

***Joint Standing Committee on Taxation***

**LD 2**                      **RESOLUTION, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change in Taxable Value of Primary Residences**                      **DIED BETWEEN BODIES**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERCY DAMON	OTP-AM    MAJ OTP-AM    MIN	H-1014

LD 2 proposed to amend the Constitution of Maine to authorize a municipality to limit the rate of change in the tax rate applicable to homestead land, defined as land that is exclusively and continuously owned by one or more residents of the State while the land remains the principal home of each owner, to the rate of change in the purchasing power of United States currency as consistently measured by a reliable index adopted by the Legislature.

This bill was originally considered by the Joint Select Committee on Property Tax Reform. It was recommitted to the Joint Standing Committee on Taxation and carried over by H.P. 1203 to the next special or regular session.

**Committee Amendment “C” (H-1014)** proposed to amend the Constitution of Maine to permit the Legislature to establish a system to limit the property tax on primary residences to no more than 10% of household income.

**LD 19**                      **An Act To Clarify the Law Regarding Transfer Tax Liability for Deeds between Domestic Partners**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MAZUREK	OTP-AM    MAJ ONTP        MIN	H-116

LD 19 proposed to include domestic partners, as defined in the Probate Code, as family members for purposes of the real estate transfer tax exemption for deeds between certain family members.

**Committee Amendment “A” (H-116)** proposed to restrict the exemption proposed by the bill to registered domestic partners.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122nd Legislature and died on adjournment of the Second Regular Session.

**LD 74**                      **An Act To Increase Eligibility for the Property Tax Exemption for Veterans'**                      **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAVIS G	OTP-AM	H-529

LD 74 proposed to increase the veterans’ property tax exemption from \$5,000 to \$15,000.

## *Joint Standing Committee on Taxation*

**Committee Amendment “A” (H-529)** proposed to replace the bill and to expand eligibility for property tax exemptions to veterans of certain conflicts that do not currently qualify for the exemption.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill, as amended, was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part MMM, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 118**                      **An Act To Provide Tax Relief for People with Functional Limitations**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
BOWLES DAVIS P	OTP-AM	H-108

LD 118 proposed to amend the sales tax exemption for prosthetic devices to include additional aids and mobility devices to accommodate a person's functional limitations.

**Committee Amendment “A” (H-108)** proposed to clarify the items qualifying for a sales tax exemption as prosthetic devices and mobility-enhancing equipment consistent with uniform definitions developed by the Streamlined Sales Tax Project.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 169**                      **An Act To Amend the Law Regarding Resale Certificates**                      **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MOODY	OTP-AM    MAJ OTP-AM    MIN	H-78 S-122    COURTNEY

LD 169 proposed to repeal changes made in 2004 with regard to sales tax resale certificates that limited issuance of resale certificates to retailers with annual gross sales of \$10,000 or more and required the State Tax Assessor to annually review the gross sales status of each retailer prior to issuing the certificate for the next succeeding calendar year.

**Committee Amendment “A” (H-78)** proposed to change the threshold for issuance of resale certificates from \$10,000 to \$3,000 in annual gross sales and extended the duration of resale certificates from one year to 3 years.

**Senate Amendment “B” to Committee Amendment “A” (S-122)** proposed to make subsequent issuances of annual resale certificates effective for the next 5 calendar years.

*Joint Standing Committee on Taxation*

This bill and its adopted amendments were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill, as amended, was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part 000, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 195                      An Act To Conform the Maine Tax Code with the Federal Health Savings Accounts Laws                      INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
RECTOR	OTP-AM    MAJ	H-532
PERRY J	ONTP      MIN	H-653   RINES

LD 195 proposed to conform Maine income tax law to federal law regarding contributions to health savings accounts.

**Committee Amendment “A” (H-532) and House Amendment “A” (H-653)** proposed to make nonsubstantive changes.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill, as amended, was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part NNN, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

See also LD 1917.

**LD 236                      An Act To Change Nonresident Income Tax Filing Requirements                      DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MCCORMICK COURTNEY	OTP-AM	H-530

LD 236 proposed to increase the minimum taxability thresholds that establish an income tax liability for nonresidents. It proposed to increase the number of days worked in Maine that trigger a nonresident income tax liability from 11 days per year to 21 days per year and establish \$6,000 as the amount of gross income that must be earned before the nonresident’s income is subject to taxation.

