SENATE

BENJAMIN M. CHIPMAN, DISTRICT 27, CHAIR
HEATHER B. SANBORN, DISTRICT 28
MATTHEW POULIOT, DISTRICT 15

JULIE JONES, SENIOR LEGISLATIVE ANALYST
DIANNE DUBORD, COMMITTEE CLERK

HOUSE

RYAN TIPPING, ORONO, CHAIR
STEPHEN S. STANLEY, MEDWAY
MAUREEN FITZGERALD TERRY, GORHAM
KRISTEN SARAH CLOUTIER, LEWISTON
DIANE M. DENK, KENNEBUNK
ANN HIGGINS MATLACK, ST. GEORGE
BRUCE A. BICKFORD, AUBURN
HAROLD TREY L. STEWART, PRESQUE ISLE
THEODORE JOSEPH KRYZAK, JR., ACTON
DONALD G. MAREAN, HOLLIS

STATE OF MAINE
ONE HUNDRED AND TWENTY-NINTH LEGISLATURE
COMMITTEE ON TAXATION

DATE: April 9. 2019

TO: Senator Catherine E. Breen, Senate Chair
Rep. Drew Gattine, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

FROM: Sen. Benjamin M. Chipman, Senate Chair
Rep. Ryan Tipping, House Chair
Joint Standing Committee on Taxation

RE: LD 1001, An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2019, June 30, 2020 and June 30, 2021

Pursuant to Joint Rule 314 the Joint Standing Committee on Taxation is pleased to report to you its recommendations regarding the biennial budget bill. Following the public hearing with the Appropriations Committee on March 20th the Taxation committee has held two work sessions on the budget provisions in our policy area. The Committee makes the following recommendations

1. Except for provisions relating to municipal revenue sharing we voted 9-0 to support each initiative and language provision in the proposed budget.

2. With regard to municipal revenue sharing, eight members of the committee (Chipman, H. Sanborn, Tipping, Stanley, Terry, Cloutier, Denk, Matlack) voted to strike the portions of the budget bill providing for a reduction in the amount of revenue sharing funding that is transferred from the General Fund beginning July 1, 2019 from 5% of the tax base under current law to 2.5% in FY 20 and 3% in FY 21. (p. A- 21 (Ref. #2665), A-23 (Ref.# 2647) and Part H). Five members (Pouliot, Bickford, Stewart, Kryzak, Marean) recommend approving the Governor's recommendation regarding revenue sharing and would make no changes. Further details of the reasoning behind our recommendations are attached to this memo.

Please let us know if there is any additional information we can provide.

100 STATE HOUSE STATION, AUGUSTA, MAINE 04333-0100 TELEPHONE 207-287-1552

SENATE

BENJAMIN M. CHIPMAN, DISTRICT 27, CHAIR
HEATHER B. SANBORN, DISTRICT 28
MATTHEW POULIOT, DISTRICT 15

JULIE JONES, SENIOR LEGISLATIVE ANALYST
DIANNE DUBORD, COMMITTEE CLERK

HOUSE

RYAN TIPPING, ORONO, CHAIR
STEPHEN S. STANLEY, MEDWAY
MAUREEN FITZGERALD TERRY, GORHAM
KRISTEN SARAH CLOUTIER, LEWISTON
DIANE M. DENK, KENNEBUNK
ANN HIGGINS MATLACK, ST. GEORGE
BRUCE A. BICKFORD, AUBURN
HAROLD TREY L. STEWART, PRESQUE ISLE
THEODORE JOSEPH KRYZAK, JR., ACTON
DONALD G. MAREAN, HOLLIS

STATE OF MAINE
ONE HUNDRED AND TWENTY-NINTH LEGISLATURE
COMMITTEE ON TAXATION

DATE: April 9. 2019

TO: Senator Catherine E. Breen, Senate Chair
Rep. Drew Gattine, House Chair
Joint Standing Committee on Appropriations and Financial Affairs

FROM: Sen. Benjamin M. Chipman, Senate Chair
Rep. Ryan Tipping, House Chair
Sen. Heather B. Cloutier
Rep. Stephen S. Stanley
Rep. Maureen F. Terry
Rep. Kristen S Cloutier
Rep. Diane M. Denk
Rep. Ann H. Matlack

RE: Biennial budget – Majority recommendation regarding revenue sharing

---

The members of the Joint Standing Committee on Taxation listed above are grateful to the Joint Standing Committee on Appropriations and Financial Affairs for the opportunity to offer this report on the budget areas for which we have responsibility. This letter serves to represent the majority opinion on this issue and includes the names of all eight members of the Committee who support this position. We are pleased to note that, among the many issues we considered, we differ from our colleagues in the minority only on one question: that of State-Municipal Revenue Sharing.

The majority of the Taxation Committee has chosen to adhere to current law and provide 5% revenue sharing funding to Maine's municipalities. The majority takes this stance out of a desire to provide real, meaningful property tax relief to Maine citizens, especially to seniors and others living on fixed incomes. We have heard from leaders of both parties who support this policy, including the Municipal Caucus, which counts among its 30

100 STATE HOUSE STATION, AUGUSTA, MAINE 04333-0100 TELEPHONE 207-287-1552

members Representatives and Senators of all political persuasions and from all corners of the state.

