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**STATE OF MAINE
ONE HUNDRED AND THIRTY SECOND LEGISLATURE
COMMITTEE ON TAXATION**

TO: Senator Margaret Rotundo, Senate Chair
Representative Drew Gattine, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

FROM: Senator Nicole Grohoski, Senate Chair
Representative, Kristen Cloutier, House Chair
Joint Standing Committee on Taxation

DATE: March 5, 2025

RE: Recommendations on the Governor’s Proposed Biennial Budget, LD 210

The Joint Standing Committee on Taxation met on February 26 & 27, 2025 and March 4, 2025 to review the initiatives and language under the committee’s jurisdiction in the Governor’s proposed biennial budget. Our committee’s recommendations on the language initiatives are summarized below, and we have included detailed vote records for all initiatives. We are not proposing any amended language at this time.

Part A Initiatives

Please refer to the attached budget report back template provided by OFPR to review our recommendation on each initiative.

Part E Language – Tobacco Products Tax Rate

The committee voted 7 to 6 in support of the proposed increase to the tobacco products tax rate. Committee members in support of this initiative found the public health reasons for the initiative compelling, but recognize that adequate cessation resources will need to be available to achieve the policy’s goals. Therefore, the majority of Taxation members encourage our AFA colleagues to consult with members of the Health and Human Services Committee regarding the resources available for cessation through the Fund for Healthy Maine.

Part F Language – Adult Use Cannabis Excise and Sales Taxes

The committee has voted unanimously against this initiative at this time due to the complexity of the policy. The committee agrees that this policy area requires action and expects to further address the cannabis excise and sales taxes in discrete, future bills. Additionally, the committee intends to consult with members of the Veterans and Legal Affairs Committee on the anticipated regulatory impacts of various taxation policy options before making a final recommendation.

Part G Language – Sales & Use Tax and Service Provider Tax

Part G language includes three initiatives: 1) repeals the service provider tax and instead taxes these services at the 5.5% sales tax rate; 2) adds digital audio-visual and audio services to taxable services at the 5.5% sales tax rate; and 3) broadens and simplifies the sales and use tax exemption for certain medical equipment. The committee voted unanimously in support of the first and third initiatives, and the majority of members voted against the second initiative (9 to 3). After the committee voted on these initiatives, Maine Revenue Services (MRS) staff provided information indicating that the first and second initiatives are interconnected. The Chairs recommend that our AFA colleagues seek additional information from MRS before addressing these initiatives separately.

Part H Language – Phase-out of Non-Military Pension Deduction

The committee voted 7 to 6 in support of the proposed phase-out of the non-military pension deduction.

Part I Language – Tax Expenditure Funding

The committee voted unanimously in support of the language that authorizes the continuation of tax expenditures provided by statute.


The majority of committee members – Sen. Grohoski, Rep. Cloutier, Sen. Tipping, Rep. Crockett, Rep. Friedmann, Rep. Matlack, and Rep. Sayre – offer the following for your consideration:

As the Appropriations and Financial Affairs Committee considers tax measures to include in the biennial budget, a majority of the Taxation Committee recommends a focus on proposals that generate revenue through taxation to fund essential services that help Maine families thrive. To that end, proposals under consideration should increase fairness across income levels and reduce corporate tax expenditures that primarily benefit out-of-state corporations. The Taxation Committee will be hearing and working many of these proposals in the coming weeks and stand ready to answer questions and offer recommendations as the budget process progresses. We look forward to our continued collaboration in securing the necessary revenue that allows us to invest in the vital programs and services that support Maine communities and strengthen our economy.

Finally, the Chairs are aware that some committee members plan to provide additional information regarding the Governor’s budget to the AFA Committee separately from this memo.

Thank you for your time and consideration of our report on behalf of the Taxation Committee. Please let us know if we can provide any additional information or assistance.

Sincerely,



Nicole Grohoski
Senate Chair



Kristen Cloutier
House Chair

c: Members, Joint Standing Committee on Taxation

Committee Vote Record for Language Provisions

Part E: Tobacco Products Taxation

Date: February 26, 2025

Vote: Yes 6; No 7; Absent 0

Motion: Move Out

Result: Move In

	<u>YES</u>	<u>NO</u>	<u>ABSENT</u>
Sen. N. Grohoski		X	
Sen. B. Bickford	X		
Sen. M. Tipping		X	
Rep. K. Cloutier		X	
Rep. E. Crockett		X	
Rep. G. Friedmann		X	
Rep. T. Lavigne	X		
Rep. A. Matlack		X	
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre		X	
Rep. G. Swallow	X		
Rep. R. White	X		
	6	7	0

Part F: Adult Use Cannabis Excise and Sales Taxes

Date: March 4, 2025

Vote: Yes 12; No 0; Absent 1

Motion: Move Out

Result: Move Out

	<u>Yes</u>	<u>No</u>	<u>Absent</u>
Sen. N. Grohoski	X		
Sen. B. Bickford	X		
Sen. M. Tipping	X		
Rep. K. Cloutier	X		
Rep. E. Crockett	X		
Rep. G. Friedmann	X		
Rep. T. Lavigne	X		
Rep. A. Matlack	X		
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre	X		
Rep. G. Swallow	X		
Rep. R. White	X		
	13	0	0

Part G-1: Service Provider Tax

Date: February 26, 2025

Motion: Move In

Vote: Yes 13; No 0; Absent 0

Result: Move In

	<u>Yes</u>	<u>No</u>	<u>Absent</u>
Sen. N. Grohoski	X		
Sen. B. Bickford	X		
Sen. M. Tipping	X		
Rep. K. Cloutier	X		
Rep. E. Crockett	X		
Rep. G. Friedmann	X		
Rep. T. Lavigne	X		
Rep. A. Matlack	X		
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre	X		
Rep. G. Swallow	X		
Rep. R. White	X		
	13	0	0

Part G-2: Digital Streaming

Date: February 26, 2025

Motion: Move Out

Vote: Yes 9; No 3; Absent 1

Result: Move Out

	<u>Yes</u>	<u>No</u>	<u>Absent</u>
Sen. N. Grohoski		X	
Sen. B. Bickford	X		
Sen. M. Tipping		X	
Rep. K. Cloutier		X	
Rep. E. Crockett			X
Rep. G. Friedmann	X		
Rep. T. Lavigne	X		
Rep. A. Matlack	X		
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre	X		
Rep. G. Swallow	X		
Rep. R. White	X		
	9	3	1

Part G-3: Durable Medical Equipment

Date: February 26, 2025

Motion: Move In

Vote: Yes 13; No 0; Absent 0

Result: Move In

	<u>Yes</u>	<u>No</u>	<u>Absent</u>
Sen. N. Grohoski	X		
Sen. B. Bickford	X		
Sen. M. Tipping	X		
Rep. K. Cloutier	X		
Rep. E. Crockett	X		
Rep. G. Friedmann	X		
Rep. T. Lavigne	X		
Rep. A. Matlack	X		
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre	X		
Rep. G. Swallow	X		
Rep. R. White	X		
	13	0	0

Part H: Phase-out of Non-Military Pension Deduction

Date: February 26, 2025

Motion: Move Out

Vote: Yes 6; No 7; Absent 0

Result: Move In

	<u>Yes</u>	<u>No</u>	<u>Absent</u>
Sen. N. Grohoski		X	
Sen. B. Bickford	X		
Sen. M. Tipping		X	
Rep. K. Cloutier		X	
Rep. E. Crockett		X	
Rep. G. Friedmann		X	
Rep. T. Lavigne	X		
Rep. A. Matlack		X	
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre		X	
Rep. G. Swallow	X		
Rep. R. White	X		
	6	7	0

Part I: Tax Expenditure Funding

Date: February 26, 2025

Motion: Move In

Vote: Yes 13; No 0; Absent 0

Result: Move In

	<u>Yes</u>	<u>No</u>	<u>Absent</u>
Sen. N. Grohoski	X		
Sen. B. Bickford	X		
Sen. M. Tipping	X		
Rep. K. Cloutier	X		
Rep. E. Crockett	X		
Rep. G. Friedmann	X		
Rep. T. Lavigne	X		
Rep. A. Matlack	X		
Rep. T. Quint	X		
Rep. S. Rudnicki	X		
Rep. D. Sayre	X		
Rep. G. Swallow	X		
Rep. R. White	X		
	13	0	0

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 2023-24	History 2024-25	2025-26	2026-27
BUREAU OF REVENUE SERVICES FUND				
All Other	\$151,720	\$151,720	\$151,720	\$151,720
BUREAU OF REVENUE SERVICES FUND TOTAL	\$151,720	\$151,720	\$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.

