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STATE OF MAINE  
ONE HUNDRED AND TWENTY FOURTH LEGISLATURE

COMMITTEE ON TAXATION

**DATE:** January 16, 2009

**TO:** Sen. G. William Diamond, Senate Chair  
Rep. Emily Cain, House Chair  
Members, Joint Standing Committee on Appropriations and Financial Affairs

**FROM:** Sen. Joseph Perry, Senate Chair  
Rep. Thomas Watson, House Chair  
Members, Joint Standing Committee on Taxation

**RE:** Committee recommendations with regard to **LD 45, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2009.**

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The Joint Standing Committee on Taxation has reviewed the taxation-related provisions of LD 45, the Emergency FY 09 supplemental budget bill and submits to you the attached charts identifying the Committee's recommendations on the items subject to our review.

The Committee voted unanimously<sup>1</sup> to approve all but one of the provisions we were asked to review. With regard to the language in Part I, the committee unanimously submits an amendment prepared by Maine Revenue Services to address concerns raised at the public hearing regarding the impact on owners of pass-through entities. It is our understanding that concerned parties are in agreement about this amendment. The amendment is attached.

The only item that was divided was the language in Part P which proposes to delay the phase-down of the telecommunications personal property tax. Seven members recommend approving Part P. Four members recommend rejection. While the committee divided on how to address the Governor's recommendation, all committee members agreed that the issues raised by parties testifying on this provision are complicated and raise legitimate issues that the Legislature should address this session. Our work on this issue indicates that it is complex and involves not only state revenue but also the interests of several different categories of taxpayers and municipalities. We are aware that further delays in the phase-down of this tax are proposed in the biennial budget. Our committee agrees with the recommendation of the Utilities Committee that work continue on this issue with hopes of finding a satisfactory method of addressing the interests of all parties this session, and we commit to continuing that work.

If we can be of assistance as you proceed with your consideration of the Emergency Budget bill, please do not hesitate to contact us.

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<sup>1</sup> Senator Bliss was unable to attend our work session. Rep. Sirois needed to leave before all votes were completed. All other members were present for all votes.

**Sec. A-1. Appropriations and allocations.**

The following appropriations and allocations are made.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**

**Homestead Property Tax Exemption Reimbursement 0886**

Initiative: Reduces funding to an anticipated level for reimbursements for homestead property tax exemptions in fiscal year 2008-09.

Ref. #: 119 - P5

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
All Other	(\$250,000)	\$0	\$0
<b>GENERAL FUND TOTAL</b>	<b>(\$250,000)</b>	<b>\$0</b>	<b>\$0</b>

**Justification:**

Over the past several years property values have risen and the effective tax rate has declined causing the level of reimbursement to decline.

**Revenue Services - Bureau of 0002**

Initiative: Provides funding to pay contingency-related expenditures resulting from the collection of past due taxes.

Ref. #: 123 - P6

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
All Other	\$1,365,000	\$0	\$0
<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$1,365,000</b>	<b>\$0</b>	<b>\$0</b>

**Justification:**

Efforts by outside collection agencies to collect tax debt has resulted in additional revenues being generated increasing the contingency related fees.

**Revenue Services - Bureau of 0002**

Initiative: Reduces funding for professional services. This initiative relates to the curtailments ordered in Financial Order 004576 F9.

Ref. #: 124 - P6

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
All Other	(\$53,006)	\$0	\$0
<b>GENERAL FUND TOTAL</b>	<b>(\$53,006)</b>	<b>\$0</b>	<b>\$0</b>

**Justification:**

Unused first quarter All Other allotment for professional services were identified as savings.

**Revenue Services - Bureau of 0002**

Initiative: Reduces funding to reflect savings attributable to increased use of electronic filing, reducing the demand for printed forms. This initiative relates to the curtailments ordered in Financial Order 004576 F9.

Ref. #: 125 - P6

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

GENERAL FUND	2008-09	2009-10	2010-11
All Other	(\$34,877)	\$0	\$0
GENERAL FUND TOTAL	(\$34,877)	\$0	\$0

**Justification:**

Savings are recognized from printing fewer forms as a result of encouraging electronic filings.

**Revenue Services - Bureau of 0002**

Initiative: Reduces funding from savings through the management of position vacancies. This initiative relates to the curtailments ordered in Financial Order 004576 F9.

Ref. #: 126 - P6

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

GENERAL FUND	2008-09	2009-10	2010-11
Personal Services	(\$694,000)	\$0	\$0
GENERAL FUND TOTAL	(\$694,000)	\$0	\$0

**Justification:**

The imposition of stricter constraints on hiring will result in one-time personal services savings in the current fiscal year.

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF DEPARTMENT TOTALS**

DEPARTMENT TOTALS	2008-09	2009-10	2010-11
GENERAL FUND	(\$1,031,883)	\$0	\$0
OTHER SPECIAL REVENUE FUNDS	\$1,365,000	\$0	\$0
DEPARTMENT TOTAL - ALL FUNDS	\$333,117	\$0	\$0

**PROPERTY TAX REVIEW, STATE BOARD OF**

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

Initiative: Reduces funding from savings in per diem from a reduction in hearings. This initiative relates to the curtailments ordered in Financial Order 004576 F9.

Ref. #: 634 - P129

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

GENERAL FUND	2008-09	2009-10	2010-11
Personal Services	(\$4,999)	\$0	\$0
GENERAL FUND TOTAL	(\$4,999)	\$0	\$0

**Justification:**

Any cut back in scheduling will delay hearings.