This change to the budget would need to be offset, and we are prepared to help address this need. The Taxation Committee has in its possession many bills with positive fiscal estimates, any combination of which can be drawn upon to provide the resources necessary to ensure real and meaningful property tax relief to Maine homeowners. These bills relate to the estate tax (LDs 420 and 518), resource extraction (LD 1074), the lodging tax (LD 609), tax havens (LD 403), the corporate income tax (LD 903), short-term rental tax (LD 839) and online sales tax collection (LD 1452), along with other proposals that have not yet been printed. An increase in revenue sharing would mean these funds go straight back to taxpayers, and not additional spending for the state.

The majority of the Taxation Committee stands ready to work closely with the Appropriations Committee to craft a policy package that will address rising property tax rates and provide meaningful property tax relief to people across the state.

100 STATE HOUSE STATION, AUGUSTA, MAINE 04333-0100 TELEPHONE 207-287-1552

Maine State Legislature
Augusta, Maine 04333-0002

April 9, 2019

The Honorable Catherine Breen, Senate Chair
The Honorable Drew Gattine, House Chair
Committee on Appropriations and Financial Affairs
c/o Office of Fiscal and Program Review
5 State House Station
Augusta, ME 04333-0005

Dear Senator Breen and Representative Gattine:

Republican members of the Joint Standing Committee on Taxation support lower property taxes. Unfortunately, the budget proposal under consideration has already made cuts to revenue sharing and spends the money elsewhere. Our Democrat colleagues on the Committee want to restore the cuts, but they offer no plan on how to cover the cost. This means there is no allowance to deviate from what has already been proposed.

If Democrat members of the Committee, despite their policy disagreement, are unwilling to break from their side's budget proposal and offer ways to pay for these costs, then committee Republicans have no choice but to support the revenue sharing initiative as proposed.

Thank you for your consideration.

Sincerely,

Matthew Pouliot
State Senator/Ranking Member, Committee on Taxation

Bruce A. Bickford
State Representative/Ranking Member, Committee on Taxation

Harold "Trey" L. Stewart III
State Representative/Member, Committee on Taxation

Theodore Joseph Kryzak
State Representative/Member, Committee on Taxation

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

BUREAU OF REVENUE SERVICES FUND	History 2017-18	History 2018-19	2019-20	2020-21
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

BUREAU OF REVENUE SERVICES FUND	History 2017-18	History 2018-19	2019-20	2020-21
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 2017-18	History 2018-19	2019-20	2020-21
All Other	$1,440,000	$1,440,000	$1,440,000	$1,440,000
OTHER SPECIAL REVENUE FUNDS TOTAL	$1,440,000	$1,440,000	$1,440,000	$1,440,000

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 2017-18	History 2018-19	2019-20	2020-21
All Other	$1,440,000	$1,440,000	$1,440,000	$1,440,000
OTHER SPECIAL REVENUE FUNDS TOTAL	$1,440,000	$1,440,000	$1,440,000	$1,440,000

Elderly Tax Deferral Program 0650

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$500	$500	$500	$500
OTHER SPECIAL REVENUE FUNDS TOTAL	$500	$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

Initiative: Eliminates funding for the Elderly Tax Deferral Program.

Ref. #: 108 Committee Vote: IN 9-0 AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2019-20	2020-21
All Other	($500)	($500)
OTHER SPECIAL REVENUE FUNDS TOTAL	($500)	($500)

Justification:
The last participant in this program died in calendar year 2016 and the account is no longer needed. This eliminates the remaining allocation in this account that had been reduced in Public Law 2017, Chapter 284, Part A

ELDERLY TAX DEFERRAL PROGRAM 0650
PROGRAM SUMMARY

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$500	$500	$0	$0
OTHER SPECIAL REVENUE FUNDS TOTAL	$500	$500	$0	$0

Homestead Property Tax Exemption Reimbursement 0886

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$53,384,000	$68,859,000	$68,859,000	$68,859,000
GENERAL FUND TOTAL	$53,384,000	$68,859,000	$68,859,000	$68,859,000

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: Adjusts funding to reflect projected costs to the State resulting from rate changes to the Maine resident homestead property tax exemption.

Ref. #: 140 Committee Vote: 1N 9-0 AFA Vote: _____

GENERAL FUND	2019-20	2020-21
All Other	($359,000)	$141,000
GENERAL FUND TOTAL	($359,000)	$141,000

Justification:
This initiative provides funding to offset the effect upon local property tax burden arising from the municipal exemption rate change. Exemption payments are for the qualified residents that can certify ownership and permanent residency in Maine.

HOMESTEAD PROPERTY TAX EXEMPTION REIMBURSEMENT 0886
PROGRAM SUMMARY

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$53,384,000	$68,859,000	$68,500,000	$69,000,000
GENERAL FUND TOTAL	$53,384,000	$68,859,000	$68,500,000	$69,000,000

Maine Board of Tax Appeals Z146

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
POSITIONS - LEGISLATIVE COUNT	3.000	3.000	3.000	3.000
Personal Services	$322,636	$308,697	$312,191	$313,382
All Other	$62,955	$62,948	$62,948	$62,948
GENERAL FUND TOTAL	$385,591	$371,645	$375,139	$376,330

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
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 per diem payments for Maine Board of Tax Appeals members.

Ref. #: 171 Committee Vote: IN 9-0 AFA Vote: _____

GENERAL FUND	2019-20	2020-21
Personal Services	$3,600	$3,600
GENERAL FUND TOTAL	$3,600	$3,600

Justification:
This initiative provides funding for per diem payments to Maine Board of Tax Appeals members in accordance with Maine Revised Statutes, Title 36, Chapter 7, subsection 151-D. This Board consists of 3 member who are entitled to a per diem of $100 for an annual estimate of 12 meets per year.