BUREAU OF REVENUE SERVICES FUND 0885

PROGRAM SUMMARY

	History 2023-24	History 2024-25	2025-26	2026-27
BUREAU OF REVENUE SERVICES FUND				
All Other	\$151,720	\$151,720	\$151,720	\$151,720
BUREAU OF REVENUE SERVICES FUND TOTAL	\$151,720	\$151,720	\$151,720	\$151,720

County Tax Reimbursement 0263

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

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 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
PROGRAM SUMMARY**

OTHER SPECIAL REVENUE FUNDS	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

Elderly Tax Deferral Program 0650

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
All Other	\$0	\$1,500,000	\$1,500,000	\$1,500,000
GENERAL FUND TOTAL	\$0	\$1,500,000	\$1,500,000	\$1,500,000
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY				
All Other	\$843,870	\$500	\$500	\$500
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY TOTAL	\$843,870	\$500	\$500	\$500

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
PROGRAM SUMMARY**

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
All Other	\$0	\$1,500,000	\$1,500,000	\$1,500,000
GENERAL FUND TOTAL	\$0	\$1,500,000	\$1,500,000	\$1,500,000
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY				
All Other	\$843,870	\$500	\$500	\$500
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY TOTAL	\$843,870	\$500	\$500	\$500

Homestead Property Tax Exemption Reimbursement 0886

Initiative: BASELINE BUDGET

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$103,500,000	\$105,364,497	\$105,364,497	\$105,364,497
GENERAL FUND TOTAL	\$103,500,000	\$105,364,497	\$105,364,497	\$105,364,497

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.

Homestead Property Tax Exemption Reimbursement 0886

Initiative: Reduces funding for the Homestead Property Tax Exemption Reimbursement program.

Ref. #: 181

Committee Vote: _____

AFA Vote: _____

TAX Vote: In 12; Out 0; Absent 1

GENERAL FUND	In	Out	Absent	2025-26	2026-27
All Other	N. Grohoski	A. Matlack	T. Lavigne	(\$13,364,497)	(\$10,364,497)
	M. Tipping	T. Quint			
GENERAL FUND TOTAL	B. Bickford	S. Rudnicki		(\$13,364,497)	(\$10,364,497)
	K. Cloutier	D. Sayre			
	E. Crockett	G. Swallow			
	G. Friedmann	R. White			

Justification:

Total Homestead Property Tax Exemption Reimbursements have been dropping the past couple of years, even as the reimbursement rate has been increasing due to rapid increases in the real estate market reducing the values of the homestead relative to the market value of residential properties. With the market slowing, anticipated stabilization of the reimbursement with gradual increases in future years is expected.

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

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$103,500,000	\$105,364,497	\$92,000,000	\$95,000,000
GENERAL FUND TOTAL	\$103,500,000	\$105,364,497	\$92,000,000	\$95,000,000

Maine Board of Tax Appeals Z146

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
POSITIONS - LEGISLATIVE COUNT	3.000	3.000	3.000	3.000
Personal Services	\$299,547	\$317,824	\$391,002	\$412,916
All Other	\$47,698	\$47,948	\$47,948	\$47,948
GENERAL FUND TOTAL	\$347,245	\$365,772	\$438,950	\$460,864
	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$45,000	\$45,000	\$45,000	\$45,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$45,000	\$45,000	\$45,000	\$45,000

Justification:

The Maine Board of Tax Appeals (BTA) is an independent board within the Department of Administrative and Financial Services (DAFS) and is not subject to the supervision or control of the Bureau of Revenue Services. The Board provides taxpayers a fair system of resolving controversies with the Bureau and ensures due process.

Maine Board of Tax Appeals Z146

Initiative: Provides funding for statewide technology services provided by the Department of Administrative and Financial Services, Office of Information Technology.

Ref. #: 206	Committee Vote: _____				AFA Vote: _____	
	<u>TAX Vote: In 10; Out 1; Absent 2</u>					
GENERAL FUND	<u>In</u>		<u>Out</u>	<u>Absent</u>	2025-26	2026-27
All Other	N. Grohoski	A. Matlack	S. Rudnicki	M. Tipping	\$5,179	\$5,179
	B. Bickford	T. Quint		T. Lavigne		
GENERAL FUND TOTAL	K. Cloutier	S. Sayre			\$5,179	\$5,179
	E. Crockett	G. Swallow				
	G. Friedmann	R. White				

Justification:

MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies for daily performance of their missions for the citizens of Maine. IT enterprise functions benefitting all state agencies are managed through this office to ensure consistency, volume discount efficiencies, and optimum performance and throughput. MaineIT is established as an internal service fund intended to recoup their costs through billings to departments and agencies for services provided. MaineIT expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs, including vendor increases, supply chain costs, and network and systems modernization and upgrades. This recoupment process results in increased billing rates to departments and agencies.

**MAINE BOARD OF TAX APPEALS Z146
PROGRAM SUMMARY**

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
POSITIONS - LEGISLATIVE COUNT	3.000	3.000	3.000	3.000
Personal Services	\$299,547	\$317,824	\$391,002	\$412,916
All Other	\$47,698	\$47,948	\$53,127	\$53,127
GENERAL FUND TOTAL	\$347,245	\$365,772	\$444,129	\$466,043
OTHER SPECIAL REVENUE FUNDS	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$45,000	\$45,000	\$45,000	\$45,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$45,000	\$45,000	\$45,000	\$45,000

Mandate BETE - Reimburse Municipalities Z065

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
All Other	\$26,500	\$28,000	\$28,000	\$28,000
GENERAL FUND TOTAL	\$26,500	\$28,000	\$28,000	\$28,000

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
PROGRAM SUMMARY**

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
All Other	\$26,500	\$28,000	\$28,000	\$28,000
GENERAL FUND TOTAL	\$26,500	\$28,000	\$28,000	\$28,000

Renewable Energy Facilities Property Tax Exemption Z296

Initiative: BASELINE BUDGET

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$1,772,000	\$3,772,000	\$3,772,000	\$3,772,000
GENERAL FUND TOTAL	\$1,772,000	\$3,772,000	\$3,772,000	\$3,772,000

Justification:

Provides property tax exemption for renewable energy fixtures installed on or after September 1, 2019 on real property for residential, commercial or industrial purposes for the generation of energy or displacement of a nonrenewable source of energy.

Renewable Energy Facilities Property Tax Exemption Z296

Initiative: Provides funding for an increase in reimbursement to municipalities under the Renewable Energy Facilities Property Tax Exemption Program, as required by Maine Revised Statutes, Title 36, chapter 105, subchapter 4.

Ref. #: 237

Committee Vote: _____

AFA Vote: _____

TAX Vote: In 10; Out 2; Absent 1

GENERAL FUND	In	Out	Absent	2025-26	2026-27
All Other	N. Grohoski M. Tipping	A. Matlack T. Quint	S. Rudnicki R. White	\$2,750,000	\$4,250,000
GENERAL FUND TOTAL	B. Bickford K. Cloutier E. Crockett G. Friedmann	D. Sayre G. Swallow		\$2,750,000	\$4,250,000

Justification:

The purpose of the Renewable Energy Facilities Property Tax Exemption Program is to offset the effect on local property tax revenue arising from the exemption of certain solar and wind energy equipment from municipal property taxes as required by Maine Revised Statutes, Title 36, chapter 105, subchapter 4. Reimbursements of at least 50% of the tax revenue lost by municipalities as a result of new property tax exemptions is mandated by Article IV, Part Third, section 23 of the Maine Constitution. The anticipated increase in reimbursements is due to the number of renewable energy projects expected to come online.

**RENEWABLE ENERGY FACILITIES PROPERTY TAX EXEMPTION Z296
PROGRAM SUMMARY**

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$1,772,000	\$3,772,000	\$6,522,000	\$8,022,000
GENERAL FUND TOTAL	\$1,772,000	\$3,772,000	\$6,522,000	\$8,022,000

Revenue Services, Bureau of 0002

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
POSITIONS - LEGISLATIVE COUNT	306,500	306,500	303,500	303,500
Personal Services	\$31,283,402	\$27,511,059	\$36,561,168	\$38,556,042
All Other	\$22,839,114	\$18,350,589	\$18,346,244	\$18,346,244
GENERAL FUND TOTAL	\$54,122,516	\$45,861,648	\$54,907,412	\$56,902,286
	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$11,463,848	\$9,463,848	\$9,463,848	\$9,463,848
OTHER SPECIAL REVENUE FUNDS TOTAL	\$11,463,848	\$9,463,848	\$9,463,848	\$9,463,848
	History 2023-24	History 2024-25	2025-26	2026-27
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY				
Personal Services	\$0	\$5,000,000	\$0	\$0
All Other	\$155,130	\$5,000,500	\$5,000,500	\$5,000,500
FEDERAL EXPENDITURES FUND - ARP STATE RECOVERY TOTAL	\$155,130	\$10,000,500	\$5,000,500	\$5,000,500

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 oversight of municipal tax administration in order to assist municipalities and provide uniformity of local taxes throughout the state, and 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. 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 assist taxpayers to gain 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. 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: Provides funding for statewide technology services provided by the Department of Administrative and Financial Services, Office of Information Technology.

