

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

An Act To Reform and Lower Maine Taxes

Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 36 MRSA §5219-DD is enacted to read:

§ 5219-DD. Maine Residents Property Tax Program credit

A refundable credit is allowed against the taxes imposed by this Part in the amount of benefits allowed under chapter 907. This credit is not available if the taxpayer has filed a separate application for benefits under chapter 907.

Sec. A-2. 36 MRSA §6221 is enacted to read:

§ 6221. Income tax credit option

A person eligible for benefits under this chapter may elect to receive those benefits as a credit against income tax as provided in section 5219-BB if the credit is claimed on the claimant's annual income tax return.

Sec. A-3. Application. This Part applies to tax years beginning on or after January 1, 2009.

PART B

Sec. B-1. 36 MRSA §5111, sub-§1-B, as enacted by PL 1999, c. 731, Pt. T, §3, is amended to read:

1-B. Single individuals and married persons filing separate returns; tax years beginning 2002 but before 2009. For tax years beginning on or after January 1, 2002 but before January 1, 2009, for single individuals and married persons filing separate returns:

If Maine Taxable income is:	The tax is:
Less than \$4,200	2% of the Maine taxable income
At least \$4,200 but less than \$8,350	\$84 plus 4.5% of the excess over \$4,200
At least \$8,350 but less than \$16,700	\$271 plus 7% of the excess over \$8,350
\$16,700 or more	\$856 plus 8.5% of the excess over \$16,700

Sec. B-2. 36 MRSA §5111, sub-§1-C is enacted to read:

1-C. Single individuals and married persons filing separate returns; tax years beginning 2009. For tax years beginning on or after January 1, 2009, for single individuals and married persons filing separate returns:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$5,050</u>	<u>2% of the Maine taxable income</u>
<u>At least \$5,050 but less than \$10,050</u>	<u>\$101 plus 4.5% of the excess over \$5,050</u>
<u>At least \$10,050 but less than \$20,150</u>	<u>\$326 plus 7% of the excess over \$10,050</u>
<u>\$20,150 or more</u>	<u>\$1,033 plus 7.5% of the excess over \$20,150</u>

Sec. B-3. 36 MRSA §5111, sub-§2-B, as enacted by PL 1999, c. 731, Pt. T, §5, is amended to read:

2-B. Heads of households; tax years beginning 2002 but before 2009. For tax years beginning on or after January 1, 2002 but before January 1, 2009, for unmarried individuals or legally separated individuals who qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$6,300</u>	<u>2% of the Maine taxable income</u>
<u>At least \$6,300 but less than \$12,500</u>	<u>\$126 plus 4.5% of the excess over \$6,300</u>
<u>At least \$12,500 but less than \$25,050</u>	<u>\$405 plus 7% of the excess over \$12,500</u>
<u>\$25,050 or more</u>	<u>\$1,284 plus 8.5% of the excess over \$25,050</u>

Sec. B-4. 36 MRSA §5111, sub-§2-C is enacted to read:

2-C. Heads of households; tax years beginning 2009. For tax years beginning on or after January 1, 2009, for unmarried individuals or legally separated individuals who qualify as heads of households:

<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$7,600</u>	<u>2% of the Maine taxable income</u>
<u>At least \$7,600 but less than \$15,100</u>	<u>\$152 plus 4.5% of the excess over \$7,600</u>
<u>At least \$15,100 but less than \$30,250</u>	<u>\$490 plus 7% of the excess over \$15,100</u>
<u>\$30,250 or more</u>	<u>\$1,551 plus 7.5% of the excess over \$30,250</u>

Sec. B-5. 36 MRSA §5111, sub-§3-B, as enacted by PL 1999, c. 731, Pt. T, §7, is amended to read:

3-B. Individuals filing married joint return or surviving spouses; tax years beginning 2002 but before 2009. For tax years beginning on or after January 1, 2002 but before January 1, 2009, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine Taxable income is:	The tax is:
Less than \$8,400	2% of the Maine taxable income
At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
\$33,400 or more	\$1,711 plus 8.5% of the excess over \$33,400