MAINE BOARD OF TAX APPEALS Z146
PROGRAM SUMMARY

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
POSITIONS - LEGISLATIVE COUNT	3.000	3.000	3.000	3.000
Personal Services	$322,636	$308,697	$315,791	$316,982
All Other	$62,955	$62,948	$62,948	$62,948
GENERAL FUND TOTAL	$385,591	$371,645	$378,739	$379,930

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
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

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$19,097	$19,097	$19,097	$19,097
GENERAL FUND TOTAL	$19,097	$19,097	$19,097	$19,097

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

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$19,097	$19,097	$19,097	$19,097
GENERAL FUND TOTAL	$19,097	$19,097	$19,097	$19,097

Revenue Services, Bureau of 0002

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
POSITIONS - LEGISLATIVE COUNT	284.500	289.500	285.000	285.000
Personal Services	$22,353,412	$23,103,402	$24,575,313	$24,912,131
All Other	$15,716,011	$16,249,883	$16,685,133	$16,685,133
GENERAL FUND TOTAL	$38,069,423	$39,353,285	$41,260,446	$41,597,264

FEDERAL EXPENDITURES FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$5,000	$5,000	$5,000	$5,000
FEDERAL EXPENDITURES FUND TOTAL	$5,000	$5,000	$5,000	$5,000

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$11,463,348	$11,463,348	$11,463,348	$11,463,348
OTHER SPECIAL REVENUE FUNDS TOTAL	$11,463,348	$11,463,348	$11,463,348	$11,463,348

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 (BERT) 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: Establishes one limited-period Tax Examiner position through June 12, 2021 to support sales tax reimbursements and provides funding for related All Other costs.

Ref. #: 10 Committee Vote: 9-0 IN AFA Vote: _____

GENERAL FUND	2019-20	2020-21
Personal Services	$68,256	$71,377
All Other	$5,986	$5,986
GENERAL FUND TOTAL	$74,242	$77,363

Justification:
This initiative establishes one limited-period Tax Examiner position and related All Other costs in accordance with Public Law 2017, chapter 440. This position will provide support to process sales tax reimbursements related to the extension of the Pine Tree Development Zone certification and benefits. This position will end on June 12, 2021.

Revenue Services, Bureau of 0002

Initiative: Reallocates the costs of one Tax Examiner position from 25% General Fund and 75% Highway Fund to 100% General Fund within the same program.

Ref. #: 11 Committee Vote: IN 9-0 AFA Vote: _____

GENERAL FUND	2019-20	2020-21
Personal Services	$54,475	$54,996
GENERAL FUND TOTAL	$54,475	$54,996

Justification:
This initiative will align work effort with appropriate funding. This initiative is associated with ADM C-A-7009.

Revenue Services, Bureau of 0002

Initiative: Provides funding for the approved reorganization of one Tax Examiner position to a Management Analyst I position. Retroactive payment is effective July 16, 2018.

Ref. #: 13 Committee Vote: IN 9-0 AFA Vote: _____

GENERAL FUND	2019-20	2020-21
Personal Services	$5,868	$5,415
GENERAL FUND TOTAL	$5,868	$5,415

Justification:
This initiative will reorganize one Tax Examiner position to a Management Analyst I position to align work functions to appropriate classification. Reorganization was approved by the Bureau of Human Resources. This initiative is associated with ADM C-A-7008.

Revenue Services, Bureau of 0002

Initiative: Establishes one Principal Revenue Agent position and one Tax Section Manager position beginning July 1, 2019 to administer recently enacted laws associated with the taxation of multinational businesses and transfers All Other to Personal Services to fund the positions.

Ref. #: 14 Committee Vote: IN 9-0 AFA Vote: _____

GENERAL FUND	2019-20	2020-21
POSITIONS - LEGISLATIVE COUNT	2.000	2.000
Personal Services	$223,028	$224,934
All Other	($223,028)	($224,934)
GENERAL FUND TOTAL	$0	$0

Justification:
This initiative provides funding for one Principal Revenue Agent position and one Tax Section Manager position beginning July 1, 2019 to administer recently enacted laws associated with the taxation of multinational businesses. The positions are necessary due to recent federal and state changes in the treatment of foreign income and related deductions of corporations and pass-through entities, including changes in the calculation of income apportionable to Maine.

REVENUE SERVICES, BUREAU OF 0002
PROGRAM SUMMARY

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
POSITIONS - LEGISLATIVE COUNT	284.500	289.500	287.000	287.000
Personal Services	$22,353,412	$23,103,402	$24,926,940	$25,268,853
All Other	$15,716,011	$16,249,883	$16,468,091	$16,466,185
GENERAL FUND TOTAL	$38,069,423	$39,353,285	$41,395,031	$41,735,038

FEDERAL EXPENDITURES FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$5,000	$5,000	$5,000	$5,000
FEDERAL EXPENDITURES FUND TOTAL	$5,000	$5,000	$5,000	$5,000

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$11,463,348	$11,463,348	$11,463,348	$11,463,348
OTHER SPECIAL REVENUE FUNDS TOTAL	$11,463,348	$11,463,348	$11,463,348	$11,463,348

Snow Grooming Property Tax Exemption Reimbursement Z024

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
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

