

# PROVISIONS IN THE BIENNIAL BUDGET

2/19/21

jsj/OFPR

## TAXATION COMMITTEE

		Background	Budget proposal See budget materials	Change package(Should there be such a thing)	Recommendation
<b>PART A</b>					
<b>DAFS</b>					
<b>1</b>	<b>Property Tax Review, State Board p. A-436</b>	<b>Funds the operating cost of the State Board of Property Tax Review</b>			
	<b>Baseline</b>		<b>\$86,565 FY 22 \$86,565 FY 23</b>		
	<b>Initiative</b>	<b>None</b>			
<b>2</b>	<b>Bureau of Revenue Services Fund p. A-14</b>	<b>Internal Service Fund that contains revenue and expenditures associated with providing services on behalf of other state agencies</b>			
	<b>Baseline</b>		<b>\$151,720 FY 22 \$151,720 FY 23</b>		
	<b>Initiative</b>	<b>None</b>			
<b>3</b>	<b>County Tax Reimbursement p. A-16</b>	<b>Provides for payments to counties for motor vehicle and watercraft excise taxes collected by MRS from residents of the Unorganized Territory. Excise tax revenues must be used by the counties to fund municipal services provided by counties in the UT.</b>			
	<b>Baseline</b>		<b>\$1,440,000 FY 22 \$1,440,000 FY 23</b>		
	<b>Initiative</b>		<b>Adjusts to accommodate for increased MVET and watercraft excise tax in UT  \$560,000 FY 22 \$560,000 FY 23</b>		

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4	<b>Homestead Property Tax Exemption Reimbursement p. A-19</b>	<b>Reimburses municipalities for % of revenue lost as a result of homestead property tax exemption</b>			
	<b>Baseline</b>		<b>\$89,580,000 FY 22 \$89,580,000 FY 23</b>		
	<b>Initiative</b>	<b>PL 2019, c. 343.Pt H. PTE increased from \$20,000 to \$25,000 in TY 20.  Reimbursement % increased from 62.5% to 70% in TY 20</b>	<b>Increases funding to cover 129th expansion of benefit and municipal reimbursement  \$7,500,000 FY 22 \$8.220,000 FY 23</b>		
5	<b>Maine Board of Tax Appeals p. A-23</b>	<b>Provides for the operating expenses of the Maine Board of Tax Appeals</b>			
	<b>Basaeline</b>		<b>3 positions \$377,354 FY 22 \$383,168 FY 23</b>		
	<b>Initiative</b>		<b>Reduces funding for general operating expenses  (\$20,000) FY 22 (\$20,000) FY23</b>		

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6	Mandate BETE – Reimburse municipalities p. A-24	Provides payments for state-mandated increase increase in cost of municipal activities due to enactment of BETE property tax exemption			
	Baseline		\$19.079		
			Provides funding to reimburse municipalities for state-manda2td costs. \$1,403 FY 22 \$1,403 FY 23		
7	Renewable Energy Facilities Property Tax Exemption p. A-29	Reimburses municipalities for 50% of revenue loss due to enactment of property tax exemption for renewable energy facilities property beginning in 2020 and for % of state mandated admin costs			
	Baseline		\$0 Program is new this year		
	Initiative		Reimburse municipalities 50% revenue loss \$192,500 FY 22 \$1,700,000 FY 23		
	Initiative		Reimburse municipalities for state-mandated admin cost  \$22,000 \$22,000		

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<b>8</b>	<b>Revenue Services, Bureau of p. A-30</b>	<b>Funds the operating expenses of Maine Revenue Services</b>			
	<b>Baseline</b>		<b>GF</b> \$44,141,707 FY 22 \$44,520,984 FY 23		
	<b>Initiative</b>		<b>Eliminates funding for highway use tax evasion projects (program ended in 2016)</b> (\$5,000) FY 22 (\$5,000) FY 23		
	<b>Initiative</b>		<b>Reduces funding to reflect one-time savings in technology and professional services</b> \$42,427,296 FY 22 \$42,806,573 FY 23		
<b>9</b>	<b>Snow Grooming Property Tax Exemption Reimbursement p. A-32</b>	<b>Reimburses municipalities for 50% of revenue loss due to enactment of property tax exemption for certain snowmobile trail grooming equipment</b>			
	<b>Baseline</b>		<b>\$30,000</b>		
	<b>Initiative</b>		<b>Reduces funding for 50% reimbursement to municipalities for property tax exemption</b> (\$3,120) FY 22 (\$3,120) FY 23		

