxes is calculated.
6. It proposed to amend the definition of "primarily" in the Sales and Use Tax Law.
7. It proposed to amend the provisions regarding the employment of an assessor by a municipal assessing unit, reporting use tax on individual income tax returns, personal exemptions and the payment of estimated tax.

**Committee Amendment "A" (S-444)** proposed to correct a misspelled word and change proposed language to further clarify the meaning of the term "primarily" in the sales tax law and the application of a provision related to penalties for underpayment of 4th quarter installment payments of estimated income tax.

## ***Enacted Law Summary:***

Public Law 2001, chapter 583 makes the following changes to the laws governing taxation:

1. It provides that if a person receives notices of an assessment and does not file a request for reconsideration within the specified time period, the State Tax Assessor may not reconsider the assessment and no review is available in Superior Court, regardless of whether the taxpayer subsequently makes payment and requests a refund.
2. It amends the provisions regarding time of filing or payment of taxes to include filing or payment via a delivery service other than the United States Postal Service.
3. It amends the provisions regarding levy and sale of property.
4. It amends the provisions governing injunctions.

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5. Effective January 1, 2003, it changes the methods by which the interest rate applied to the late payment of taxes is calculated.
6. It amends the definition of “primarily” in the Sales and Use Tax Law.
7. It amends the provisions regarding the employment of an assessor by the municipal assessing unit, reporting use tax on individual income tax returns, personal exemptions and the payment of estimated tax.

This bill was enacted as an emergency measure and, except as otherwise indicated, took effect April 1, 2002.

**LD 1894**

**An Act Regarding Cigarette Tax Stamps**

**ONTP**

<u>Sponsor(s)</u> DAGGETT	<u>Committee Report</u> ONTP MAJ OTP-AM MIN	<u>Amendments Adopted</u>
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LD 1894 proposed to change the law regarding cigarette tax stamps enacted by the First Regular Session of the 120th Legislature by replacing it with the law that was previously in effect. Current law requires the State Tax Assessor to sell cigarette stamps to licensed cigarette distributors at a discount of 2.16% from face value for stamps sold prior to July 1, 2002 and 2.03% for stamps sold on or after July 1, 2002. This bill proposed to require the State Tax Assessor to sell these stamps at a discount of 2.5% from face value and to apply this change retroactively to July 1, 2001.

**Committee Amendment “A” (S-442)** proposed to maintain the distributor discount on cigarette tax stamps at the current amount of 2.16% and eliminate the scheduled reduction on July 1, 2002 to 2.03%.

**LD 1966**

**An Act to Amend the Laws Relating to Development Districts**

**PUBLIC 669**

<u>Sponsor(s)</u> GAGNON RICHARDSON	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-547
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LD 1966 proposed to amend the provisions of law relating to municipal development districts and tax increment financing districts.

**Committee Amendment “B” (S-547)** proposed to make changes to improve and clarify the reorganization of the laws relating to development districts and tax increment financing districts. The amendment proposed to clarify the application of the laws to districts designated before the effective date of the Act and to require that a development program for a development district include all documentation submitted to or prepared by the municipality when considering the economic benefit of the district to the municipality and the potential economic detriment to other businesses in the municipality.

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### *Enacted Law Summary:*

Public Law 2001, chapter 669 reorganizes, clarifies and makes minor substantive changes to the laws relating to municipal development districts and tax increment financing districts.

### **LD 2012                      An Act to Expand the Maine Seed Capital Tax Credit Program                      PUBLIC 642**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
TESSIER TURNER	OTP-AM	H-1014

LD 2012 proposed to modify the Maine Seed Capital Tax Credit Program by increasing the tax credit available for investments in businesses located in areas of the State with high unemployment. The bill also proposed to encourage the investment of private capital by allowing investors to obtain a tax credit on investments of up to \$500,000 per company, an increase from \$200,000 per company, and allowing each company to receive up to \$5,000,000 in investments for which investors may receive tax credits, up from \$1,000,000. The bill proposed to allow the tax credit to be taken over 4 years, rather than 7 years.

Committee Amendment “A” (H-1014) proposed to add a provision increasing to 60% the seed capital tax credit available for investments in eligible private venture capital funds that invest in eligible businesses in designated high unemployment areas. The amendment proposed to add the seed capital investment tax credit to the list of economic development incentives subject to reporting requirements.