Sec. B-6. 36 MRSA §5111, sub-§3-C is enacted to read:

3-C. Individuals filing married joint return or surviving spouses; tax years beginning 2009. For tax years beginning on or after January 1, 2009, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine Taxable income is:	The tax is:
Less than \$10,150	2% of the Maine taxable income
At least \$10,150 but less than \$20,150	\$203 plus 4.5% of the excess over \$10,150
At least \$20,150 but less than \$40,350	\$653 plus 7% of the excess over \$20,150
\$40,350 or more	\$2,067 plus 7.5% of the excess over \$40,350

Sec. B-7. 36 MRSA §5126, first ¶, as amended by PL 2001, c. 583, §16, is further amended to read:

For income tax years beginning on or after January 1, 1998 but before January 1, 1999, a resident individual is allowed \$2,400 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2000 but before January 1, 2009, a resident individual is allowed \$2,850 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For tax years beginning on or

after January 1, 2009, a resident individual is allowed the same amount allowed under Section 151 of the Code for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return.

Sec. B-8. 36 MRSA §5219-S, as repealed and replaced by PL 2007, c. 693, §31, is repealed.

Sec. B-9. 36 MRSA §5219-DD is enacted to read:

§ 5219-DD. Earned income credit

A taxpayer is allowed a refundable credit against the taxes otherwise due under this Part equal to:

1. Tax years before 2009. For tax years beginning before January 1, 2009, 5% of the federal earned income credit for the same taxable year;

2. Tax year beginning in 2009. For the tax year beginning January 1, 2009 and ending December 31, 2009, 8% of the federal earned income credit for the same taxable year;

3. Tax year beginning in 2010. For the tax year beginning January 1, 2010 and ending December 31, 2010, 11% of the federal earned income credit for the same taxable year;

4. Tax year beginning in 2011. For the tax year beginning January 1, 2011 and ending December 31, 2011, 14% of the federal earned income credit for the same taxable year;

5. Tax year beginning in 2012. For the tax year beginning January 1, 2012 and ending December 31, 2012, 17% of the federal earned income credit for the same taxable year; and

6. Tax years beginning on or after 2013. For tax years beginning on or after January 1, 2013, 20% of the federal earned income credit for the same taxable year.

Sec. B-10. Application. This Part applies to tax years beginning on or after January 1, 2009.

PART C

Sec. C-1. 36 MRSA §652, sub-§2 is enacted to read:

2. Service charges. Notwithstanding the exemption from property taxes pursuant to subsection 1, service charges may be levied on certain real and personal property pursuant to this subsection.

A. The owners of certain institutional and organizational real and personal property that is otherwise exempt from state or municipal taxation under subsection 1, except for those institutions or organizations exempt from taxation pursuant to the United States Constitution, the Constitution of Maine or federal law, are subject to service charges that are calculated according to the actual cost of providing municipal services to that real property and to the persons who use that property as provided in paragraphs E and H. Service charges may also be applied to any improved property owned by the State that is exempt from taxation under section 651. These services include, without limitation:

(1) Fire protection;

(2) Police protection;

(3) Road maintenance and construction, traffic control and snow and ice removal;

(4) Water and sewer service, the costs for which are not otherwise recovered through user fees or other charges;

(5) Sanitation services, the costs for which are not otherwise recovered through user fees or other charges; and

(6) Any services other than education and welfare, the costs for which are not otherwise recovered through user fees or other charges.

B. With respect to the determination of service charges, appeals must be made in accordance with an appeals process to be provided for by municipal ordinance. Appeals concerning the assessed value of any property against which a service charge is levied must be undertaken in accordance with subchapter 8.

C. The collection of unpaid service charges must be carried out in the same manner as provided in Title 38, section 1208.

D. Municipalities shall use the revenues accrued from service charges to reduce the municipality's tax commitment as provided in section 709-C.