Ref. #: 9	Committee Vote: _____			AFA Vote: _____	
	<u>TAX Vote: In 7; Out 4; Absent 2</u>				
GENERAL FUND	<u>In</u>	<u>Out</u>	<u>Absent</u>	2025-26	2026-27
All Other	N. Grohoski	G. Friedmann	T. Quint	M. Tipping	
	B. Bickford	A. Matlack	S. Rudnicki	T. Lavigne	\$3,602,675
GENERAL FUND TOTAL	K. Cloutier	D. Sayre	G. Swallow		\$2,706,022
	E. Crockett		R. White		\$3,602,675
					\$2,706,022

Justification:

MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies for daily performance of their missions for the citizens of Maine. IT enterprise functions benefitting all state agencies are managed through this office to ensure consistency, volume discount efficiencies, and optimum performance and throughput. MaineIT is established as an internal service fund intended to recoup their costs through billings to departments and agencies for services provided. MaineIT expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs, including vendor increases, supply chain costs, and network and systems modernization and upgrades. This recoupment process results in increased billing rates to departments and agencies.

Revenue Services, Bureau of 0002

Initiative: Provides funding for the Department's share of the cost for the financial and human resources service center within the Department of Administrative and Financial Services.

Ref. #: 10	Committee Vote: _____			AFA Vote: _____	
	<u>TAX Vote: In 7; Out 4; Absent 2</u>				
GENERAL FUND	<u>In</u>	<u>Out</u>	<u>Absent</u>	2025-26	2026-27
All Other	N. Grohoski	G. Friedmann	T. Quint	M. Tipping	
	B. Bickford	A. Matlack	S. Rudnicki	T. Lavigne	\$54,787
GENERAL FUND TOTAL	K. Cloutier	D. Sayre	G. Swallow		\$81,455
	E. Crockett		R. White		\$54,787
					\$81,455

Justification:

Service Centers within DAFS provide centralized accounting, payroll, budgeting and human resources services to departments and agencies. Service Centers are established as an internal service funds intended to recoup their costs through billings to departments and agencies for services provided. The Service Centers expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs. This recoupment process results in increased billing rates to departments and agencies.

Revenue Services, Bureau of 0002

Initiative: Provides one-time funding for computer programming costs necessary to implement the ambulance services tax into the STARS system.

Ref. #: 11	Committee Vote: <u>No vote taken.</u>			AFA Vote: _____	
	<u>TAX: Outside jurisdiction of committee. Referred back to AFA/HHS for further consideration.</u>				
GENERAL FUND				2025-26	2026-27

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

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
POSITIONS - LEGISLATIVE COUNT	306.500	306.500	303.500	303.500
Personal Services	\$31,283,402	\$27,511,059	\$36,561,168	\$38,556,042
All Other	\$22,839,114	\$18,350,589	\$22,334,026	\$21,504,921
GENERAL FUND TOTAL	\$54,122,516	\$45,861,648	\$58,895,194	\$60,060,963
OTHER SPECIAL REVENUE FUNDS	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$11,463,848	\$9,463,848	\$9,463,848	\$9,463,848
OTHER SPECIAL REVENUE FUNDS TOTAL	\$11,463,848	\$9,463,848	\$9,463,848	\$9,463,848
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY	History 2023-24	History 2024-25	2025-26	2026-27
Personal Services	\$0	\$5,000,000	\$0	\$0
All Other	\$155,130	\$5,000,500	\$5,000,500	\$5,000,500
FEDERAL EXPENDITURES FUND - ARP STATE FISCAL RECOVERY TOTAL	\$155,130	\$10,000,500	\$5,000,500	\$5,000,500

Snow Grooming Property Tax Exemption Reimbursement Z024

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
All Other	\$30,000	\$30,000	\$30,000	\$30,000
GENERAL FUND TOTAL	\$30,000	\$30,000	\$30,000	\$30,000

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 2023-24	History 2024-25	2025-26	2026-27
GENERAL FUND				
All Other	\$30,000	\$30,000	\$30,000	\$30,000
GENERAL FUND TOTAL	\$30,000	\$30,000	\$30,000	\$30,000

Tree Growth Tax Reimbursement 0261

Initiative: BASELINE BUDGET

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$12,000,000	\$13,200,000	\$13,200,000	\$13,200,000
GENERAL FUND TOTAL	\$12,000,000	\$13,200,000	\$13,200,000	\$13,200,000

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
PROGRAM SUMMARY**

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$12,000,000	\$13,200,000	\$13,200,000	\$13,200,000
GENERAL FUND TOTAL	\$12,000,000	\$13,200,000	\$13,200,000	\$13,200,000

Unorganized Territory Education and Services Fund - Finance 0573

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$27,000,000	\$29,000,000	\$29,000,000	\$29,000,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$27,000,000	\$29,000,000	\$29,000,000	\$29,000,000

Justification:

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

Unorganized Territory Education and Services Fund - Finance 0573

Initiative: Provides funding in the Unorganized Territory Education and Services Fund for anticipated growth in county taxes and the cost of county services.

Ref. #: 138

Committee Vote:
TAX Vote: In 11; Out 0; Absent 2

AFA Vote: _____

	In	Out	Absent	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS					
All Other	N. Grohoski B. Bickford K. Cloutier	T. Quint S. Rudnicki D. Sayre	M. Tipping T. Lavigne	\$500,000	\$500,000
OTHER SPECIAL REVENUE FUNDS TOTAL	E. Crockett G. Friedmann A. Matlack	G. Swallow R. White		\$500,000	\$500,000

Justification:

The Unorganized Territory Education and Services Fund disburses tax revenue assessed on Unorganized Territory properties to the counties that provide services to the Unorganized Territory. The Office of the State Auditor is the fiduciary of the Fund; MRS collects the revenue and makes the distributions on behalf of the State Auditor. The increase in funding reflects the anticipated growth in county taxes and the cost of county services.

**UNORGANIZED TERRITORY EDUCATION AND SERVICES FUND - FINANCE 0573
PROGRAM SUMMARY**

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$27,000,000	\$29,000,000	\$29,500,000	\$29,500,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$27,000,000	\$29,000,000	\$29,500,000	\$29,500,000

Veterans' Organizations Tax Reimbursement Z062

Initiative: BASELINE BUDGET

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$50,000	\$50,000	\$50,000	\$50,000
GENERAL FUND TOTAL	\$50,000	\$50,000	\$50,000	\$50,000

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' ORGANIZATIONS TAX REIMBURSEMENT Z062
PROGRAM SUMMARY**

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$50,000	\$50,000	\$50,000	\$50,000
GENERAL FUND TOTAL	\$50,000	\$50,000	\$50,000	\$50,000

Veterans Tax Reimbursement 0407

Initiative: BASELINE BUDGET

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$1,300,000	\$1,400,000	\$1,400,000	\$1,400,000
GENERAL FUND TOTAL	\$1,300,000	\$1,400,000	\$1,400,000	\$1,400,000

Justification:

The Veteran's 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 burden 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
PROGRAM SUMMARY**

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$1,300,000	\$1,400,000	\$1,400,000	\$1,400,000
GENERAL FUND TOTAL	\$1,300,000	\$1,400,000	\$1,400,000	\$1,400,000

Waste Facility Tax Reimbursement 0907

Initiative: BASELINE BUDGET

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$15,000	\$16,000	\$16,000	\$16,000
GENERAL FUND TOTAL	\$15,000	\$16,000	\$16,000	\$16,000

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.

