

**TESTIMONY OF  
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation  
Hearing Date *Wednesday, May 10, 2023*

LD 1808 – “*An Act to Amend the State Tax Laws*”

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Senator Grohoski, Representative Perry, and members of the Taxation Committee – good morning, my name is Daniel D’Alessandro, Associate Tax Policy Counsel for the Office of Tax Policy, Maine Revenue Services. I am testifying at the request of the Administration in Support of LD 1808, “*An Act to Amend the State Tax Laws*”

LD 1808 is legislation submitted by the Department of Administrative and Financial Services. As you know, Maine Revenue Services prepares one or more bills each year that propose changes to various existing provisions of Maine law, primarily in Title 36. The Department has also submitted LD 283, “An Act to Make Technical Changes to the Maine Tax Laws”

The difference between these bills is the nature of the recommendations. Whereas LD 283 contains technical changes with little or no fiscal impact, the “Act to Amend” makes various minor, but substantive, improvements and clarifications consistent with existing tax administration and other tax-related Executive Department functions.

You should have available to you a chart prepared by MRS that breaks down each provision of the bill and matches it with the corresponding paragraph from the bill’s summary section. This side-by-side chart provides a brief explanation of each provision of the bill.

The Administration is proposing a Committee Amendment to remove section B-5, concerning the use of comparable properties in the valuation of property under the property tax, from the legislation. In addition, the Department has been contacted by interested parties on Part E, regarding the Tobacco Products Tax. We are in discussion with DHHS and the interested parties and may have amended language to bring on Part E to the work session.

The Administration looks forward to working with the Committee on the bill, representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee's questions.

Summary Chart for "131<sup>st</sup> 1<sup>st</sup> - Act to Amend - Legislative Language"

<b>LD 1808</b>	<b>Summary</b>
<b>Be it enacted by the People of the State of Maine as follows:</b>	
<b>Sales Tax Summary</b>	
<b>Sec A-1 36 MRSA §1951-C, sub-§1</b>	Requires a marketplace facilitator to collect recycling assistance fees on sales that the marketplace facilitator facilitates
<b>Sec A-2 36 MRSA §2557, sub-§27</b>	Adds the definition of "low-income" as used by the sales tax exemption for sales to a nonprofit housing development organization in the Maine Revised Statutes, Title 36, section 1760, subsection 72 to the corresponding exemption under the service provider tax
<b>Sec A-3 Effective date</b>	Sets the effective date of the Part
<b>Property Tax Summary</b>	
<b>Sec B-1 36 MRSA §653, sub-§1C, ¶1</b>	Simplifies eligibility for the property tax exemption for veterans who served in a federally recognized war period or received an expeditionary medal by removing the distinction between different expeditionary medals
<b>Sec B-2. 36 MRSA §653, sub-§1, ¶D-1</b>	Simplifies and broadens eligibility for the property tax exemption for veterans with specially adapted housing units to include all veterans who receive grants for specially adapted housing
<b>Sec B-3 36 MRSA §694, sub-§2, ¶B</b>	Adjusts the personal property factor calculation used to determine state business equipment tax exemption reimbursement rates to exclude business personal property exempt from property taxation for reasons other than the business equipment tax exemption
<b>Sec B-4 36 MRSA §701-A, 3rd ¶</b>	Clarifies the 3 approaches to valuation
<b>Sec B-5 36 MRSA §701-A, 4th ¶</b>	Allows certain restricted property to be considered comparable to property not so restricted for valuation purposes if the comparison is adjusted for the restriction
<b>Sec B-6 36 MRSA §6260, sub-§2</b>	Changes the payment due date for the homestead property tax deferral program for senior citizens from April 30th of the calendar year following the

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<b>Sec B-7 36 MRSA §6263</b>	year in which the property exited the program to 12 months after the property exited the program and changes the date by which an extension must be requested from August 15th of the calendar year following the year in which the property exited the program upon a death to 12 months after the property exited the program
<b>Sec B-8 Effective date</b>	Sets the effective date of the Part
<b>Income Tax Summary</b>	
<b>Sec. C-1 36 MRSA §2521-A, first ¶</b>	Provides that each required estimated tax payment for nonadmitted insurance premiums be based on contracts written during the estimated tax period
<b>Sec C-2 36 MRSA §2531, sub-§1</b>	Clarifies that the nonadmitted insurance premiums tax is based on premiums on contracts written by insurers, rather than on premiums paid to insurers
<b>Sec C-3 36 MRSA §5122, sub-§1, §2</b>	Retroactively repeals the Maine modification related to the federal exclusion of benefits for volunteer firefighters and emergency responders
<b>Sec. C-4 36 MRSA §5122, sub-§2, ¶HH</b>	Eliminates a duplication of benefits by requiring that the military survivor benefits subtraction modification be reduced by the amount of those benefits claimed as a pension deduction under the Maine Revised Statutes, Title 36, section 5122, subsection 2, paragraph M-2
<b>Sec C-5 36 MRSA §5147</b>	Provides that the interest associated with an installment sale of property for which an election is made by a nonresident individual taxpayer to pay the Maine tax on the gain in the year of the sale or in a subsequent year is excluded from Maine taxable income in the year of the election and any year subsequent to the election
<b>Sec C-6 36 MRSA §5219-PP, sub-§6</b>	Removes the credit for certain homestead modifications for taxable years beginning on or after January 1, 2024, but allows taxpayers to carry forward unused credit amounts for up to 4 years following the first year of eligibility It also makes an additional technical change
<b>Sec C-7. 36 MRSA § 5231, sub-§1-A</b>	Establishes the extended due dates for filing income tax returns of taxable corporations and franchise tax returns of financial institutions as 30 days following the extended due date for filing the related federal income tax return This change applies to taxable years beginning on or after January 1, 2024