E. The total service charges levied by a municipality on a tax-exempt entity under this section may not exceed the lesser of 1.5% of the tax-exempt entity's annual receipts and 50% of the amount that would have been assessed as taxes on the property concerned if it were not exempt from taxation. To qualify for this limitation, the tax-exempt entity must file with the municipality a report of the annual receipts of the entity for the year immediately prior to the year for which the service charge is levied. The municipal officers shall abate the service charge amount that is in excess of the applicable limitation. For the purposes of this paragraph, "annual receipts" means any streams of income received in the most recent fiscal year by the tax-exempt entity from any source, including receipts of goods and services provided at the exempt property. "Annual receipts" does not include amounts received by a tax-exempt entity in the form of governmental or corporate grants, private charitable donations or trust or endowment earnings to the extent all receipts in those categories are actually spent to provide tangible and direct services to those people benefiting from the services provided by the organization.

F. A municipality may establish a payment schedule that is annual, semiannual or quarterly.

G. Municipalities shall adopt any necessary ordinances to carry out the provisions of this subsection regarding service charges.

H. Any service charges calculated under this subsection must be phased in as follows:

(1) For the tax year commencing April 1, 2010, the municipality may charge 35% of the total service charge calculated;

(2) For the tax year commencing April 1, 2011, the municipality may charge 70% of the total service charge collected; and

(3) For the tax year commencing April 1, 2012, and for each tax year after that date, the municipality may charge 100% of the total service charge calculated.

Service charges levied pursuant to this subsection may be applied only to improved tax-exempt property, which is any parcel of land containing a building or other principal-use structure that is exempt from taxation pursuant to this section.

Sec. C-2. 36 MRS §652, last ¶, as amended by PL 2007, c. 627, §20, is repealed.

Sec. C-3. 36 MRS §652-A is enacted to read:

§ 652-A. Application schedules

An organization or institution that desires to secure exemption under section 652 must make written application and file written proof of entitlement for each parcel to be considered on or before April 1st in the year in which the exemption is first requested with the assessors of the municipality in which the property would otherwise be taxable and every 3 years thereafter. If granted, the exemption continues in effect unless the assessors determine that the organization or institution is no longer qualified. Proof of entitlement must indicate the specific basis upon which exemption is claimed.

Any organization or institution that is established as exempt pursuant to section 652 on or before January 1, 2010 must reapply for continuing exemption according to the following schedule.

1. Exempt for 5 years or less. If on January 1, 2010 the organization or institution has been exempt under section 652 for 5 years or less, the organization or institution must reapply for continuing exemption on or before April 1, 2010 and every 3 years thereafter.

2. Exempt for more than 5 and less than 10 years. If on January 1, 2010 the organization or institution has been exempt under section 652 for a period of more than 5 years but less than 10 years, the organization or institution must reapply for continuing exemption on or before April 1, 2011 and every 3 years thereafter.

3. Exempt for 10 years or more. If on January 1, 2010 the organization or institution has been exempt under section 652 for a period of 10 years or more, the organization or institution must reapply for continuing exemption on or before April 1, 2012 and every 3 years thereafter.

Sec. C-4. 36 MRSA §709-C is enacted to read:

§ 709-C. Service charges

The assessors shall deduct from the total amount required to be assessed an amount equal to the amount of service charges to be levied under section 652 for the municipal fiscal year.

Sec. C-5. Commission established. The Commission on Municipal Services and Tax-exempt Property, referred to in this section as "the commission," is established.

1. Commission membership. The commission consists of the following 13 members:

A. Five members, appointed by the Governor:

- (1) A state official experienced in property tax assessment;
- (2) A state official experienced in tax policy;
- (3) A county official;
- (4) A state official responsible for the disposition and acquisition of state property; and
- (5) A representative of the private sector with experience in organizational restructuring;

B. Four members, appointed by the President of the Senate:

- (1) A municipal officer;
- (2) A municipal manager;
- (3) A representative of a nonprofit entity; and
- (4) A representative of an organization representing municipal officials; and

C. Four members, appointed by the Speaker of the House of Representatives:

- (1) A municipal financial official;
- (2) A representative of an organization representing the education community; and
- (3) Two representatives of the general public without ties to any entity that is exempt from property tax assessments.