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<b>10</b>	<b>Tree Growth Tax Reimbursement p. A-36</b>	<b>Reimburses municipalities for 90% per acre revenue loss due to current use valuation under the tree growth tax law</b>			
	<b>Baseline</b>		<b>\$7,600,000 \$7,600,000</b>		
	<b>Initiative</b>	<b>None</b>			
<b>11</b>	<b>Unorganized Territory Education and Services Fund –Finance p. A-37</b>	<b>Provides appropriations to cover cost of certain municipal services provided by State agencies in the UT. Costs are covered by the municipal cost component that established property tax collection for municipal services in the UT</b>			
	<b>Baseline</b>		<b>\$20,591,788 FY 22 \$20,591,788 FY 23</b>		
	<b>Initiative</b>	<b>None</b>			
<b>12</b>	<b>Veterans Tax Reimbursement p. A-37</b>	<b>Reimburses municipalities for 50% of revenue loss due to expansion of property tax exemption for veterans and certain survivors enacted since 1979</b>			
	<b>Baseline</b>		<b>\$1,228,330 FY 22 \$1,228.330 FY 23</b>		
	<b>Initiative</b>		<b>Additional fund needed due to increasing mill rates  \$5,200 FY 22 \$5,000 FY 23</b>		

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<b>13</b>	<b>Veterans' Organizations Tax Property Tax Reimbursement p. A-38</b>	<b>Reimburses municipalities for 50% of revenue loss due to property tax exemption for certain veterans' organizations</b>			
	<b>Baseline</b>		<b>\$50,000 FY 22 \$50,000 FY 23</b>		
	<b>Initiative</b>		<b>Reduces funding for this purpose. (\$10,920) FY 22 (\$10,920) FY 23</b>		
<b>14</b>	<b>Waste facility property tax property exemption reimbursement p. A38</b>	<b>Reimburses municipalities for 50% of revenue loss due to property tax exemption for animal waste storage facilities</b>			
	<b>Baseline</b>		<b>\$12,188 FY 22 \$12,188 FY 23</b>		
	<b>Initiative</b>		<b>Reduces funding for this purpose. (\$1,268) FY 22 (\$1,268) FY 23</b>		
<b>15</b>	<b>Disproportionate Tax Burden Fund p. A-484</b>	<b>Allocates funds for revenue sharing to municipalities with property tax rates exceeding 10 mills (RevSh 2)</b>  <b>SEE PART G</b> <b>Part G holds revenue transferred for Revenue Sharing at 3.75 % for FY 22 and Y 23.</b>			
	<b>Baseline</b>		<b>\$26,418,539 FY 22 \$26,418,539 FY 23</b>		

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		<b>Background</b>	<b>Budget proposal</b> See budget materials	<b>Change package(Should there be such a thing)</b>	<b>Recommendation</b>
	<b>Initiative</b>		<b>Adjusts allocations to be in line with available resources</b> \$5,645,019 FY 22 \$6,902,569 FY 23		
<b>16</b>	<b>State-Municipal Revenue Services</b> p. A-486	<b>Allocates funds for revenue sharing to all municipalities (RevSh 1)</b>  <b>SEE PART G</b> <b>Part G holds revenue transferred for Revenue Sharing at 3.75 % for FY 22 and Y 23.</b>			
	<b>Baseline</b>		\$117,706,329 FY 22 \$117,706,329 FY 23		
	<b>Initiative</b>		<b>Adjusts allocations to be in line with available resources</b> (\$5,452,100) FY 22 (\$421,901) FY 23		
<b>17</b>	<b>Passamaquoddy Sales Tax Fund</b> p A-485	<b>Fund consists of sales tax revenues collected on Passamaquoddy reservations which is returned monthly to the Passamaquoddy Tribe</b>			
	<b>Baseline</b>		\$17,607 FY 22 \$17,607 FY 23		
	<b>Initiative</b>	<b>None</b>			