**WASTE FACILITY TAX REIMBURSEMENT 0907
PROGRAM SUMMARY**

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$15,000	\$16,000	\$16,000	\$16,000
GENERAL FUND TOTAL	\$15,000	\$16,000	\$16,000	\$16,000

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

DEPARTMENT TOTALS	2025-26	2026-27
GENERAL FUND	\$174,085,323	\$179,773,006
OTHER SPECIAL REVENUE FUNDS	\$41,008,848	\$41,008,848
FEDERAL EXPENDITURES FUND - ARP STATE	\$5,001,000	\$5,001,000
FISCAL RECOVERY		
BUREAU OF REVENUE SERVICES FUND	\$151,720	\$151,720
DEPARTMENT TOTAL - ALL FUNDS	\$220,246,891	\$225,934,574

Sec. A-63. 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 2023-24	History 2024-25	2025-26	2026-27
Personal Services	\$206,189	\$221,445	\$0	\$0
All Other	\$97,231	\$97,231	\$97,231	\$97,231
GENERAL FUND TOTAL	\$303,420	\$318,676	\$97,231	\$97,231

OTHER SPECIAL REVENUE FUNDS	History 2023-24	History 2024-25	2025-26	2026-27
All Other	\$3,000	\$3,000	\$3,000	\$3,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$3,000	\$3,000	\$3,000	\$3,000

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 municipal valuation appeals (36 MRSA 272).

Property Tax Review - State Board of 0357

Initiative: Provides funding for the Department's share of the cost for the financial and human resources service center within the Department of Administrative and Financial Services.

Ref. #: 2895

Committee Vote: _____

AFA Vote: _____

GENERAL FUND	<u>TAX Vote: In 8; Out 3; Absent 2</u>				2025-26	2026-27
	In	Out	Absent			
All Other	N. Grohoski	G. Friedmann	T. Quint	M. Tipping	\$3,320	\$3,320
	B. Bickford	A. Matlack	S. Rudnicki	T. Lavigne		
GENERAL FUND TOTAL	K. Cloutier	D. Sayre	R. White		\$3,320	\$3,320
	E. Crockett	G. Swallow				

Justification:

Service Centers within DAFS provide centralized accounting, payroll, budgeting and human resources services to departments and agencies. Service Centers are established as an internal service funds intended to recoup their costs through billings to departments and agencies for services provided. The Service Centers expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs. This recoupment process results in increased billing rates to departments and agencies.

Property Tax Review - State Board of 0357

Initiative: Provides funding for statewide technology services provided by the Department of Administrative and Financial Services, Office of Information Technology

Ref. #: 2896

Committee Vote: _____

AFA Vote: _____

	<u>TAX Vote: In 10; Out 1; Absent 2</u>					
	<u>In</u>	<u>Out</u>	<u>Absent</u>			
GENERAL FUND	N. Grohoski	A. Matlack	S. Rudnicki	M. Tipping	2025-26	2026-27
All Other	B. Bickford	T. Quint		T. Lavigne	\$9,820	\$9,820
	K. Cloutier	D. Sayre				
GENERAL FUND TOTAL	E. Crockett	G. Swallow			<u>\$9,820</u>	<u>\$9,820</u>
	G. Friedmann	R. White				

Justification:

MaineIT is responsible for the delivery of safe, secure, and high-performing networks and systems to State Agencies for daily performance of their missions for the citizens of Maine. IT enterprise functions benefitting all state agencies are managed through this office to ensure consistency, volume discount efficiencies, and optimum performance and throughput. MaineIT is established as an internal service fund intended to recoup their costs through billings to departments and agencies for services provided. MaineIT expenses are higher due to negotiated and benefit changes to Personal Services as well as increases in operational costs, including vendor increases, supply chain costs, and network and systems modernization and upgrades. This recoupment process results in increased billing rates to departments and agencies.

Property Tax Review - State Board of 0357

Initiative: Continues one limited-period Public Service Manager II position established through PL 2021, Ch 635, through June 18, 2027.

Ref. #: 2897

Committee Vote: _____

AFA Vote: _____

	<u>TAX Vote: In 6; Out 5; Absent 2</u>				
	<u>In</u>	<u>Out</u>	<u>Absent</u>		
GENERAL FUND	N. Grohoski	B. Bickford	M. Tipping	2025-26	2026-27
Personal Services	K. Cloutier	T. Quint	T. Lavigne	\$166,248	\$167,999
	E. Crockett	S. Rudnicki			
GENERAL FUND TOTAL	G. Friedmann	G. Swallow		<u>\$166,248</u>	<u>\$167,999</u>
	A. Matlack	R. White			
	D. Sayre				

Justification:

This initiative continues one limited-period Office Specialist I position and one limited-period Public Service Manager II position established through PL 2021, Ch 635, through June 18, 2027.

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

GENERAL FUND	History 2023-24	History 2024-25	2025-26	2026-27
Personal Services	\$206,189	\$221,445	\$166,248	\$167,999
All Other	\$97,231	\$97,231	\$110,371	\$110,371
GENERAL FUND TOTAL	<u>\$303,420</u>	<u>\$318,676</u>	<u>\$276,619</u>	<u>\$278,370</u>
 OTHER SPECIAL REVENUE FUNDS	 History 2023-24	 History 2024-25	 2025-26	 2026-27
All Other	\$3,000	\$3,000	\$3,000	\$3,000
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$3,000</u>	<u>\$3,000</u>

PROPERTY TAX REVIEW, STATE BOARD OF

DEPARTMENT TOTALS	2025-26	2026-27
GENERAL FUND	\$276,619	\$278,370
OTHER SPECIAL REVENUE FUNDS	\$3,000	\$3,000
DEPARTMENT TOTAL - ALL FUNDS	\$279,619	\$281,370

Sec. A-74. Appropriations and allocations.

The following appropriations and allocations are made.

TREASURER OF STATE, OFFICE OF

Disproportionate Tax Burden Fund 0472

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$53,780,274	\$56,150,941	\$56,150,941	\$56,150,941
OTHER SPECIAL REVENUE FUNDS TOTAL	\$53,780,274	\$56,150,941	\$56,150,941	\$56,150,941

Justification:

The Disproportionate Tax Burden Fund was 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: Adjusts funding to align with revenue projections from the December 1, 2024 revenue forecast.

Ref. #: 3174

Committee Vote: _____

AFA Vote: _____

TAX Vote: In 12; Out 0; Absent 1

	In	Out	Absent	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS					
All Other	N. Grohoski M. Tipping	A. Matlack T. Quint	T. Lavigne	\$3,364,282	\$4,593,420
OTHER SPECIAL REVENUE FUNDS TOTAL	B. Bickford K. Cloutier E. Crockett G. Friedmann	S. Rudnicki D. Sayre G. Swallow R. White		\$3,364,282	\$4,593,420

Notes:

Informational only. Not part of the public hearing. Policy committees need not make a recommendation on initiatives that align Other Special Revenue allocations with the Revenue Forecast.

Justification:

This initiative aligns allocation with December 1, 2024 revenue forecast.

**DISPROPORTIONATE TAX BURDEN FUND 0472
PROGRAM SUMMARY**

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$53,780,274	\$56,150,941	\$59,515,223	\$60,744,361
OTHER SPECIAL REVENUE FUNDS TOTAL	\$53,780,274	\$56,150,941	\$59,515,223	\$60,744,361

Maliseet Sales Tax Fund Z359

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$5,500	\$37,000	\$37,000	\$37,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$5,500	\$37,000	\$37,000	\$37,000

Justification:

The Maliseet Sales Tax Fund was established with the purpose of returning sales tax revenue to the Houlton Band of Maliseet, for purchases occurring on their territory.

MALISEET SALES TAX FUND Z359

PROGRAM SUMMARY

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$5,500	\$37,000	\$37,000	\$37,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$5,500	\$37,000	\$37,000	\$37,000

Passamaquoddy Sales Tax Fund 0915

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$17,607	\$17,607	\$17,607	\$17,607
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$17,607</u>	<u>\$17,607</u>	<u>\$17,607</u>	<u>\$17,607</u>

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 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$17,607	\$17,607	\$17,607	\$17,607
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$17,607</u>	<u>\$17,607</u>	<u>\$17,607</u>	<u>\$17,607</u>

Penobscot Sales Tax Fund Z360

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$5,500	\$5,500	\$5,500	\$5,500
OTHER SPECIAL REVENUE FUNDS TOTAL	\$5,500	\$5,500	\$5,500	\$5,500

Justification:

The Penobscot Sales Tax Fund was established with the purpose of returning sales tax revenue to the Penobscot Nation, for purchases occurring on their territory.