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
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 2017-18	History 2018-19	2019-20	2020-21
All Other	$7,600,000	$7,600,000	$7,600,000	$7,600,000
GENERAL FUND TOTAL	$7,600,000	$7,600,000	$7,600,000	$7,600,000

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 2017-18	History 2018-19	2019-20	2020-21
All Other	$7,600,000	$7,600,000	$7,600,000	$7,600,000
GENERAL FUND TOTAL	$7,600,000	$7,600,000	$7,600,000	$7,600,000

Unorganized Territory Education and Services Fund - Finance 0573

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$20,091,788	$20,591,788	$20,591,788	$20,591,788
OTHER SPECIAL REVENUE FUNDS TOTAL	$20,091,788	$20,591,788	$20,591,788	$20,591,788

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
PROGRAM SUMMARY

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$20,091,788	$20,591,788	$20,591,788	$20,591,788
OTHER SPECIAL REVENUE FUNDS TOTAL	$20,091,788	$20,591,788	$20,591,788	$20,591,788

Veterans' Organizations Tax Reimbursement Z062

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$29,106	$29,106	$29,106	$29,106
GENERAL FUND TOTAL	$29,106	$29,106	$29,106	$29,106

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 2017-18	History 2018-19	2019-20	2020-21
All Other	$29,106	$29,106	$29,106	$29,106
GENERAL FUND TOTAL	$29,106	$29,106	$29,106	$29,106

Veterans Tax Reimbursement 0407

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$1,228,330	$1,228,330	$1,228,330	$1,228,330
GENERAL FUND TOTAL	$1,228,330	$1,228,330	$1,228,330	$1,228,330

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 2017-18	History 2018-19	2019-20	2020-21
All Other	$1,228,330	$1,228,330	$1,228,330	$1,228,330
GENERAL FUND TOTAL	$1,228,330	$1,228,330	$1,228,330	$1,228,330

Waste Facility Tax Reimbursement 0907

Initiative: BASELINE BUDGET

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$12,188	$12,188	$12,188	$12,188
GENERAL FUND TOTAL	$12,188	$12,188	$12,188	$12,188

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 2017-18	History 2018-19	2019-20	2020-21
All Other	$12,188	$12,188	$12,188	$12,188
GENERAL FUND TOTAL	$12,188	$12,188	$12,188	$12,188

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

DEPARTMENT TOTALS	2019-20	2020-21
GENERAL FUND	$119,192,491	$120,033,689
FEDERAL EXPENDITURES FUND	$5,000	$5,000
OTHER SPECIAL REVENUE FUNDS	$33,540,136	$33,540,136
BUREAU OF REVENUE SERVICES FUND	$151,720	$151,720
DEPARTMENT TOTAL - ALL FUNDS	$152,889,347	$153,730,545

Sec. A-56. 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 2017-18	History 2018-19	2019-20	2020-21
Personal Services	$6,000	$6,000	$6,000	$6,000
All Other	$80,565	$119,337	$80,565	$80,565
GENERAL FUND TOTAL	$86,565	$125,337	$86,565	$86,565

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
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
PROGRAM SUMMARY

GENERAL FUND	History 2017-18	History 2018-19	2019-20	2020-21
Personal Services	$6,000	$6,000	$6,000	$6,000
All Other	$80,565	$119,337	$80,565	$80,565
GENERAL FUND TOTAL	$86,565	$125,337	$86,565	$86,565

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$3,000	$3,000	$3,000	$3,000
OTHER SPECIAL REVENUE FUNDS TOTAL	$3,000	$3,000	$3,000	$3,000

PROPERTY TAX REVIEW, STATE BOARD OF

DEPARTMENT TOTALS	2019-20	2020-21
GENERAL FUND	$86,565	$86,565
OTHER SPECIAL REVENUE FUNDS	$3,000	$3,000
DEPARTMENT TOTAL - ALL FUNDS	$89,565	$89,565

Sec. A-66. Appropriations and allocations. The following appropriations and allocations are made.

TREASURER OF STATE, OFFICE OF

Disproportionate Tax Burden Fund 0472

Initiative: BASELINE BUDGET

	History 2017-18	History 2018-19	2019-20	2020-21
OTHER SPECIAL REVENUE FUNDS				
All Other	$16,584,684	$17,087,084	$17,087,084	$17,087,084
OTHER SPECIAL REVENUE FUNDS TOTAL	$16,584,684	$17,087,084	$17,087,084	$17,087,084

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 the transfer to the Local Government Fund from 5% to 2.5% in fiscal year 2019-20 and 3% in fiscal year 2020-21.

Ref. #: 2665 Committee Vote: 8 - out 5 - IN AFA Vote: _____

	2019-20	2020-21
OTHER SPECIAL REVENUE FUNDS		
All Other	$3,956,696	$9,270,121
OTHER SPECIAL REVENUE FUNDS TOTAL	$3,956,696	$9,270,121

Justification:
This initiative adjusts the transfer amount to the Local Government Fund from 5% to 2.5% in fiscal year 2019-20 and 3% in fiscal year 2020-21.