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		<b>Background</b>	<b>Budget proposal See budget materials</b>	<b>Change package(Should there be such a thing)</b>	<b>Recommendation</b>
<b>18</b>	<b>Property Tax Relief Fund for Maine Residents p. A-485</b>	<b>Fund receives % of GF unallocated surplus and % of amounts by which GF revenue exceed the growth limitation. Fund is used to provide payments to owners of homesteads in the State when the Fund contains sufficient funds to provide payments of at least \$100.</b>  <b>SEE PART F Fund is repealed in Part F and funds in the Fund (\$300,000) are returned to the GF.</b>			
	<b>Baseline</b>		<b>\$206,500 FY 22 \$206,500 FY 23</b>		
	<b>Initiative</b>		<b>None</b>		



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<b>LANGUAGE PARTS</b>					
	<b>Current law</b>	<b>Budget proposal</b>	<b>MRS estimated fiscal impact</b>	<b>Change package</b>	<b>Recommendation</b>
<b>PART H SERVICE PROVIDER TAX</b>	Expands service provider tax to apply to digital audio-visual and digital audio services (transfer of digital audiovisual works and digital audio works to end user with right of less than permanent use granted by the seller, including continued payment or subscription).				
	SPT applies to Cable and satellite TV and radio; and physical rental of DVDs and audio media (cassette tapes)  Sales tax applies to DVDs and CDs		<b>Increased revenue:</b>  \$3,850,000 FY 22 \$5,977,000 FY 23		
<b>PART R TAX EXPENDITURES</b>	Expresses intent to continue “funding” tax expenditures with listing of each tax expenditure and the fiscal impact for current biennium and subsequent biennium <b>5 MRSA §1666 provides:</b> “A budget document transmitted by the Governor or Governor-elect must include a part that asks the Legislature whether it wishes to continue funding each individual tax expenditure provided in the statutes. For purposes of this paragraph, “tax expenditures” means those state tax revenue losses attributable to provisions of Maine tax laws that allow a special exclusion, exemption or deduction or provide a special credit, a preferential rate of tax or a deferral of tax liability. The part must include for each tax expenditure a statutory section reference, a brief description of each tax expenditure and the loss of revenue estimated to be incurred by funding source and fiscal year. The joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs shall consider any reports regarding the evaluation of tax expenditures completed during the previous 2 years pursuant to Title 3, sections 999 and 1000 and shall hold at least one public hearing to receive public comment regarding those tax expenditures when reviewing the continuation of tax expenditures pursuant to this section....”				
			NA		

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<p><b>PART F PROPERTY TAX RELIEF FUND FOR MAINE RESIDENTS</b></p>	<p>1. Repeals Property Tax Relief Fund which receives % of GF unallocated surplus and % of amounts by which GF revenue exceed the growth limitation. Fund is used to provide payments to owners of homesteads in the State when the Fund contains sufficient funds to provide payments of at least \$100.                  2. Transfers balance in fund (\$300,000) to the GF unappropriated surplus                  3. Provides that the Fund’s share of unappropriated surplus of the GF is split between the Budget Stabilization Fund and the Capital Construction and Improvements Fund</p>				
			<p><b>Transfer to GF:</b>  \$300,000 FY22</p>		
<p><b>PART G REVENUE SHARING</b></p>	<p>Maintains the % of revenue from sales tax, income tax and certain portions of the service provider tax at 3.75% in FY22 and FY23. % would return to 5% in FY 24.</p>				
	<p>Under current law % returns to 5% beginning 7/1/21.</p>		<p><b>GF savings:</b> \$46,605,346 FY 22 \$48,675,570 FY 23</p>		

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