2. Appointments. All appointments must be made no later than 30 days following the effective date of this Part. The President of the Senate and the Speaker of the House of Representatives jointly shall determine the chair and cochair of the commission. The appointing authorities shall notify the Executive Director of the Legislative Council upon making their appointments. The cochairs shall convene the first meeting of the commission no later than 15 days after the appointment of all members is complete.

3. Duties. The commission shall develop a formula or process for municipalities to use to determine a municipal cost component. The commission shall analyze the extent of entities exempt from property tax and the impact of those tax-exempt entities on the costs of municipal services. The commission may consider any other options it determines necessary to fulfill its responsibilities.

4. Staff assistance. The Executive Department, State Planning Office shall provide necessary staffing services to the commission.

5. Compensation. Compensation may not be paid to members of the commission. Members of the commission who are not otherwise compensated by their employers or other entities that they represent are entitled to receive reimbursement of necessary expenses incurred for their attendance at authorized meetings of the commission.

6. Report. The commission shall submit its report, together with any recommended implementing legislation, to the First Regular Session of the 125th Legislature no later than December 6, 2010. If the commission requires an extension of time to make its report, it may apply to the Legislative Council, which may grant the extension.

Sec. C-6. Application. Those sections of this Part that repeal the Maine Revised Statutes, Title 36, section 652, last paragraph and enact Title 36, section 652, subsection 2, and Title 36, sections 652-A and 709-C apply to property tax years beginning on or after April 1, 2010.

PART D

Sec. D-1. 5 MRSA §13090-K, sub-§2, as enacted by PL 2001, c. 439, Pt. UUUU, §1, is amended to read:

2. Source of fund. Beginning July 1, ~~2003~~2010 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%~~ tax imposed on ~~tangible personal property and taxable services~~ the value of liquor sold in licensed establishments, rental of living quarters in a hotel, rooming house or tourist or trailer camp and prepared food pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, ~~2003~~2010 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to 5% of the ~~7%~~ tax imposed on ~~tangible personal property and taxable services~~ the value of liquor sold in licensed establishments, rental of living quarters in a hotel, rooming house or tourist or trailer camp and prepared food pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

Sec. D-2. 36 MRSA §1752, sub-§1-I is enacted to read:

1-I. Amusement and recreational services. "Amusement and recreational services" means all services provided in this State to the general public or through private clubs that involve exchanging a right to access to any amusement, recreational, exhibitive, cultural or athletic activity for any user fee, price of admission, gate fee or equivalent form of remuneration;

Sec. D-3. 36 MRSA §1752, sub-§1-J is enacted to read:

1-J. Construction services. "Construction services" means services provided in this State to the general public by a person engaged in the activity of building. The activity of building pertains to any building, highway, road, railroad, excavation, manufactured building or other structure and involves any act of construction, alteration, repair, substantial maintenance, addition, subtraction, improvement, movement or demolition or the construction of scaffolding or other structures or work related to the activity of building. "Construction services" includes, but is not limited to, the services typically provided by building contractors, road and driveway contractors, concrete contractors, excavators, carpenters, masons, electricians, plumbers, roofers, siding applicators and house painters.

Sec. D-4. 36 MRSA §1752, sub-§1-K is enacted to read:

1-K. Consumer purchases of memberships in social organizations. "Consumer purchases of memberships in social organizations" includes, but is not limited to, consumer purchases of professional association, club and fraternal organization memberships and employment agency fees. "Consumer purchases of memberships in social organizations" does not include donations made to charitable organizations or labor union dues.