### *Enacted Law Summary:*

Public Law 2001, chapter 642 modifies the Maine Seed Capital Tax Credit Program administered by the Finance Authority of Maine by increasing the tax credit available for investments in businesses located in areas of the State with high unemployment or for investments in private venture capital funds with investments in businesses in those areas. The Act allows investors to obtain a tax credit on investments of up to \$500,000 per company, an increase from \$200,000 per company, and allows each company to receive up to \$5,000,000 in investments for which investors may receive tax credits, up from \$1,000,000. The Act also adds the seed capital investment credit to the list of economic development incentives subject to reporting requirements.

### **LD 2044                      Resolve, to Require Agencies to Provide a List of Certain Paperwork Required of Maine Businesses                      RESOLVE 111**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
SULLIVAN BROMLEY	OTP-AM	H-1016 S-592 GOLDTHWAIT

LD 2044 proposed to direct the Department of Administrative and Financial Services, Bureau of Revenue Services to determine ways to reduce duplicative filings that are required of businesses in Maine and to report its findings to the 121st Legislature.



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**Committee Amendment “A” (H-1016)** proposed to direct state agencies to provide the Secretary of State with a list of licenses, registrations, forms and reports required by the agencies to operate a business or conduct an occupation. The Secretary of State would be directed to compile a master list of licenses, registrations, forms and reports and submit the master list to the First Regular Session of the 121st Legislature by January 15, 2003.

**Senate Amendment “A” to Committee Amendment “A” (S-592)** proposed to remove the appropriations section from the committee amendment.

### *Enacted Law Summary:*

Resolve 2001, chapter 111 directs state agencies to provide the Secretary of State with a list of licenses, registrations, forms and reports required by the agencies to operate a business or conduct an occupation. The Secretary of State is directed to compile a master list of licenses, registrations, forms and reports and submit the master list to the First Regular Session of the 121st Legislature by January 14, 2003.

**LD 2086**

**An Act to Implement the Recommendations of the Education  
Funding Reform Committee**

**DIED BETWEEN  
BODIES**

Sponsor(s)

Committee Report

Amendments Adopted

OTP-AM MAJ  
ONTP-MIN

LD 2086 was presented by the Education Funding Reform Committee pursuant to Public Law 2001, chapter 439, Part SSS as a proposal for reducing the State's reliance on the property tax for funding public education. This bill was accompanied by separate legislation to amend the Constitution of Maine to authorize aspects of the proposed changes. (See LD 2087.)

This bill proposed to establish property tax maximum mill rates for local costs for public education from kindergarten to grade 12. Mill rates would be limited to 6 mills for primary residential property, commercial, agricultural and industrial property, and tracts of undeveloped property not enrolled in a current use taxation program and 12 mills for all other property. Municipalities would be able to raise additional amounts for public education through the property tax but only from primary residential property. The bill proposed to repeal the homestead property tax exemption and require information regarding the impact of the changes to be included on property tax bills. The bill proposed to direct the joint standing committee of the 121st Legislature having jurisdiction over taxation matters to develop recommendations designed to generate the additional state revenue necessary to fund public education from kindergarten to grade 12. The committee would be directed to give special consideration to sales and use tax base expansions and to consider converting the State's sales and use tax to a gross receipts tax. The committee would also be directed to recommend an excise tax on personal property as partial replacement of property taxes on personal property and an education budget stabilization fund designed to ensure that adequate funds are available for education costs during periods when General Fund revenues do not keep pace with education costs.

**Committee Amendment “A” (H-1068)** proposed to replace the bill and to provide for a statutory referendum on establishing a cap on local property taxes of 12 mills on secondary residential property and 6 mills for all other property for the purpose of funding public education from kindergarten to grade 12. A

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municipality would be able to raise additional revenues for education but only from additional assessments on primary residential property. The amendment also proposed to establish an Education Funding Stabilization Fund, funded by a portion of year-end surplus revenues for the purpose of ensuring adequate state funding for education in years when General Fund revenues do not provide adequate revenue for education funding. The amendment proposed to require notification on local budget documents of the impact of school and municipal budgets on property tax mill rates and direct the joint standing committee of the Legislature having jurisdiction over taxation matters to report out legislation to the First Regular Session of the 121st Legislature to extend the sales tax to services not currently taxed, to increase the sales tax on meals and lodging from 7% to 8% and to address the progressivity of the income tax.