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<p><b>Sec C-8 36 MRSA §6753, sub-§12</b></p>	<p>Replaces a reference to "Maine income tax withholding" in the employment tax increment financing program with a reference to "gross wages paid" in order to reflect a recent change in the program to base the benefit on gross wages paid rather than on income tax withholding</p>
<p><b>Sec C-9 Application</b></p>	<p>Sets the application and effective dates for this Part</p>
<p><b>Sec C-10 Application, retroactivity</b></p>	
<p><b>Sec C-11 Effective date</b></p>	
<p><b>Property Tax Stabilization Summary</b></p>	
<p><b>Sec D-1 36 MRSA §6281</b></p>	<p>Clarifies the property tax year for which individuals request stabilization</p>
<p><b>Sec D-2 36 MRSA §6281, sub-§5</b></p>	<p>Clarifies the form municipalities must use to apply for reimbursement</p>
<p><b>Sec D-3 36 MRSA §6281, sub-§6</b></p>	<p>Authorizes the Department of Administrative and Financial Services, Maine Revenue Services to audit municipal applications for reimbursement and provides for municipal appeal rights These changes take effect upon enactment</p>
<p><b>Tobacco Products Tax Summary</b></p>	
<p><b>Sec E-1 36 MRSA §4401, sub-§1-A, ¶A</b></p>	<p>Makes other technical changes throughout to ensure clarity and consistency regarding the imposition of the tax and the many different types of distributors who bring or cause to be brought tobacco products into this State for sale</p>
<p><b>Sec E-2 36 MRSA §4401, sub-§1-B</b></p>	
<p><b>Sec E-3 36 MRSA §4401, sub-§1-C</b></p>	

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<p><b>Sec E-4 36</b> <b>MRSA §4401, sub-</b> <b>§2</b></p>	
<p><b>Sec E-5 36</b> <b>MRSA §4401, sub-</b> <b>§4-A</b></p>	
<p><b>Sec E-6 36</b> <b>MRSA §4401, sub-</b> <b>§4-B</b></p>	<p>Enacts a definition of "remote sale" to establish clearly when an economic nexus exists for purposes of regulation and taxation of distributors and remote sellers of tobacco products located outside of the State</p>
<p><b>Sec E-7 36</b> <b>MRSA §4401, sub-</b> <b>§4-C</b></p>	<p>Enacts a definition of "remote seller" to mean a seller of premium cigars and pipe tobacco selling directly to consumers located in the State</p>
<p><b>Sec E-8 36</b> <b>MRSA §4401, sub-</b> <b>§6</b></p>	<p>Makes other technical changes throughout to ensure clarity and consistency regarding the imposition of the tax and the many different types of distributors who bring or cause to be brought tobacco products into this State for sale</p>
<p><b>Sec E-9 36</b> <b>MRSA §4401, sub-</b> <b>§9</b></p>	
<p><b>Sec E-10 36</b> <b>MRSA §4402, sub-</b> <b>§1</b></p>	
<p><b>Sec E-11 36</b> <b>MRSA §4402, sub-</b> <b>§2</b></p>	
<p><b>Sec E-12 36</b> <b>MRSA §4402, sub-</b> <b>§4</b></p>	
<p><b>Sec E-13 36</b> <b>MRSA §4402, sub-</b> <b>§5</b></p>	
<p><b>Sec E-14 36</b> <b>MRSA §4402, sub-</b> <b>§6</b></p>	
<p><b>Sec E-15 36</b> <b>MRSA §4402, sub-</b> <b>§7</b></p>	

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Sec E-16 36 MRSA §4403, sub- §2	
Sec E-17 36 MRSA §4403, sub- §3	
Sec E-18 36 MRSA §4403, sub- §4	
Sec E-19 36 MRSA §4403-A	
Sec E-20 36 MRSA §4404	
Sec E-21 36 MRSA §4404-A, first ¶	
Sec E-22 36 MRSA §4404-A, sub-§3	
Sec E-23. 36 MRSA §4404-B	
Sec E-24 36 MRSA §4404-C, sub-§2	
Sec E-25 Application	
Sec E-26 Effective date	
<b>Part F Summary</b>	
Sec F-1 36 MRSA §191, sub- §2, ¶SSS	Part F allows the disclosure of a taxpayer's current mailing address to the Treasurer of State for purposes of returning unclaimed or abandoned property