PENOBSCOT SALES TAX FUND Z360

PROGRAM SUMMARY

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$5,500	\$5,500	\$5,500	\$5,500
OTHER SPECIAL REVENUE FUNDS TOTAL	\$5,500	\$5,500	\$5,500	\$5,500

State - Municipal Revenue Sharing 0020

Initiative: BASELINE BUDGET

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$199,121,102	\$208,603,769	\$208,603,769	\$208,603,769
OTHER SPECIAL REVENUE FUNDS TOTAL	\$199,121,102	\$208,603,769	\$208,603,769	\$208,603,769

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: Adjusts funding to align with revenue projections from the December 1, 2024 revenue forecast.

OTHER SPECIAL REVENUE FUNDS	Committee Vote:		AFA Vote:		2025-26	2026-27
	TAX Vote: In	Out	Absent	Absent		
All Other	N. Grohoski	A. Matlack	T. Lavigne		\$7,704,200	\$14,052,406
	M. Tipping	T. Quint				
OTHER SPECIAL REVENUE FUNDS TOTAL	B. Bickford	S. Rudnicki			\$7,704,200	\$14,052,406
	K. Cloutier	D. Sayre				
	E. Crockett	G. Swallow				
	G. Friedmann	R. White				

Notes:

Informational only. Not part of the public hearing. Policy committees need not make a recommendation on initiatives that align Other Special Revenue allocations with the Revenue Forecast.

Justification:

This initiative aligns allocation with December 1, 2024 revenue forecast.

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

	History 2023-24	History 2024-25	2025-26	2026-27
OTHER SPECIAL REVENUE FUNDS				
All Other	\$199,121,102	\$208,603,769	\$216,307,969	\$222,656,175
OTHER SPECIAL REVENUE FUNDS TOTAL	\$199,121,102	\$208,603,769	\$216,307,969	\$222,656,175

TREASURER OF STATE, OFFICE OF

DEPARTMENT TOTALS

2025-26

2026-27

OTHER SPECIAL REVENUE FUNDS

\$275,883,299 **\$283,460,643**

DEPARTMENT TOTAL - ALL FUNDS

\$275,883,299 **\$283,460,643**

PART E

Sec. E-1. 36 MRSA §4365, as amended by PL 2005, c. 457, Pt. AA, §1 and affected by §8, is further amended to read:

Before January 5, 2026, a 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 100 mills for each cigarette. Beginning January 5, 2026, 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 150 mills for each cigarette. Payment of the tax is evidenced by the affixing of stamps to the packages containing the cigarettes.

Sec. E-2. 36 MRSA §4365-F, as amended by PL 2005, c. 457, Pt. AA, §3 and affected by §8, is repealed.

Sec. E-3. 36 MRSA §4365-G is enacted to read:

§4365-G. Application of cigarette tax rate increase effective January 5, 2026

The following provisions apply to cigarettes held for resale on January 5, 2026.

1. Stamped rate. Cigarettes stamped at the rate of 100 mills per cigarette and held for resale on or after January 5, 2026 are subject to tax at the rate of 150 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 150 mills per cigarette and the tax rate of 100 mills per cigarette in effect before January 5, 2026. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of January 5, 2026, except that cigarettes held in vending machines as of that date do not require that stamp.

3. Vending machines. Notwithstanding any other provision of this chapter, it is presumed that all cigarette vending machines are filled to capacity on January 5, 2026 and that the tax imposed by this section must be reported on that basis. A credit against this inventory tax must be allowed for cigarettes stamped at the rate of 150 mills per cigarette placed in vending machines before January 5, 2026.

4. Payment. Payment of the tax imposed by this section must be made to the assessor by April 1, 2026, accompanied by forms prescribed by the assessor.

Sec. E-4. 36 MRSA §4366-A, sub-§ 2, ¶D, as amended by PL 2007, c. 438, §93, is further amended to read:

D. For stamps at the face value of ~~100~~150 mills, the discount rate is ~~1.15~~0.77%.

Sec. E-5. 36 MRSA §4403, sub-§ 1, as amended by PL 2019, c. 530, Pt. A, §3, is further amended to read:

1. Smokeless tobacco before January 5, 2026. Before January 5, 2026, a A-tax is imposed on smokeless tobacco, including chewing tobacco and snuff, at the rate of:

A. On amounts of smokeless tobacco packaged for sale to the consumer in a package that contains one ounce or more of smokeless tobacco, \$2.02 per ounce and prorated; and

B. On smokeless tobacco packaged for sale to the consumer in a package that contains less than one ounce of smokeless tobacco, \$2.02 per package.

Beginning January 2, 2020, the tax rates in this subsection are subject to adjustment pursuant to subsection 5.

Sec. E-6. 36 MRSA §4403, sub-§1-A is enacted to read:

1-A. Smokeless tobacco on or after January 5, 2026. On or after January 5, 2026, a tax is imposed on smokeless tobacco, including chewing tobacco and snuff, at the rate of:

A. On amounts of smokeless tobacco packaged for sale to the consumer in a package that contains one ounce or more of smokeless tobacco, \$3.03 per ounce and prorated; and

B. On smokeless tobacco packaged for sale to the consumer in a package that contains less than one ounce of smokeless tobacco, \$3.03 per package.

The tax rates in this subsection are subject to adjustment pursuant to subsection 5.

Sec. E-7. 36 MRSA §4403, sub-§ 2, as amended by PL 2023, c. 441, Pt. E, §16 and affected by §28, is further amended to read:

2. Other tobacco. Beginning January 2, 2020, and before January 1, 2024, a tax is imposed on all tobacco products, other than those subject to tax under subsection 1, at the rate of 43% of the wholesale sales price. Beginning January 1, 2024, and before January 5, 2026, a tax is imposed on all tobacco products, other than those subject to tax under subsection 1, at the rate of 43% of the cost price. Beginning January 5, 2026, a tax is imposed on all tobacco products, other than those subject to tax under subsection 1-A, at the rate of 65% of the cost price. Beginning January 2, 2020, the tax rate imposed pursuant to this subsection is subject to adjustment pursuant to subsection 5.

Sec. E-8. 36 MRSA §4403, sub-§5, as enacted by PL 2019, c. 530, Pt. A, §5, is amended to read:

5. Equivalence. If the tax on cigarettes under chapter 703 is increased after January 2, ~~2020~~2025, 2026, the assessor shall calculate a rate of tax on other tobacco products under subsections 1 and 2 that is equivalent to the same percentage change in the tax rate for one cigarette. The adjusted rates calculated by the assessor take effect at the same time as the increase in the tax on cigarettes.

Sec. E-9. Application. This Part is effective on or after January 5, 2026.

**PART E
SUMMARY**

This Part increases the cigarette excise tax rate by 50 mills, changing the rate per pack of 20 cigarettes from \$2 to \$3, and the rate per cigarette from 10¢ to 15¢. This cigarette tax rate increase also causes the tobacco products tax rate to increase by an equivalent amount automatically under 36 M.R.S. § 4403(5).

PART F

Sec. F-1. 36 MRSA §1811, sub-§1, ¶D, as amended by PL 2023, c. 643, Pt. H, §23 and affected by §29, and as amended by PL 2023, c. 673, §22 and affected by §28, is further amended by amending subparagraph (5) to read:

(5) Ten percent on the value of adult use cannabis, adult use cannabis products and, if sold by a person to an individual who is not a qualifying patient, cannabis and cannabis products beginning on the first day of the calendar month in which adult use cannabis and adult use cannabis products may be sold in the State by a cannabis establishment licensed to conduct retail sales pursuant to Title 28-B, chapter 1, except that the applicable tax rate under this subparagraph is 14% for sales occurring on or after January 1, 2026.

Sec. F-2. 36 MRSA §1818, as amended by PL 2021, c. 645, §5, is further amended to read:

All sales tax revenue collected pursuant to section 1811 on the sale of adult use cannabis and adult use cannabis products must be deposited into the General Fund, except that, before January 1, 2026, on or before the last day of each month, the State Controller shall transfer 12% of the sales tax revenue received by the assessor during the preceding month pursuant to section 1811 to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund established under Title 28-B, section 1101. Beginning January 1, 2026, on or before the last day of each month, the State Controller shall transfer 9% of the sales tax revenue received by the assessor during the preceding month pursuant to section 1811 to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund established under Title 28-B, section 1101.

Sec. F-3. 36 MRSA §4923, as amended by PL 2023, c. 679, Pt. C, § 13, is further amended to read:

Beginning on the first day of the calendar month in which adult use cannabis may be sold in the State by a cultivation facility under Title 28-B, chapter 1, an excise tax on adult use cannabis is imposed in accordance with this chapter.