**LD 2087                      RESOLUTION, Proposing an Amendment to the Constitution                      DIED BETWEEN  
of Maine to Allow the Legislature to Establish Classes                      BODIES  
of Property for Purposes of Property Taxes to Fund**

<u>Sponsor(s)</u>		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> H-1053
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LD 2087 was a constitutional resolution offered by the Education Funding Reform Committee pursuant to Public Law 2001, chapter 439, Part SSS as part of a proposal presented by the committee to reduce the State's reliance on the property tax for funding public education. This constitutional resolution was accompanied by separate legislation to implement the changes proposed in the resolution and to provide further details of the proposal developed by the committee for further consideration by the Legislature. (See LD 2086.)

This constitutional resolution proposed to make two major changes in the constitutional requirements related to the property tax. The first change would permit the Legislature to establish classes of property and impose different maximum rates on the local property tax that could be imposed on each class of property for the purposes of funding local education costs. The second change would exempt personal property from taxation as long as certain personal property, as defined by the Legislature, is subject to an excise tax to be collected and retained by municipalities.

Committee Amendment "A" (H-1053) proposed to remove provisions from the original resolution proposing to exempt personal property from the property tax if an excise tax was established for that property and to clarify the language authorizing the Legislature to establish classes of property and to permit different tax rates for different classes of property for the purpose of funding public education from kindergarten to grade 12.

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LD 2110

**An Act to Establish Municipal Cost Components for  
Unorganized Territory Services to be Rendered in Fiscal  
Year 2002-2003**

**P&S 64  
EMERGENCY**

<u>Sponsor(s)</u>		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> H-914
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LD 2110 proposed to establish municipal cost components for state and county services provided to the unorganized territory that would be paid for by a municipality. The municipal cost components constitute the property tax for the unorganized territory.

**Committee Amendment “A” (H-914)** proposed to make changes to the amount authorized for county services in Somerset County and Piscataquis County to reflect decreases for capital reserves for certain airports and an increase in Somerset County for ambulance services.

### *Enacted Law Summary:*

Private and Special Law 2001, chapter 64 establishes municipal cost components for state and county services provided to the unorganized territory that would be paid for by a municipality. The municipal cost components constitute the property tax for the unorganized territory. This bill was enacted as an emergency measure and took effect April 2, 2002.

LD 2122

**An Act to Fairly Assess Sales Tax on Vehicles**

**INDEF PP**

<u>Sponsor(s)</u> DUNLAP CATHCART		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> H-1013
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LD 2122 proposed to provide that casual sales of certain vehicles would be exempt from sales tax when sold to a corporation, partnership, limited liability company or limited liability partnership when the seller is the owner of less than a majority of common stock of the corporation or has an ownership interest in the partnership, limited liability company or limited liability partnership or the seller is the spouse of an owner or a person with an ownership interest. The bill proposed to apply this change retroactively to January 1, 2001.

**Committee Amendment “A” (H-1013)** proposed to restrict the application of the bill by extending the sales tax exemption for certain casual sales only to sales by the spouse of an owner of the majority interest in a corporation, limited liability company or limited liability partnership to the corporation, company or partnership.

This bill was indefinitely postponed when removed from the Special Appropriations Table.

## Joint Standing Committee on Taxation

LD 2132

**An Act to Allow the Town of Lincoln to Adjust the Definition of Original Assessed Value for a Downtown Tax Increment Financing District**

**P&S 57  
EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CARR CATHCART	OTP	

LD 2132 proposed to allow the Town of Lincoln to use current assessed value of the downtown as of April 1, 2002 for purposes of designating a tax increment financing district between April 1, 2002 and March 31, 2003.

### *Enacted Law Summary:*

Private and Special Law 2001, chapter 57 allows the Town of Lincoln to use the current assessed value of the downtown as of April 1, 2002 for purposes of designating a tax increment financing district between April 1, 2002 and March 31, 2003. This bill was enacted as an emergency measure and took effect March 21, 2002.

LD 2154

**An Act to Change the Standard for Requesting an Adjustment to State Valuation Because of a Sudden and Severe Disruption of Valuation**

**PUBLIC 579  
EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
	OTP MAJ OTP-AM MIN	

LD 2154 proposed to reduce the threshold for requesting an adjustment to state valuation due to a sudden and severe disruption of valuation from a net reduction in valuation of 5% to 2%.

**Committee Amendment "A" (S-467)** proposed to replace the bill and to permit the Town of Dexter to request an adjustment of its state valuation for the year 2003 without meeting the percentage reduction in valuation required under the provisions of current law. This amendment was the minority committee report and was not adopted.

See also LD 1833.

### *Enacted Law Summary:*

Public Law 2001, chapter 579 reduces the threshold for requesting an adjustment to state valuation due to a sudden and severe disruption of valuation from a net reduction in valuation of 5% to 2%. This bill was enacted as an emergency measure and took effect March 28, 2002.