**PROPERTY TAX REVIEW, STATE BOARD OF DEPARTMENT TOTALS**

PROPERTY TAX REVIEW, STATE BOARD OF DEPARTMENT TOTALS	2008-09	2009-10	2010-11
GENERAL FUND	(\$4,999)	\$0	\$0
DEPARTMENT TOTAL - ALL FUNDS	(\$4,999)	\$0	\$0

**TREASURER OF STATE, OFFICE OF**

**State - Municipal Revenue Sharing 0020**

Initiative: Adjusts funding to bring the allocation into line with revenue projections approved by the Revenue Forecasting Committee in December 2008.

Ref. #: 672 - P140

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

OTHER SPECIAL REVENUE FUNDS	2008-09	2009-10	2010-11
All Other	(\$8,271,991)	\$0	\$0
OTHER SPECIAL REVENUE FUNDS TOTAL	(\$8,271,991)	\$0	\$0

**Justification:**

The Treasury Department receives a transfer of undedicated revenue from the General Fund for distribution as Municipal Revenue Sharing (Rev 1) and to municipalities for Disproportionate Tax Burden (Rev 2). This initiative aligns the allocation to both the Municipal Revenue Sharing account and to the Disproportionate Tax Burden Fund based on revenue projections by the Revenue Forecasting Committee in December 2008.

**TREASURER OF STATE, OFFICE OF DEPARTMENT TOTALS**

TREASURER OF STATE, OFFICE OF DEPARTMENT TOTALS	2008-09	2009-10	2010-11
OTHER SPECIAL REVENUE FUNDS	(\$8,271,991)	\$0	\$0
DEPARTMENT TOTAL - ALL FUNDS	(\$8,271,991)	\$0	\$0

<b>SECTION TOTALS</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>GENERAL FUND</b>	<b>(\$1,036,882)</b>	<b>\$0</b>	<b>\$0</b>
<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>(\$6,906,991)</b>	<b>\$0</b>	<b>\$0</b>
<b>SECTION TOTAL - ALL FUNDS</b>	<b>(\$7,943,873)</b>	<b>\$0</b>	<b>\$0</b>

**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. #: 684

Committee Vote: Accept 12-0 AFA Vote: \_\_\_\_\_

<b>GENERAL FUND</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Personal Services	\$3,486	\$0	\$0
All Other	(\$3,486)	\$0	\$0
<b>GENERAL FUND TOTAL</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF  
DEPARTMENT TOTALS**

	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>GENERAL FUND</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>DEPARTMENT TOTAL - ALL FUNDS</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**LANGUAGE PROVISIONS:**

Item	LD Sec.	Page LD 45	Program/Provision	Budget Proposals		Committee Recommendation
				FY 08	FY 09	
9	H-1	165	<b>Elderly Tax Deferral Program</b> Transfers \$88,000 in unexpended funds from OSR to the GF unappropriated surplus.	\$0	\$88,000	Accept 12-0
10	I	165-166	<b>Bureau of Revenue Services</b> Disallows use of the election to pay estimated tax based on the prior year's tax liability with regard to unusual event income, such as realization of a large capital gain. An unusual event is defined as a receipt of income exceeding \$500,000. The change applies to tax years beginning on or after January 1, 2009.	\$0	\$5,129,345	Accept 12-0 with amendment (attached)
11	P	168	<b>Bureau of Revenue Services</b> Maintains the 2009 mill rate on telecommunications personal property at 22 mills, the same rate that is applicable in 2008.	\$0	\$795,030	7 Accept (Perry, Watson, Pilon, Bryant, Valentino, Crockett, Flemings) 4 Reject (Nass, Chase, Langley, Knight)
12	Z	171	<b>Bureau of Revenue Services</b> Delays the tax credit for rehabilitation of historic properties with respect to the Kennebec Arsenal District National Historic Landmark from tax years beginning on or after January 1, 2006 but before January 1, 2010 to tax years that begin on or after January 1, 2009 but before January 1, 2013. Unused credit amounts in any one tax year may be carried forward only through tax year 2012.	\$0	\$474,500	Accept 12-0

GF General Fund  
 HF Highway Fund  
 OSR Other Special Revenue  
 BRSF Bureau of Revenue Services Fund  
 ISF Internal Service Fund  
 FHM Fund for a Healthy Maine  
 FEF Federal Expenditure Fund

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from Jerome

Shard 1/12/09

Committee Amendment “ \_\_\_\_ ” to L.D. 45

Amend L.D. 45, Part I, by inserting the new section after Sec. I-4:

**Sec. I-5. 36 M.R.S.A. § 5228, sub-§ 11** is enacted to read:

**11. Unusual event; waiver of penalty; extension to pay.** With respect to an estimated tax payment related to an unusual event, the assessor shall waive the penalty under subsection 5 or grant a reasonable extension of time to pay, not to exceed the original due date for the filing of the return for the tax year, to pay the estimated tax required under subsection 5, paragraph D if the taxpayer meets the following criteria:

- A. The taxpayer is an owner in a pass-through entity;
- B. The taxpayer had no control over the distribution of the unusual event amount;
- C. The taxpayer did not actually or constructively receive payment of the unusual event amount; and
- D. The taxpayer pays the estimated tax related to the unusual event amount by the installment payment due date following the installment period during which the taxpayer actually or constructively receives payment of the unusual event amount.

#### SUMMARY

This amendment requires the State Tax Assessor, in certain specified circumstances, to waive the penalty for underpayment of estimated tax with respect to an unusual event or to grant an extension of time to pay the estimated tax with respect to an unusual event.