Sec. D-5. 36 MRSA §1752, sub-§7-F is enacted to read:

7-F. Personal services. "Personal services" means services provided in this State to the general public by a person of specialized skill, talent or experience. A provider of "personal services" characteristically provides attendant care to the recipient of the service or care or maintenance or repair services to the recipient's real or personal property. "Personal services" includes, but is not limited to, such services as:

- A. Personal attendant services, including, but not limited to, barbering, beautician, manicure, tattooing, body piercing, massage, reflexology, tanning and exercise or fitness services;
- B. Laundering and dry cleaning services;
- C. Painting, papering and interior decoration services;
- D. Jewelry, camera, watch and gun cleaning and repair services;
- E. Pet grooming and kennel services;
- F. Musical instrument tuning and repair services;
- G. Swimming pool installation, repair, cleaning and maintenance services;
- H. Radio, television and sound system repair services;

- I. Furniture, rug and upholstery cleaning and repair services;
- J. Locksmith services;
- K. Personal property and self-storage services, including storage and mooring services for noncommercial watercraft;
- L. Services related to the washing, cleaning, polishing, lubrication, painting or detailing of motor vehicles;
- M. Disinfection and pest extermination or control services;
- N. Landscaping, lawn care, grounds maintenance and tree removal services;
- O. Photography and photographic studio services;
- P. Printing, imprinting, painting or lettering tangible personal property for persons who furnish tangible personal property for that service;
- Q. Any fabrication, printing or production of tangible personal property by special order when tangible personal property is not intended for resale;
- R. Repair services for noncommercial watercraft;
- S. Dance instruction and dance studio services;
- T. Dating, escort and personal introduction services;
- U. Flower or balloon delivery services and services similarly provided as a demonstration of personal appreciation;
- V. Taxidermy services;
- W. Flight instruction services;
- X. Antique or art auctioning or dealership services;
- Y. Domestic services, such as meal preparation, housecleaning or household operation services;
- Z. Moving and storage services; and
- AA. Veterinarian services.

"Personal services" does not include construction services;

Sec. D-6. 36 MRSA §1752, sub-§11, ¶A, as amended by PL 2007, c. 437, §10, is further amended to read:

- A. "Retail sale" includes:

(1) Conditional sales, installment lease sales and any other transfer of tangible personal property when the title is retained as security for the payment of the purchase price and is intended to be transferred later;

(2) Sale of products for internal human consumption to a person for resale through vending machines when sold to a person more than 50% of whose gross receipts from the retail sale of tangible personal property are derived from sales through vending machines. The tax must be paid by the retailer to the State;

(3) A sale in the ordinary course of business by a retailer to a purchaser who is not engaged in selling that kind of tangible personal property or taxable service in the ordinary course of repeated and successive transactions of like character; and

(4) The sale or liquidation of a business or the sale of substantially all of the assets of a business, to the extent that the seller purchased the assets of the business for resale, lease or rental in the ordinary course of business, except when:

(a) The sale is to an affiliated entity and the transferee, or ultimate transferee in a series of transactions among affiliated entities, purchases the assets for resale, lease or rental in the ordinary course of business; or

(b) The sale is to a person that purchases the assets for resale, lease or rental in the ordinary course of business or that purchases the assets for transfer to an affiliate, directly or through a series of transactions among affiliated entities, for resale, lease or rental by the affiliate in the ordinary course of business.

For purposes of this subparagraph, "affiliate" or "affiliated" includes both direct and indirect affiliates; and

(5) Any taxable service to the extent the taxable service is provided in this State and only if the relationship between the provider and the recipient of the taxable service is not an employment relationship with respect to the provision of the service.

Sec. D-7. 36 MRSA §1752, sub-§14, as amended by PL 2007, c. 627, §43, is further amended to read:

14. Sale price. "Sale price" means the total amount of a retail sale valued in money, whether received in money or otherwise.

A. "Sale price" includes:

- (1) Any consideration for services that are a part of a retail sale; and
- (2) All receipts, cash, credits and property of any kind or nature and any amount for which credit is allowed by the seller to the purchaser, without any deduction on account of the cost of the property sold, the cost of the materials used, labor or service cost, interest paid, losses or any other expenses.