1. Excise tax on cannabis flower. Before January 1, 2026, a cultivation facility licensee shall pay an excise tax of \$335 per pound or fraction thereof of cannabis flower sold to other

licensees in the State. On or after January 1, 2026, a cultivation facility licensee shall pay an excise tax of \$223 per pound or fraction thereof of cannabis flower sold to other licensees in the State.

2. Excise tax on cannabis trim. Before January 1, 2026, aA cultivation facility licensee shall pay an excise tax of \$94 per pound or fraction thereof of cannabis trim sold to other licensees in the State. On or after January 1, 2026, a cultivation facility licensee shall pay an excise tax of \$63 per pound or fraction thereof of cannabis trim sold to other licensees in the State.

3. Excise tax on immature cannabis plants and seedlings. Before January 1, 2026, aA cultivation facility licensee shall pay an excise tax of \$1.50 per immature cannabis plant or seedling sold to other licensees in the State. On or after January 1, 2026, a cultivation facility licensee shall pay an excise tax of \$1 per immature cannabis plant or seedling sold to other licensees in the State.

3-A. Excise tax on mature cannabis plants. Beginning On or after July 1, 2021, and before January 1, 2026, a cultivation facility licensee shall pay an excise tax of \$35 per mature cannabis plant sold to other licensees in the State. On or after January 1, 2026, a cultivation facility licensee shall pay an excise tax of \$23 per mature cannabis plant sold to other licensees in the State.

4. Excise tax on cannabis seeds. Before January 1, 2026, aA cultivation facility licensee shall pay an excise tax of 30¢ per cannabis seed sold to other licensees in the State. On or after January 1, 2026, a cultivation facility licensee shall pay an excise tax of 20¢ per cannabis seed sold to other licensees in the State.

~~**5. Excise tax on purchases from registered caregivers and registered dispensaries.** A cultivation facility licensee authorized pursuant to Title 28-B to purchase cannabis plants and cannabis seeds from registered caregivers and registered dispensaries that transacts such a purchase shall pay to the assessor the excise taxes that would have been imposed under subsections 1 to 4 on the sale of the cannabis plants and cannabis seeds if the cannabis plants and cannabis seeds had been sold by a cultivation facility licensee to another licensee.~~

6. Multiple licenses. When a cultivation facility licensee also holds a license to operate another cannabis establishment, the taxes imposed by subsections 1 to 4 apply to any transfer of cannabis from the cultivation facility to the other cannabis establishment or, if no such transfer is made, to any activity undertaken pursuant to Title 28-B, section 501, subsection 2 or 4 with regard to cannabis cultivated by the cultivation facility.

7. Sales and transfers between licensed cultivation facilities. No excise tax is imposed on a sale of adult use cannabis to a cultivation facility or on a transfer of adult use cannabis to a cultivation facility.

Sec. F-4. 36 MRSA §4925, as amended by PL 2021, c. 645, §6, is further amended to read:

All excise tax revenue collected by the assessor pursuant to this chapter on the sale of adult use cannabis must be deposited into the General Fund, except that, before January 1, 2026, on or before the last day of each month, the assessor shall transfer 12% of the excise tax revenue received during the preceding month pursuant to this chapter to the Adult Use Cannabis Public Health and

Safety and Municipal Opt-in Fund established in Title 28-B, section 1101. Beginning January 1, 2026, on or before the last day of each month, the assessor shall transfer 9% of the excise tax revenue received during the preceding month pursuant to this chapter to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund established in Title 28-B, section 1101.

Sec. F-5. Application. This Part is effective on or after January 1, 2026.

PART F SUMMARY

This Part reduces the cannabis excise tax rates by one-third and concurrently increases the sales tax on adult use cannabis to 14%. It also changes the adult use cannabis sales tax and excise tax transfers to the Adult Use Cannabis Public Health and Safety and Municipal Opt-in Fund from 12% to 9%.

PART G

Sec. G-1. 36 MRSA §182, sub-§1, as amended by PL 2007, c. 437, §2, is further amended to read:

1. Generally. The State Tax Assessor may, through the Attorney General, file an action in Superior Court applying for an order to enjoin from doing business any person who has:

A. Failed to register with the assessor when the person is required to register by any provision of Part 3, ~~chapter 358~~ or Part 5 or by any rule adopted pursuant to this Title, as long as the assessor has provided written notice and the person continues to fail to register 15 days after receiving notice from the assessor of such failure;

B. Failed to file with the assessor any overdue return required by Part 3, ~~chapter 358~~ or Part 5 within 15 days after receiving notice from the assessor of such failure;

C. Failed to pay any tax required by Part 3, ~~chapter 358~~ or Part 5 when the tax is shown to be due on a return filed by that person, or that is otherwise conceded by that person to be due, or has been determined by the assessor to be due and that determination has become final;

D. Knowingly filed a false return required by Part 3, ~~chapter 358~~ or Part 5; or

E. Failed to deduct and withhold, or truthfully account for or pay over or make returns of, income taxes in violation of the provisions of chapter 827.

Sec. G-2. 36 MRSA §1752, sub-§1-K, 1-L, 1-M, 1-N, 1-O, 1-P, 1-Q and 1-R are enacted to read:

1-K. Ancillary service. “Ancillary service” means a service that is associated with or incidental to the provision of telecommunications services, including, but not limited to,

detailed telecommunications billing service, directory assistance, vertical service and voicemail service.

1-L. Breast pump. “Breast pump” means an electronically or manually controlled pump device used to express milk from a human breast during lactation, including any external power supply unit packaged and sold with the pump device at the time of sale to power the pump device. “Breast pump” includes breast pump replacement parts, breast pump collection and storage supplies and breast pump kits. For the purposes of this subsection, “breast pump collection and storage supplies” means tangible personal property to be used in conjunction with a breast pump to collect milk expressed from a human breast and to store collected milk until it is ready for consumption.

1-M. Cable and satellite television or radio services. “Cable and satellite television or radio services” means all cable and satellite television or radio services, including the installation or use of associated equipment, for which a charge is made.

1-N. Conference bridging service. “Conference bridging service” means an ancillary service that links two or more participants in an audio or video conference call and may include the provision of a telephone number. “Conference bridging service” does not include the telecommunications services used to reach the conference bridge.

1-O. Detailed telecommunications billing service. “Detailed telecommunications billing service” means an ancillary service of separately stating information pertaining to individual calls on a customer’s billing statement.

1-P. Digital audio-visual and digital audio services. “Digital audio-visual and digital audio services” means the electronic transfer of digital audio-visual works and digital audio works to an end user with the right of less than permanent use granted by the seller, including when conditioned upon continued payment from the purchaser or a subscription.

For purposes of this subsection:

A. “End user” means a person other than a person who receives by contract a product transferred electronically for further commercial broadcast, rebroadcast, transmission, retransmission, licensing, relicensing, distribution, redistribution or exhibition of the product, in whole or in part, to another person;

B. “Permanent” means perpetual or for an indefinite or unspecified length of time;

C. “Subscription” means an agreement with a seller that grants a purchaser the right to obtain products transferred electronically, in a fixed quantity or for a fixed period of time, or both; and

D. “Transfer electronically” or “electronic transfer” means obtainment by the purchaser by means other than tangible storage media.

1-Q. Digital audio-visual works. “Digital audio-visual works” means a series of related images that, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

1-R. Digital audio works. “Digital audio works” means works that result from the fixation of a series of musical, spoken or other sounds, including ringtones. For purposes of this subsection, “ringtones” means digitized sound files that are downloaded onto a device and that may be used to alert the purchaser with respect to a communication.

Sec. G-3. 36 MRSA §1752, sub-§2-F, 2-G and 2-H are enacted to read:

2-F. Directory assistance. “Directory assistance” means an ancillary service of providing telephone number information or address information or both.

2-G. Durable medical equipment. “Durable medical equipment” means equipment, including repair and replacement parts for such equipment, that:

A. Can withstand repeated use;

B. Is primarily and customarily used to serve a medical purpose;

C. Generally is not useful to a person in the absence of illness or injury; and

D. Is not worn in or on the body.

“Durable medical equipment” does not include mobility enhancing equipment.

2-H. Fabrication services. “Fabrication services” means the production of tangible personal property for a consideration for a person who furnishes, either directly or indirectly, the materials used in that production.

Sec. G-4. 36 MRSA §1752, sub-§3-E, as repealed by PL 2003, c. 673, Pt. V, §10 and affected by §29, is reenacted to read:

3-E. Home service provider. “Home service provider” means the facilities-based carrier or reseller with which a customer contracts for the provision of mobile telecommunications services.