DISPROPORTIONATE TAX BURDEN FUND 0472
PROGRAM SUMMARY

	History 2017-18	History 2018-19	2019-20	2020-21
OTHER SPECIAL REVENUE FUNDS				
All Other	$16,584,684	$17,087,084	$21,043,780	$26,357,205
OTHER SPECIAL REVENUE FUNDS TOTAL	$16,584,684	$17,087,084	$21,043,780	$26,357,205

Passamaquoddy Sales Tax Fund 0915

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$17,607	$17,607	$17,607	$17,607
OTHER SPECIAL REVENUE FUNDS TOTAL	$17,607	$17,607	$17,607	$17,607

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

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$17,607	$17,607	$17,607	$17,607
OTHER SPECIAL REVENUE FUNDS TOTAL	$17,607	$17,607	$17,607	$17,607

State - Municipal Revenue Sharing 0020

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$46,822,400	$46,350,400	$46,350,400	$46,350,400
OTHER SPECIAL REVENUE FUNDS TOTAL	$46,822,400	$46,350,400	$46,350,400	$46,350,400

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 the transfer to the Local Government Fund from 5% to 2.5% in fiscal year 2019-20 and 3% in fiscal year 2020-21.

Ref. #: 2647 Committee Vote: 8 - OUT 5 - IN AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2019-20	2020-21
All Other	$21,824,720	$57,983,222
OTHER SPECIAL REVENUE FUNDS TOTAL	$21,824,720	$57,983,222

Justification:
This initiative adjusts the transfer amount to the Local Government Fund from 5% to 2.5% in fiscal year 2019-20 and 3% in fiscal year 2020-21.

STATE - MUNICIPAL REVENUE SHARING 0020
PROGRAM SUMMARY

OTHER SPECIAL REVENUE FUNDS	History 2017-18	History 2018-19	2019-20	2020-21
All Other	$46,822,400	$46,350,400	$68,175,120	$104,333,622
OTHER SPECIAL REVENUE FUNDS TOTAL	$46,822,400	$46,350,400	$68,175,120	$104,333,622

TREASURER OF STATE, OFFICE OF

DEPARTMENT TOTALS	2019-20	2020-21
OTHER SPECIAL REVENUE FUNDS	$89,236,507	$130,708,434
DEPARTMENT TOTAL - ALL FUNDS	$89,236,507	$130,708,434

TAXATION PROVISIONS IN THE BIENNIAL BUDGET

jsj/OFPR

TAXATION COMMITTEE 4/9/19

RECOMMENDATIONS TO APPROPRIANTIONS COMMITTEE

	Current law	Budget proposal	MRS estimated revenue impact	Recommendation
MRS BACKGROUND CHECKS PART G				
	Background checks and fingerprinting required for the following: 1. Applicants for employment with MRS 2. MRS contractors	Background checks and fingerprinting required for the following: 1. Applicants for employment with MRS 2. MRS contractors 3. Existing MRS employees every 10 years Persons with "disqualifying offense" may not access confidential tax information or federal tax information. Refusal to consent to background investigation in considered a "disqualifying offense." Changes made to meet IRS standards.	No fiscal impact.	The TAX Committee recommends including this language (9-0).

TAXATION PROVISIONS IN THE BIENNIAL BUDGET

jsj/OFPR

	Current law	Budget proposal	MRS estimated revenue impact	Recommendation
REVENUE SHARING PART H				
Revenue sharing Part H Language p. 22 Pt A allocations p. 495-6	2% of tax base from income tax, sales tax and portion of service provider tax for FY 15 to FY19 returning to 5% of tax base in FY 20 (July 1, 2019) State municipal revenue sharing (Rev1) -- 80% of revenue sharing funding is distributed to municipalities based upon population and relative property tax burden (Rev 1) Disproportionate tax burden fund (Rev2) -- 20% of revenue sharing funding is distributed to municipalities with a mill rate exceeding 10 mils based on population and the portion of their mil rate exceeding 10 mills.	Changes % of ST/SPT base and IT base transferred for revenue sharing from 5% to 2.5% in FY 20 and 3% in FY 21. Transfers would return to 5% in FY 22. No change in distribution formulas	GF savings FY 20 $85,218,902 (5% to 2.5%) FY 21 $74,524,016 (5% to 3%)	8 members of the TAX Committee (Chipman, H. Sanborn, Tipping, Stanley, Terry, Cloutier, Denk, Matlack) recommend deleting this Part and allowing the % of the tax base transferred from the General Fund for revenue sharing to increase to 5% on July 1 as provided under current law. 5 members of the TAX Committee (Pouliot, Bickford, Stewart, Kryzak, Marean) recommend including this Part.
PART I CERTAIN SALARY INCREASES				
		Salary adjustments for certain MRS job classifications according to existing retention adjustment process to improve recruiting and retention of employees. 1. Tax examiner 2. Tax examiner II 3. Senior tax examiner 4. Tax section manager Adjustments funded from DAFS "Salary Plan" account which funds collective bargaining agreements.	FY 20 $850,000 FY 21 $850,000	The TAX Committee recommends including this language (9-0).

TAXATION PROVISIONS IN THE BIENNIAL BUDGET

jsj/OFPR

	Current law	Budget proposal	MRS estimated revenue impact	Recommendation
PART J ELDERLY PT DEFERRAL				
	1. State elderly PT deferral program ceased accepting new entrants 4/1/99. 2. Persons in the program on that date continued to receive deferral. 3. State reimbursed municipalities for deferred revenue.	Transfers $77,071.96 from Elderly Tax Deferral Program OSR account to GF in by 8/1/19 because the last participant passed away in 2016 and account is no longer needed.		The TAX Committee recommends including this language (9-0).
PART K TAX EXPENDITURES				
	5 MRSA §1666 requires Governor to include in budget documents submitted to Legislature a Part that " … asks the Legislature whether it wishes to continue funding each individual tax expenditure provided in the statutes" and include information regarding the state tax revenue losses attributable to each provision.			The TAX Committee recommends including this language (9-0).