When a taxable service is provided for a fee that is contingent on an ultimate award, settlement or similar financial result and the fee is a certain percentage of that ultimate award or settlement, the fee is deemed to include both the sale price and the applicable tax.

B. "Sale price" does not include:

- (1) Discounts allowed and taken on sales;
- (2) Allowances in cash or by credit made upon the return of merchandise pursuant to warranty;
- (3) The price of property returned by customers, when the full price is refunded either in cash or by credit;
- (4) The price received for labor or services used in installing or applying or repairing the property sold, if separately charged or stated;
- (5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically stated service charge, when that amount is to be disbursed by a hotel, restaurant or other eating establishment to its employees as wages;
- (6) The amount of any tax imposed by the United States on or with respect to retail sales, whether imposed upon the retailer or the consumer, except any manufacturers', importers', alcohol or tobacco excise tax;
- (7) The cost of transportation from the retailer's place of business or other point from which shipment is made directly to the purchaser, ~~provided that~~ as long as those charges are separately stated and the transportation occurs by means of common carrier, contract carrier or the United States mail;
- (8) The fee imposed by Title 10, section 1169, subsection 11;

(9) The fee imposed by section 4832, subsection 1;

(10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection 2-B;

(11) Any amount charged or collected by a person engaged in the rental of living quarters as a forfeited room deposit or cancellation fee if the prospective occupant of the living quarters cancels the reservation on or before the scheduled date of arrival; or

(12) The premium on motor vehicle oil changes imposed by Title 10, section 1020, subsection 6; or

(13) With respect to any fee for a taxable service, any portion of that fee representing direct reimbursement charged to the recipient of the taxable service for commodities or services previously paid by the person providing the service, as long as any tax on those commodities or services, if any tax applies, has been previously paid.

Sec. D-8. 36 MRSA §1752, sub-§17-B, as amended by PL 2007, c. 410, §2 and affected by §6, is further amended to read:

17-B. Taxable service. "Taxable service" means the rental of living quarters in a hotel, rooming house, or tourist or trailer camp; the transmission and distribution of electricity; the rental or lease of an automobile; the sale of an extended service contract on an automobile that entitles the purchaser to specific benefits in the service of the automobile for a specific duration; amusement and recreational services except those offered or operated by a nonprofit organization for the benefit of that nonprofit organization; consumer purchases of memberships in social organizations; personal services; transportation services purchased by consumers; and the sale of prepaid calling service.

Sec. D-9. 36 MRSA §1752, sub-§20-B is enacted to read:

20-B. Transportation services purchased by consumers. "Transportation services purchased by consumers" includes, but is not limited to, consumer purchases of services such as airline, passenger railroad, taxicab, limousine, ferry and toll-road services.

Sec. D-10. 36 MRSA §1760, as amended by PL 2007, c. 529, §§1 to 3 and c. 627, §§47 to 49 and c. 675, §1 and affected by §2 and amended by c. 691, §1 and affected by §2 and amended by c. 693, §15 and affected by §37 and amended by c. 695, Pt. A, §44, is repealed.

Sec. D-11. 36 MRSA §1760-C, as amended by PL 2007, c. 437, §11, is repealed.

Sec. D-12. 36 MRSA §1760-D is enacted to read:

§ 1760-D. Exemption

A tax on sales, storage or use may not be collected upon or in connection with:

1. Exemptions by constitutional provisions. Sales that this State is prohibited from taxing under the United States Constitution, the laws of the United States or the Constitution of Maine; or

2. Certain governmental entities. Sales to the State or any political subdivision of the State, or to the Federal Government, or to any unincorporated agency or instrumentality of the State or the Federal Government or to any incorporated agency or instrumentality of the State or the Federal Government wholly owned by the State or Federal Government. This exemption does not apply to corporations organized under Title IV, Part E of the Farm Credit Act of 1971, 12 United States Code, Sections 2211 to 2214a.