Sec. G-5. 36 MRSA §1752, sub-§4-A and 4-B are enacted to read:

4-A. International telecommunications service. “International telecommunications service” means a telecommunications service that originates or terminates in the United States and terminates or originates outside the United States, respectively. For purposes of this subsection, “United States” includes a territory or possession of the United States.

4-B. Interstate telecommunications service. “Interstate telecommunications service” means a telecommunications service that originates in one state, territory or possession of the

United States and terminates in a different state, territory or possession of the United States. For purposes of this subsection, “state” includes the District of Columbia.

Sec. G-6. 36 MRSA §1752, sub-§5-D, ¶D, as enacted by PL 2023, c. 643, Pt. H, §2 and affected by §29, and as enacted by PL 2023, c. 673, §2 and affected by §28, is repealed.

Sec. G-7. 36 MRSA §1752, sub-§6-J and 6-K are enacted to read:

6-J. Mobile telecommunications services. “Mobile telecommunications services” means commercial mobile radio service as defined in 47 Code of Federal Regulations, Section 20.3 as in effect October 1, 2015. For purposes of sourcing, “mobile telecommunications services” does not include air-ground radiotelephone service as defined in 47 Code of Federal Regulations, Section 22.99 as in effect October 1, 2015.

6-K. Mobility enhancing equipment. “Mobility enhancing equipment” means equipment, including repair and replacement parts for such equipment, that:

A. Is primarily and customarily used to provide or increase the ability to move from one place to another and which is appropriate for use either in a home or a motor vehicle;

B. Is not generally used by persons with normal mobility; and

C. Does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

“Mobility enhancing equipment” does not include durable medical equipment.

Sec. G-8. 36 MRSA §1752, sub-§7-E, as repealed by PL 2003, c. 673, Pt. V, §13 and affected by §29, is reenacted to read:

7-E. Place of primary use. “Place of primary use” means the street address representative of where a customer’s use of mobile telecommunications services primarily occurs, which must be either the residential street address or the primary business street address of the customer and must also be located within the licensed service area of the home service provider. For purposes of determining the place of primary use, “customer” means the person or entity that contracts with the home service provider for mobile telecommunications services or, if the end user of such services is not the contracting party, the person that is the end user of such services. The term “customer” does not include a reseller of mobile telecommunications services or a serving carrier under an agreement to serve the customer outside the home service provider’s licensed service area.

Sec. G-9. 36 MRSA §1752, sub-§7-F, as enacted by PL 2019, c. 401, Pt. B, §2, is repealed.

Sec. G-10. 36 MRSA §1752, sub-§8-C, as enacted by PL 2011, c. 655, Pt. PP, §1 and affected by §4, is repealed.

Sec. G-11. 36 MRSA §1752, sub-§9-D, as repealed by PL 2003, c. 673, Pt. V, §15 and affected by §29, is reenacted to read:

9-D. Reseller. “Reseller,” when used in relation to mobile telecommunications services, means a provider that purchases telecommunications services from another telecommunications service provider and then resells, uses as a component part of or integrates the purchased services into mobile telecommunications services. “Reseller” does not include a serving carrier with which a home service provider arranges for services to its customers outside the home service provider’s licensed service area.

Sec. G-12. 36 MRSA §1752, sub-§11, ¶B, sub-¶4, as amended by PL 2023, c. 643, Pt. H, §§5-11 and affected by §29, and as amended by PL 2023, c. 673, §§5-11 and affected by §28, is repealed.

Sec. G-13. 36 MRSA §1752, sub-§11, ¶B, sub-¶7, as amended by PL 2023, c. 643, Pt. H, §§5-11 and affected by §29, and as amended by PL 2023, c. 673, §§5-11 and affected by §28, is repealed.

Sec. G-14. 36 MRSA §1752, sub-§11, ¶B, sub-¶14, as amended by PL 2023, c. 643, Pt. H, §§5-11 and affected by §29, and as amended by PL 2023, c. 673, §§5-11 and affected by §28, is further amended to read:

(14) The sale of repair parts used in the performance of repair services on telecommunications equipment ~~as defined in section 2551, subsection 19~~ pursuant to an extended service contract that entitles the purchaser to specific benefits in the service of the telecommunications equipment for a specific duration;

Sec. G-15. 36 MRSA §1752, sub-§11, ¶B, sub-¶15, as amended by PL 2023, c. 643, Pt. H, §§5-11 and affected by §29, and as amended by PL 2023, c. 673, §§5-11 and affected by §28, is repealed.

Sec. G-16. 36 MRSA §1752, sub-§14, ¶B, sub-¶4, as amended by PL 2023, c. 643, Pt. H, §§14-18 and affected by §29, and as amended by PL 2023, c. 673, §§14-18 and affected by §28, is further amended to read:

(4) The price received for labor or services used in installing or applying or repairing the property sold or fabricated, if separately charged or stated;

Sec. G-17. 36 MRSA §1752, sub-§14-D, as repealed by PL 2003, c. 673, Pt. V, §17 and affected by §29, is reenacted to read:

14-D. Serving carrier. “Serving carrier,” when used in relation to mobile telecommunications services, means a facilities-based carrier providing mobile telecommunications services to a customer outside a home service provider’s licensed service area.

Sec. G-18. 36 MRSA §1752, sub-§17-B, as amended by PL 2023, c. 643, Pt. H, §19 and affected by §29, and as amended by PL 2023, c. 673, §19 and affected by §28, is repealed and replaced with the following:

17-B. Taxable service. “Taxable service” means:

A. The rental of living quarters in a hotel, rooming house or tourist or trailer camp;

B. The transmission and distribution of electricity;

C. The sale of an extended service contract on an automobile or truck that entitles the purchaser to specific benefits in the service of the automobile or truck for a specific duration;

D. The sale of prepaid calling service;

E. Cable and satellite television or radio services;

F. Fabrication services;

G. Telecommunications services;

H. The installation, maintenance or repair of telecommunications equipment;

I. Ancillary services; and

J. Digital audio-visual and digital audio services.

Sec. G-19. 36 MRSA §1752, sub-§17-C and 17-D are enacted to read:

17-C. Telecommunications equipment. “Telecommunications equipment” means any 2-way interactive communications device, system or process for transmitting or receiving signals and capable of exchanging audio, video, data or textual information. “Telecommunications equipment” includes all transmission media that are used or capable of being used in the provision of a 2-way interactive communications, including, without limitation, copper wire, coaxial cable and optical fiber, except those transmission media designed and primarily used to transmit electricity. “Telecommunications equipment” does not include computers, except those components of a computer used primarily and directly as a 2-way interactive communications device capable of exchanging audio, video, data or textual information.

17-D. Telecommunications services. “Telecommunications services” means the electronic transmission, conveyance or routing of voice, data, audio, video or any other information or signals to a point or between or among points. “Telecommunications services” includes transmission, conveyance or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission,

conveyance or routing without regard to whether the service is referred to as “Voice over Internet Protocol” services or is classified by the Federal Communications Commission as enhanced or value added. “Telecommunications services” does not include:

A. Data processing and information services that allow data to be generated, acquired, stored, processed or retrieved and delivered by an electronic transmission to a purchaser when the purchaser’s primary purpose for the underlying transaction is to obtain the processed data or information;

B. Installation or maintenance of wiring or equipment on a customer’s premises;

C. Tangible personal property;

D. Advertising, including, but not limited to, directory advertising;

E. Billing and collection services provided to 3rd parties;

F. Internet access service;

G. Radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance and routing of those services by the programming service provider. Radio and television audio and video programming services include, but are not limited to, cable service as defined in 47 United States Code, Section 522(6) and audio and video programming services delivered by commercial mobile radio service providers as defined in 47 Code of Federal Regulations, Section 20.3;

H. Ancillary services; or

I. Digital products delivered electronically, including, but not limited to, software, music, video, reading materials or ringtones.

Sec. G-20. 36 MRSA §1752, sub-§22-A is enacted to read:

22-A. Vertical service. “Vertical service” means an ancillary service that is offered in connection with one or more telecommunications services and offers advanced calling features that allow customers to identify callers and to manage multiple calls and call connections. “Vertical service” includes conference bridging service.

Sec. G-21. 36 MRSA §1752, sub-§23-A is enacted to read:

23-A. Voice mail service. “Voice mail service” means an ancillary service that enables the customer to store, send or receive recorded messages. “Voice mail service” does not include a vertical service that the customer may be required to have in order to use the voice mail service.

Sec. G-22. 36 MRSA §1760, sub-§9-I is enacted to read:

9-I. Fuel used at a manufacturing facility. Ninety-five percent of the sale price of fabrication services for the production of fuel for use at a manufacturing facility.