TAXATION PROVISIONS IN THE BIENNIAL BUDGET

jsj/OFPR

	Current law	Budget proposal	MRS estimated revenue impact	Recommendation
PART O MODERNATION OF TAX COLLECTION SYSTEM				
		Authorizes MRS and Office of Information Technology to enter into financing arrangements for the acquisition, licensing, installation, implementation, maintenance and support of computer hardware, software and other systems to support the operations of MRS tax administration. Financing agreement may not exceed 7 years, $46,400,000 principal costs or 7% interest rate.		The TAX Committee recommends including this language (9-0).

g:\taxcmte\129th-1\budget\budget chart.docx

PART G

Sec. G-1. 25 MRSA §1542-A, sub-§1, ¶J, as amended by PL 2015, c. 300, Pt. B, §2, is further amended to read:

J. Who is an affected person, as defined in Title 36, Section 194-B,~~has applied for employment with the Department of Administrative and Financial Services, Bureau of Revenue Services~~ and whose fingerprints have been required by the State Tax Assessor pursuant to Title 36, section 194-B;

Sec. G-2. 25 MRSA §1542-A, sub-§1, ¶K, as amended by PL 2017, c. 258, Pt. B, §1, is repealed.

Sec. G-3. 25 MRSA §1542-A, sub-§1, ¶L, as amended by PL 2017, c. 457, §10, is repealed.

Sec. G-4. 25 MRSA §1542-A, sub-§3, ¶J, as enacted by PL 2013, c. 546, §4, is amended to read:

J. The State Police shall take or cause to be taken the fingerprints of the person named in subsection 1, paragraph J, at the request of that person and upon payment of the expenses by the Department of Administrative and Financial Services, Bureau of Revenue Services as specified under Title 36, section 194-B, subsection ~~2~~3.

Sec. G-5. 25 MRSA §1542-A, sub-§3, ¶K, as enacted by PL 2015, c. 300, Pt. B, §4, is repealed.

Sec. G-6. 25 MRSA §1542-A, sub-§4, as amended by PL 2017, c. 452, §27, is further amended to read:

4. Duty to submit to State Bureau of Identification. It is the duty of the law enforcement agency taking the fingerprints as required by subsection 3, paragraphs A, B and G to transmit immediately to the State Bureau of Identification the criminal fingerprint record. Fingerprints taken pursuant to subsection 1, paragraph C, D, E or F or pursuant to subsection 5 may not be submitted to the State Bureau of Identification unless an express request is made by the commanding officer of the State Bureau of Identification. Fingerprints taken pursuant to subsection 1, paragraph G must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Department of Education. The bureau may not use the fingerprints for any purpose other than that provided for under Title 20-A, section 6103. The bureau shall retain the fingerprints, except as provided under Title 20-A, section 6103, subsection 9. Fingerprints taken pursuant to subsection 1, paragraph I and subsection 3, paragraph I must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the court and the Department of Public Safety, Gambling Control Board, respectively. Fingerprints taken pursuant to subsection 1, paragraph J~~, K, L~~ or P must be

transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Department of Administrative and Financial Services. Fingerprints taken pursuant to subsection 1, paragraph M must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Board of Osteopathic Licensure, established in Title 32, chapter 36. Fingerprints taken pursuant to subsection 1, paragraph N must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Board of Licensure in Medicine, established in Title 32, chapter 48. Fingerprints taken pursuant to subsection 1, paragraph M must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the State Board of Nursing. Fingerprints taken pursuant to subsection 1, paragraph O must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks under Title 28-B, section 204.

Sec. G-7. 25 MRSA §1542-A, sub-§4, as amended by PL 2017, c. 457, §16, is further amended to read:

4. Duty to submit to State Bureau of Identification. It is the duty of the law enforcement agency taking the fingerprints as required by subsection 3, paragraphs A, B and G to transmit immediately to the State Bureau of Identification the criminal fingerprint record. Fingerprints taken pursuant to subsection 1, paragraph C, D, E or F or pursuant to subsection 5 may not be submitted to the State Bureau of Identification unless an express request is made by the commanding officer of the State Bureau of Identification. Fingerprints taken pursuant to subsection 1, paragraph G must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Department of Education. The bureau may not use the fingerprints for any purpose other than that provided for under Title 20-A, section 6103. The bureau shall retain the fingerprints, except as provided under Title 20-A, section 6103, subsection 9. Fingerprints taken pursuant to subsection 1, paragraph I and subsection 3, paragraph I must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the court and the Department of Public Safety, Gambling Control Board, respectively. Fingerprints taken pursuant to subsection 1, paragraph J~~, K or L~~ must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Department of Administrative and Financial Services, Bureau of Revenue Services. Fingerprints taken pursuant to subsection 1, paragraph P must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Board of Osteopathic Licensure, established in Title 32, chapter 36. Fingerprints taken pursuant to subsection 1, paragraph N must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Board of Licensure in

Medicine, established in Title 32, chapter 48. Fingerprints taken pursuant to subsection 1, paragraph Q must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the State Board of Nursing, established in Title 32, chapter 31. Fingerprints taken pursuant to subsection 1, paragraph O must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks under Title 28-B, section 204. Fingerprints taken pursuant to subsection 1, paragraph R must be transmitted immediately to the State Bureau of Identification to enable the bureau to conduct state and national criminal history record checks for the Department of Health and Human Services.