Sec. D-13. 36 MRSA §1811, first ¶, as repealed and replaced by PL 2007, c. 627, §51 and affected by §96, is amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is 7% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; ~~7%~~10% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of rental for a period of less than one year of an automobile, including a loaner vehicle that is provided other than to a motor vehicle dealer's service customers pursuant to a manufacturer's or dealer's warranty; 7% on the value of prepared food; and 5% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided. The value of rental for a period of less than one year of an automobile is the total rental charged to the lessee and includes, but is not limited to, maintenance and service contracts, drop-off or pick-up fees, airport surcharges, mileage fees and any separately itemized charges on the rental agreement to recover the owner's estimated costs of the charges imposed by government authority for title fees, inspection fees, local excise tax and agent fees on all vehicles in its rental fleet registered in the State. All fees must be disclosed when an estimated quote is provided to the lessee.

Sec. D-14. 36 MRSA §1811, 2nd ¶, as amended by PL 2007, c. 438, §48, is further amended to read:

The tax imposed upon the sale and distribution of gas, water or electricity, or telecommunications services, by any public utility, the rates for which sale and distribution are established by the Public Utilities Commission, must be added to the rates so established.

Sec. D-15. Revisor's review; cross-references. The Revisor of Statutes shall review the Maine Revised Statutes and include in the errors and inconsistencies bill submitted to the Second Regular Session of the 124th Legislature pursuant to Title 1, section 94 any sections necessary to correct and update any cross-references in the statutes to provisions of law repealed in this Act.

Sec. D-16. Effective date. This Part takes effect January 1, 2010.

SUMMARY

This bill implements tax reform in the following areas.

PART A

This Part allows persons eligible for benefits under the Maine Residents Property Tax Program, also known as the Circuitbreaker Program, to file for a refundable credit using the individual income tax form.

PART B

This Part affects individual income taxes by decreasing the top rate from 8.5% to 7.5%, conforming the personal exemption to the federal personal exemption and increasing the earned income tax credit from 5% to 20% over a 5-year period and allowing the credit to exceed the amount of income taxes actually paid.

PART C

This Part affects the ability of a municipality to impose service charges on tax-exempt properties located in that municipality in the following ways:

1. It expands the existing service charges statute in the following ways: service charges are applied to all improved exempt property except churches, federal property and municipal and quasi-municipal property; service charges are phased in over a 3-year period; and the service charge may not exceed the lesser of 1.5% of the organization's annual receipts and 50% of the amount that would have been assessed as taxes if the organization were not exempt;

2. It provides a schedule for all existing properties currently exempt under the law to reapply for eligibility under the new standards of eligibility in a phased-in manner over the next 3-year period;

3. It specifies that revenues derived from service charges must be used to reduce the municipal assessment in the same fashion as funds received under the municipal revenue sharing program; and

4. It establishes the Commission on Municipal Services and Tax-exempt Property, a commission consisting of appointees of the Governor, President of the Senate and Speaker of the House. The commission is required to develop a formula or process for municipalities to use to determine a municipal cost component. The commission shall analyze the extent of entities exempt from property tax and the impact of those tax-exempt entities on the costs of municipal services and consider any other options the commission determines are necessary to fulfill its responsibilities.

PART D

This Part affects the imposition of sales tax in the following ways:

1. It expands the definition of "taxable service" for purposes of the imposition of sales tax to include amusement, recreational and personal services and consumer purchases of transportation services and professional, club or fraternal memberships. It subjects those services to the 5% sales tax. The term "construction services" is also defined for the purpose of distinguishing nontaxable construction services from taxable personal services;

2. It eliminates all the current statutory sales tax exemptions except those that are required by the Constitution of the United States, federal law or the Constitution of Maine and sales to the State or the Federal Government and any political subdivisions of the State or the United States; and

3. It increases the so-called "lodging tax" from 7% to 10%.