## Joint Standing Committee on Taxation

LD 2161

### An Act to Conform the Maine Tax Laws for 2001 With the United States Internal Revenue Code

ONTP

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GREEN GAGNON	ONTP	

LD 2161 proposed to update references to the United States Internal Revenue Code contained in the Maine Revised Statutes, Title 36 as amended through December 31, 2001 for tax years beginning on or after January 1, 2001.

Partial conformity with the United State Internal Revenue Code as of March 15, 2002 was included in Part GG of the Supplemental Budget Bill. See LD 2080, in the summaries of the Joint Standing Committee on Appropriations and Financial Affairs.

LD 2162

### An Act to Supplement Maine's Academic Attainment and to Retain Talent

PUBLIC 700

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
SAXL BENNETT	OTP-AM MAJ ONTP MIN	H-1055 S-616

LD 2162 was jointly referred to the Joint Standing Committee on Education and Cultural Affairs and the Joint Standing Committee on Taxation. The bill proposed to establish a tax credit for a portion of contributions to a qualified scholarship organization whose purpose is to provide 95% of the contribution it receives to award need-based student financial assistance to Maine residents to attend institutions of higher education and to repay educational loans of persons who are employed by a business in the State or who reside in the State and are unemployed. The bill also proposed to require the advisory council established to address policies related to higher education attainment in the State to review and report on the policy alternatives available to the Legislature in creating an endowment fund for the benefit of eligible residents of the State to meet the high cost of attending an institution of higher education. The joint standing committee of the Legislature having jurisdiction over education matters would be authorized to report out a bill to the Second Regular Session of the 121st Legislature.

**Committee Amendment "A" (H-1055)** is the majority report of the Joint Standing Committee on Education and Cultural Affairs and the Joint Standing Committee on Taxation. The committee amendment proposed to replace the bill to clarify the proposed tax credits as follows.

The amendment proposed to provide tax credits against the income tax and the insurance premium tax equal to a portion of the amount contributed by an individual or corporation to a qualified scholarship organization and for a portion of the amount paid by an employer to a creditor on behalf of certain employees for the purpose of repaying the employees' outstanding postsecondary education loans. The proposed total tax credit could not exceed \$2,000 for an individual taxpayer or \$10,000 for each taxpayer who is a corporation or an employing unit and would not be refundable.

The amendment also proposed to require the advisory council established to address policies related to higher education attainment in the State to review and report on the policy alternatives available to the

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Legislature in creating an endowment fund for the benefit of eligible residents of the State to meet the high cost of attending an institution of higher education. The joint standing committee of the Legislature having jurisdiction over education matters would be authorized to report out a bill to the Second Regular Session of the 121st Legislature.

**Committee of Conference Amendment “A” to Committee Amendment “A” (S-616)** is the unanimous report of the Committee of Conference. This amendment proposed to retain the provisions of Committee Amendment "A" except that it proposed to change modifications to federal income in connection with the educational investment tax credit and the recruitment credit and make the credits for 2003 tax years contingent upon the availability of adequate year-end surplus revenues in fiscal year 2001-02.

### *Enacted Law Summary:*

Public Law 2001, chapter 700 establishes tax credits to promote the postsecondary educational attainment of Maine residents or the recruitment and retention of college-educated persons to work in Maine. To accomplish these purposes, the law enacts the following provisions:

1. It provides tax credits against the income tax and the insurance premium tax equal to a portion of the amount contributed to a qualified scholarship organization;
2. It provides tax credits against the income tax and the insurance premium tax equal to a portion of the amount paid by an employer to a creditor on behalf of an employee for the purpose of repaying the employee's outstanding postsecondary education loans;
3. It provides that the total tax credit may not exceed \$2,000 for an individual taxpayer or \$10,000 for each taxpayer who is a corporation or an employing unit. It also provides that the contribution may not directly benefit the taxpayer claiming the credit or those directly related to a taxpayer that is claiming the credit. It further provides that the tax credits may not reduce the contributor's Maine income tax to less than zero but may be carried over for 5 taxable years;
4. It requires annual reporting of the costs and effectiveness of the tax credit programs by the Finance Authority of Maine, in conjunction with the Department of Administrative and Financial Services, Maine Revenue Services, to the joint standing committee of the Legislature having jurisdiction over education and cultural affairs and the joint standing committee of the Legislature having jurisdiction over taxation matters;
5. The tax credit for 2003 tax years takes effect only if there are sufficient funds in the General Fund unappropriated surplus at the close of fiscal year 2001-02 to cover the cost of the tax credits; and
6. It requires an advisory council established to address policies related to higher education attainment in the State to review and report on the policy alternatives available to the Legislature in creating an endowment fund for the benefit of eligible residents of the State to meet the high cost of attending an institution of higher education. The joint standing committee of the Legislature having jurisdiction over education and cultural affairs may report out a bill to the Second Regular Session of the 121st Legislature relating to this report.