Sec. G-8. 36 MRSA §194-B, as amended by PL 2015, c. 300, Pt. B, §§7 and amended by PL 2015, c. 300, Pt. B, §§6-8, is repealed and replaced with:

§194-B. Background Investigations

1. Definitions. As used in this section the following terms have the following meanings:

A. Affected person. "Affected person" means a person who is:

(1). An applicant for employment with the Bureau of Revenue Services;
(2). A contractor for the Bureau of Revenue Services, including their respective employees, subcontractors and subcontractors' employees, who provides or is assigned to provide services to the bureau under an identified contract. For the purposes of this section, "identified contract" means a contract that the State Tax Assessor determines involves access or the substantial possibility of access to the bureau's information technology systems or to confidential tax information;
(3). A current employee of the Bureau of Revenue Services; or
(4). Employees and contractors, including their respective employees, subcontractors and subcontractors' employees, of other State agencies, if the assessor determines their duties involve access or the substantial possibility of access to federal tax information obtained from the Bureau of Revenue Services.

B. Confidential Tax Information. "Confidential tax information" means any information that's inspection or disclosure is limited or prohibited by section 191, including federal tax information.

C. Federal Tax Information. "Federal tax information" means returns and return information as defined in the Code, section 6103(b) that are received directly from the Internal Revenue Service or obtained through an IRS-authorized secondary source and that are subject to the confidentiality protections and safeguarding requirements of the Internal Revenue Code and corresponding federal regulations and guidance. "Federal Return

Information" does not include that information in the hands of the State that is obtained by means wholly from sources independent from the IRS.

2. Background investigation requirements. The assessor shall perform background investigations for affected persons in accordance with this section.

A. Applicants for employment. As part of the process of evaluating an affected person for employment with the Bureau of Revenue Services a background investigation must be conducted before an offer of employment is extended.

B. Contractors. A background investigation for an affected person assigned to provide services to the Bureau of Revenue Services under an identified contract must be conducted before that affected person begins providing services to the bureau, and again, at least once every ten years, as long as the affected person continues providing services to the bureau.

C. Current employees. As part of the process of evaluating an affected person for continued employment with the Bureau of Revenue Services, a background investigation shall be conducted at least once every ten years. If an affected person has not been subject to a background investigation within ten years prior to the effective date of this Part, then a background investigation shall be conducted within one year of the effective date of this Part.

D. Employees and contractors of other State agencies. A background investigation for employees and contractors of other State agencies shall be conducted before that affected person is provided access, or the substantial possibility of access, to federal tax information obtained from the Bureau of Revenue Services, and again, at least once every ten years, as long as the affected person continues to have such access. However, if the assessor determines that the affected person has been subject to a background investigation that satisfies the background investigation standards established by the Internal Revenue Service regarding access to federal tax information within the past ten years, then no further investigations are required under this section for the ten-year period commencing at the time of the background investigation.

The background investigation shall include fingerprinting and obtaining national criminal history record information from the Federal Bureau of Investigation and shall satisfy the background investigation standards established by the Internal Revenue Service regarding access to federal tax information.

3. Fingerprinting. An affected person must consent to having fingerprints taken for use in background investigations in accordance with this section. The State Police shall take or cause to be taken the affected person's fingerprints and shall forward the fingerprints to the Department

of Public Safety, State Bureau of Identification so that the State Bureau of Identification can conduct state and national criminal history record checks for the Bureau of Revenue Services. The State Police may charge the Bureau of Revenue Services for the expenses incurred in processing state and national criminal history record checks. The full fee charged under this subsection must be deposited in a dedicated revenue account for the State Bureau of Identification with the purpose of paying costs associated with the maintenance and replacement of the criminal history record systems.

4. Confidentiality. All information obtained by the assessor pursuant to this section is confidential and not a public record as defined in Title 1, section 402, subsection 3. The information must only be used for making decisions regarding the suitability of an affected person for new or continued employment with the Bureau of Revenue Services, to provide services to the bureau under an identified contract, or to access federal tax information obtained from the bureau.

5. Affected person's access to criminal history record information. The Bureau of Revenue Services shall provide an affected person with access to information obtained pursuant to this section, if requested, by providing a paper copy of the criminal history record information directly to the affected person, but only after the Bureau of Revenue Services confirms that the affected person is the subject of the record. In addition, the Bureau of Revenue Services shall publish guidance on requesting such information from the Federal Bureau of Investigation.

6. Disqualifying offenses; refusal to consent. The assessor shall review the information obtained under this section and determine whether an affected person has a disqualifying offense that would prohibit authorizing that individual from accessing confidential tax information or federal tax information. If the affected person refuses to consent to the background investigation requirements under this section, they are considered to have such a disqualifying offense. If the affected person has a disqualifying offense:

A. The Bureau of Revenue Services shall not employ or utilize that affected person in a position for which access to confidential tax information is required;

B. If the affected person is an employee of the Bureau of Revenue Services or is assigned to provide services to the bureau under an identified contract and the assessor has authorized the affected person to access confidential tax information, the bureau shall terminate that affected person's access and may remove that affected person from any position that involves access, or the substantial possibility of access, to confidential tax information. If the affected person is an employee of the bureau, the bureau shall make a reasonable effort to retain that person as an employee in another position within the bureau that does not require access to confidential tax information;

C. If the affected person is an employee or contractor of another State agency, the assessor shall notify the other agency and the agency shall terminate the affected person's access, or substantial possibility of access, to federal tax information and may remove that affected person from any position that involves such access. If the affected person is an employee of the agency, the agency shall make a reasonable effort to retain that person as an employee in another position that does not require access to federal tax information.