Sec. G-23. 36 MRSA §1760, sub-§94, as amended by PL 2019, c. 401, Pt. B, §15, is repealed.

Sec. G-24. 36 MRSA §1760, sub-§116, 117, 118, 119, and 120 are enacted to read:

116. Durable medical equipment; breast pumps. Beginning January 1, 2026, sales of:

A. Durable medical equipment for home use; and

B. Breast pumps for home use.

117. Mobility enhancing equipment. Beginning January 1, 2026, sales of mobility enhancing equipment for home use or use in a motor vehicle.

118. Fabrication services for resale. Beginning January 1, 2026, the production of tangible personal property through fabrication services if a sale to the consumer of that tangible personal property would be exempt or otherwise not subject to tax under this Part.

119. International telecommunications service. Beginning January 1, 2026, sales of international telecommunications service to a business for use directly in that business.

120. Interstate telecommunications service. Beginning January 1, 2026, sales of interstate telecommunications service to a business for use directly in that business.

Sec. G-25. 36 MRSA §1819, sub-§2, as amended by PL 2023, c. 643, Pt. H, §24 and affected by §29, and as amended by PL 2023, c. 673, §23 and affected by §28, is further amended to read:

2. Sourcing for sales of tangible personal property and taxable services; generally. The sale of tangible personal property or a taxable service is sourced in this State pursuant to this subsection, except the sale of mobile telecommunications services, which is sourced under subsection 6. Except as provided in subsections 3 to 5, the provisions of this subsection do not apply to the lease or rental of tangible personal property.

Sec. G-26. 36 MRSA §1819, sub-§6 is enacted to read:

6. Sourcing for mobile telecommunications services. The sale of mobile telecommunications services is sourced in this state pursuant to this subsection.

A. Mobile telecommunications services provided to a customer whose place of primary use is located in this State, the charges for which are billed by or for the customer's home service provider, are deemed to be provided at the customer's place of primary use. A home service provider is responsible for obtaining and maintaining a record of a customer's place

of primary use. Subject to paragraph B and if the home service provider's reliance on the information provided by its customer is in good faith, the home service provider:

(1) May rely on the applicable residential or business street address supplied by the home service provider's customer; and

(2) May not be held liable for any additional taxes under this Part based on a different determination of the place of primary use.

B. If the assessor determines that the address used by a home service provider as a customer's place of primary use does not meet the definition provided by section 1752, subsection 7-E, the assessor shall notify the customer in writing of that determination and provide the customer an opportunity to demonstrate that that address is the customer's place of primary use. If the customer fails to demonstrate to the assessor's satisfaction within 30 days from the time it receives notice from the assessor, or within another time period as the assessor may allow, that the address in question is the customer's place of primary use, the assessor shall provide the home service provider with the proper address to be used as the customer's place of primary use. The home service provider shall begin using the address provided by the assessor as the customer's place of primary use within 30 days from the date it receives notice of the assessor's determination.

C. A home service provider is entitled to the hold harmless protections provided by the federal Mobile Telecommunications Sourcing Act, Public Law 106-252, Section 1, 114 Stat. 2, (2000).

D. Notwithstanding any other provision of this Part, otherwise nontaxable charges that are aggregated with and not separately stated from taxable mobile telecommunications charges are subject to taxation unless the home service provider can, to the satisfaction of the assessor, reasonably identify such charges from books and records kept in the regular course of its business. A customer may not rely upon the nontaxability of bundled services unless the customer's home service provider separately states the otherwise nontaxable services or the home service provider elects, after receiving written notice from the customer in the form required by the provider, to provide verifiable data based upon the home service provider's books and records that are kept in the regular course of business and that reasonably identify the nontaxable charges.

Sec. G-27. 36 MRSA, c. 358 is repealed.

Sec. G-28. Application. This Part applies to sales of tangible personal property and taxable services on or after January 1, 2026.

PART G SUMMARY

This Part makes the following changes to the sales and use tax and service provider tax provisions:

- Relocates the taxable services and related provisions under the service provider tax to the sales tax and its accompanying 5.5% rate; and repeals the service provider tax.
- Adds digital audio-visual and digital audio services to taxable services under the sales tax, broadening and merging with the related digital services and products previously taxed under the service provider tax, and harmonizing sales taxation of such services and products with lease stream taxation of rental payments.
- Provides a broader and simpler sales and use tax exemption for durable medical equipment (DME), breast pumps, and mobility enhancing equipment for home use or use in a motor vehicle.

PART H

Sec. H-1. 36 MRS §5122, sub-§2, ¶M-2, as amended by PL 2023, c. 523, Pt. B, §1, is further amended by amending subparagraph (1), division (b) to read:

(b) An amount equal to the aggregate of retirement benefits under military retirement plans included in the individual's federal adjusted gross income; ~~and~~

Sec. H-2. 36 MRS §5122, sub-§2, ¶M-2, as amended by PL 2023, c. 523, Pt. B, §1, is further amended by amending subparagraph (2), division (f) to read:

(f) "Retirement plan benefits" means employee retirement plan benefits, except pick-up contributions for which a subtraction is allowed under paragraph E, reported as pension or annuity income for federal income tax purposes and individual retirement account benefits reported as individual retirement account distributions for federal income tax purposes. "Retirement plan benefits" does not include distributions that are subject to the tax imposed by the Code, Section 72(t); and

Sec. H-3. 36 MRS §5122, sub-§2, ¶M-2, as amended by PL 2023, c. 523, Pt. B, §1, is further amended by enacting a new subparagraph (3) to read:

(3) For tax years beginning on or after January 1, 2025, the amount in subparagraph (1), division (a) must be reduced by an amount equal to the total amount in subparagraph (1), division (a) multiplied by a fraction, the numerator of which is the taxpayer's federal adjusted gross income less the applicable amount, except that the numerator may not be less than zero, and the denominator of which is \$50,000 in the case of a married individual filing a separate return and \$100,000 in all other filing cases. The fraction contained in this subparagraph may not produce a result that is more than one. The applicable amount must be adjusted for inflation in accordance with section 5403, subsection 10.

For purposes of this subparagraph, "applicable amount" means:

- (a) For individuals filing as single individuals, \$100,000;
- (b) For individuals filing as heads of households, \$150,000;
- (c) For individuals filing married joint returns or as surviving spouses, \$200,000;
or
- (d) For married individuals filing separate returns, 1/2 of the applicable amount under division (c).

Sec. H-4. 36 MRSA §5403, sub-§8, as amended by PL 2023, c. 412, Pt. ZZZ, §9, is further amended to read:

8. Personal exemption phase-out. Beginning in 2018 and each year thereafter, by the dollar amount of the applicable amounts specified in section 5126-A, subsection 2, paragraphs A, B and C, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2017; ~~and~~

Sec. H-5. 36 MRSA §5403, sub-§9, as enacted by PL 2023, c. 412, Pt. ZZZ, §10, is amended to read:

9. Dependent exemption tax credit amount. Beginning in 2024 and each year thereafter, by the dollar amount of the dependent exemption tax credit under section 5219-SS, except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2023. If the credit amount, adjusted by application of the cost-of-living adjustment, is not a multiple of \$5, any increase must be rounded to the next lowest multiple of \$5; ~~and~~

Sec. H-6. 36 MRSA §5403, sub-§10 is enacted to read:

10. Income deduction for retirement plan benefits; applicable amount. Beginning in 2025 and each year thereafter, by the dollar amount of the applicable amounts specified in section 5122, subsection 2, paragraph M-2, subparagraph (3), except that for the purposes of this subsection, notwithstanding section 5402, subsection 1-B, the "cost-of-living adjustment" is the Chained Consumer Price Index for the 12-month period ending June 30th of the preceding calendar year divided by the Chained Consumer Price Index for the 12-month period ending June 30, 2024.

PART H SUMMARY

This Part establishes a phase-out of the pension deduction for nonmilitary pensions under the income tax based on the income of the taxpayer. The phase-out begins with income over

\$100,000 for individuals, \$150,000 for heads of households and \$200,000 for married individuals filing jointly. The amendment adjusts these amounts for inflation in future years.

PART I

Sec. I-1. Tax expenditures. In accordance with the Maine Revised Statutes, Title 5, section 1666 and to the extent not otherwise provided in this Act, funding is continued for each individual tax expenditure, as defined in Title 5, section 1666, reported in the budget document submitted to the Legislature by the Governor on January 10, 2025 in the first regular legislative session.

PART I SUMMARY

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