This bill was jointly referred to the Joint Standing Committee on Education and Cultural Affairs and the Joint Standing Committee on Taxation.

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LD 2166

**An Act to Provide Flexibility in the Rate of Interest  
Charged on Delinquent Taxes**

**PUBLIC 635  
EMERGENCY**

Sponsor(s)  
SULLIVAN

Committee Report  
OTP-AM

Amendments Adopted  
H-1028

LD 2166 proposed to allow a municipality to impose an interest rate up to the rate imposed during the previous property tax year in that municipality or a rate equal to the highest conventional rate of interest charged for commercial unsecured loans by banking institutions in the State on the first business day of the calendar year the vote is taken, whichever is greater.

**Committee Amendment “A” (H-1028)** proposed to provide an optional calculation for determining municipal interest rates for delinquent property taxes. The amendment proposed to permit municipalities to adopt an interest rate that is 2 percentage points higher than the rate established by the Treasurer of State if the rate established by the Treasurer is 2 percentage points or more lower than the rate established for the previous year.

### *Enacted Law Summary:*

Public Law 2001, chapter 635 provides an optional calculation for determining municipal interest rates for delinquent property taxes. The amendment permits municipalities to adopt an interest rate that is 2 percentage points higher than the rate established by the Treasurer of State if the rate established by the treasurer is 2 percentage points or more lower than the rate established for the previous year. This bill was enacted as an emergency measure and took effect April 8, 2002.

LD 2205

**Resolve, to Adjust the Valuation of St. John Plantation as a  
Result of a Fire**

**RESOLVE 119  
EMERGENCY**

Sponsor(s)  
MARTIN  
MICHAUD

Committee Report  
OTP-AM

Amendments Adopted  
S-615  
S-620 MARTIN

LD 2205 proposed to reduce the 2002 state valuation of St. John Plantation to \$9,480,000 to reflect reduced valuation resulting from a recent fire. This resolve also proposed to authorize St. John Plantation to seek an adjustment of its state valuation for the year 2003 without meeting the state average tax rate threshold required under the provisions of current law.

**Committee Amendment “A” (S-615)** proposed to add a mandate preamble and a fiscal note to the resolve.

**Senate Amendment “A” (S-620)** proposed to change the adjusted 2002 state valuation for St. John Plantation to \$10,630,000 to reflect more accurately the actual reduction in valuation.

## Joint Standing Committee on Taxation

### *Enacted Law Summary:*

Resolve 2001, chapter 119 reduced the 2002 state valuation of St. John Plantation to \$10,630,000 in recognition of the loss of value resulting from a recent fire. This bill was enacted as an emergency measure and took effect April 11, 2002.

**LD 2210**

**An Act Relating to Tax Expenditure Review and Other Tax Reporting Requirements**

**PUBLIC 652**

Sponsor(s)

Committee Report  
OTP

Amendments Adopted

LD 2210 was reported out by the Committee pursuant to Resolve 2001, chapter 17. The bill proposed to implement the recommendations of the Joint Standing Committee on Taxation relating to tax expenditure review. The bill proposed to repeal the current tax expenditure review process and replace it with a process intended to provide effective legislative review of tax expenditures and provide an opportunity for legislative review of the State's tax policy and structure. The bill proposed to require the Bureau of Revenue Services to provide more detailed information regarding tax expenditures than is currently prepared and to authorize the Taxation Committee to review that information biennially. The Committee would also be authorized to perform other tax-related reviews. The bill also proposed to repeal several reports to the Legislature that are duplicative, obsolete or no longer considered necessary.

### *Enacted Law Summary:*

Public Law 2001, chapter 652 was reported out by the Committee pursuant to Resolve 2001, chapter 17. The Act replaces the tax expenditure review process to provide more effective review to tax expenditures and to provide an opportunity for legislative review of the State's tax policy and structure. The Act also repeals several reports to the Legislature by the Bureau of Revenue Services that are duplicative, obsolete or no longer considered necessary.



## Joint Standing Committee on Taxation

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