Sec. G-9. 36 MRSA §194-C as enacted by PL 2015, c. 300, Pt. B, §9 is repealed.

PART G
SUMMARY

This Part implements background investigations for certain individuals with a business need to receive Federal Tax Information, in order to meet Internal Revenue Service standards. This Part also expands background checks to apply to all employees of Maine Revenue Services.

PART H

Sec. H-1. 30-A MRSA §5681, sub-§5, as amended by PL 2009, c. 213, Pt. S, §4, PL 2015, c. 267, Pt. K and affected by §16, is further amended to read:

5. Transfers to funds. No later than the 10th day of each month, the State Controller shall transfer to the Local Government Fund 5% of the receipts during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A to F and L, and credited to the General Fund without any reduction, except that for fiscal years 2015-16, 2016-17, 2017-18 and 2018-19 the amount transferred is 2 %, <u>except that for fiscal year 2019-20, the amount transferred is 2.5% and except that for fiscal year 2020-21, the amount transferred is 3%</u> of the receipts during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A to F and L, and credited to the General Fund without any reduction, and except that the postage, state cost allocation program and programming costs of administering state-municipal revenue sharing may be paid by the Local Government Fund. A percentage share of the amounts transferred to the Local Government Fund each month must be transferred to the Disproportionate Tax Burden Fund and distributed pursuant to subsection 4-B as follows:

C. For months beginning on or after July 1, 2009 but before July 1, 2010, 15%;

D. For months beginning on or after July 1, 2010 but before July 1, 2011, 16%;

E. For months beginning on or after July 1, 2011 but before July 1, 2012, 17%;

F. For months beginning on or after July 1, 2012 but before July 1, 2013, 18%;

G. For months beginning on or after July 1, 2013 but before July 1, 2014, 19%; and

H. For months beginning on or after July 1, 2014, 20%.

PART H
SUMMARY

This Part sets the transfer to the Local Government Fund at 2.5% in fiscal year 2019-20 and 3% in fiscal year 2020-21.

PART I

Sec. I-1. 36 MRSA §112, subsection 2-B is enacted to read:

2-B. Stipend. The assessor may implement a salary adjustment for Maine Revenue Services employees in the job classifications of Tax Examiner, Tax Examiner II, Senior Tax Examiner, and Tax Section Manager to be compensated at a rate determined in accordance with recruitment and retention adjustments authorized by Title 5, section 7065, subsection 2-D, the amount of which is in addition to the regular rate of pay.

Sec. I-2. Costs to General Fund. Costs to the General Fund must be provided from the Salary Plan program, General Fund account in the Department of Administrative and Financial Services in the amount up to $850,000 for the fiscal year ending June 30, 2020 and in the amount up to $850,000 for the fiscal year ending June 30, 2021 to implement the salary adjustment in Section 1 of this Part.

PART I
SUMMARY

This Part provides funding from the Salary Plan Program for salary increases for positions in Maine Revenue Services classified as a Tax Examiner, Tax Examiner II, Senior Tax Examiner, and Tax Section Manager. The funding is necessary for State fiscal years ending June 30, 2020 and June 30, 2021. The increases will improve the agency's ability to recruit and retain individuals in these classifications.

PART J

Sec. J-1. Transfer from Other Special Revenue Funds account in the Department of Administrative and Financial Services. Notwithstanding any other provision of law, no later than August 30, 2019, the State Controller shall transfer $77,071.96 from the Department of Administrative and Financial Services, Elderly Tax Deferral Program, Other Special Revenue Funds account to the General Fund unappropriated surplus.

PART J
SUMMARY

This Part transfers $77,071.96 from the Department of Administrative and Financial Services, Elderly Tax Deferral Program, Other Special Revenue Funds account, the balance which remains at the close of the program, to the General Fund unappropriated surplus. The program's last participant passed away in calendar year 2016 and the account is no longer needed.

PART K

Sec. K-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 in the first term of office on February 8, 2019 in the first regular legislative session.

PART K
SUMMARY

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

PART O

Sec. O-1. Department of Administrative and Financial Services; financial Agreement authorization. Pursuant to the Maine Revised Statutes, Title 5, section 1587, the Department of Administrative and Financial Services, Office of Information Technology and Maine Revenue Services may enter into financing arrangements on or after July 1, 2019, with debt service commencing on or after July 1, 2021, for the acquisition, licensing, installation, implementation, maintenance and support of computer hardware, software and other systems to support the operations of Maine Revenue Services tax administration. The financial agreement may not collectively exceed 7 years in duration and $46,400,000 in principal costs. The interest rate may not exceed 7%. Annual principal and interest costs must be paid from the Bureau of Revenue Services program accounts in the Department of Administrative and Financial Services.

PART O
SUMMARY

This Part authorizes the Department of Administrative and Financial Services to enter into financing arrangements related to the modernization of the tax collection system for amounts not to exceed $46,400,000 in principal costs and not to exceed 7 years in duration.