## *Joint Standing Committee on Taxation*

**Committee Amendment “A” (H-530)** proposed to provide new minimum taxability thresholds for nonresidents. The new thresholds permit greater income-earning activity by nonresidents in the State before Maine income tax liability is triggered. Personal services performed as an employee would be subject to tax if they were performed for more than 12 days and produced more than \$3,000 in income. Income from contractual or sales-related activities would be subject to tax if it exceeded \$3,000 during a year. The amendment also proposed to exclude from the determination of taxability in the State up to 24 days of personal services related to certain training and management functions.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 275**                      **An Act To Promote Energy Conservation and a Cleaner Environment**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u> COURTNEY BLISS	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-101
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LD 275 proposed to substitute a sales tax exemption for 100% of the sale or lease price of a hybrid gasoline-electric vehicle or a fuel-cell or hydrogen-fueled vehicle for the current partial exemption for clean fuel vehicles.

**Committee Amendment “A” (S-101)** proposed to replace the bill and extend the current sales and use tax exemption for certain clean fuel vehicles to January 1, 2010.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 308**                      **An Act To Extend the Tax Credit for Clean Fuel Infrastructure Development**                      **INDEF PP**

<u>Sponsor(s)</u> BLISS BARTLETT	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-189
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LD 308 proposed to extend the income tax credit given for the construction of or improvements to any filling station for the purpose of providing clean fuels to the general public for use in motor vehicles. The tax credit is scheduled to end December 31, 2005; this bill would extend the credit for 3 years to December 31, 2008.

**Committee Amendment “A” (H-189)** proposed to incorporate a fiscal note.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005,

***Joint Standing Committee on Taxation***

chapter, Part PPP, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 325**                      **An Act To Clarify the Definition of “Domiciled” for Maine Income Tax Purposes**                      **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CUMMINGS	OTP-AM	H-588 H-658 CUMMINGS

LD 325 proposed to require the State Tax Assessor to adopt major substantive rules defining and clarifying the meaning of “domiciled” for Maine income tax purposes to eliminate uncertainty and promote voluntary compliance with Maine's income tax laws.

**Committee Amendment “A” (H-588)** proposed to provide specific limitations on the domicile concept in the definition of “resident individual” in the case of an individual who does not maintain a permanent place of abode in Maine and is present in Maine for only short periods of time. This amendment also proposed to provide that domicile determinations could not be based on the location of an individual's professional advisors or on charitable or political contributions.

**House Amendment “A” To Committee Amendment “A” (H-658)** proposed to provide that the specific limitations on the domicile concept in the definition of “resident individual” do not apply to members of the Armed Forces who are absent from Maine in compliance with military or naval orders and who remain Maine residents pursuant to federal law.

This bill and its adopted amendments were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill as amended by Committee Amendment “A” with minor changes was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part G, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 353**                      **An Act To Exempt the United States Flag and the Flag of the State of Maine from State Taxation**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CRESSEY	ONTP      MAJ	H-77
COURTNEY	OTP-AM    MIN	S-74 GAGNON

LD 353 proposed to exempt the sale of the United States flag from sales tax.

## *Joint Standing Committee on Taxation*

**Committee Amendment “A” (H-77)** proposed to add an effective date of October 1, 2005.

**Senate Amendment “A” (S-74)** proposed to expand the proposed exemption to include the sale of the flag of the State of Maine.

This bill and its adopted amendments were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 436**                      **An Act To Eliminate Estate Taxes on Family-owned Businesses**                      **DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
BOWEN COURTNEY	ONTP      MAJ OTP-AM    MIN	H-589

LD 436 proposed to amend Maine's estate tax to conform to federal provisions beginning in 2005.

**Committee Amendment “A” (H-589)** proposed changes to reflect changes made in Public Law 2005, chapters 12 and 218.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 484**                      **An Act To Provide for an Advisory Referendum on Tax  
Restructuring**                      **FAILED  
ENACTMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WATSON	OTP-AM    MAJ ONTP      MIN	H-812

LD 484 was a concept draft that proposed to increase the sales tax and expand the types of products subject to the sales tax. The increased revenue would be used for education funding. The bill would be sent to referendum.

This bill was carried over by H.P. 1203 to the next special or regular session of the 122<sup>nd</sup> Legislature.

**Committee Amendment “A” (H-812)** proposed to replace the bill with an advisory referendum, submitting to the voters the question of whether they favor repealing certain sales tax exemptions in order to provide income tax relief and property tax relief in a revenue-neutral manner.

*Joint Standing Committee on Taxation*

**LD 535**

**An Act To Clarify for Tax Purposes That Manure Removal and Storage Are Operations Directly Involved in the Raising and Care of Livestock**

**INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WESTON MILLETT	OTP-AM	S-88

LD 535 proposed to include in the definition of “commercial agricultural production” the removal and storage of manure related to the production of livestock, thus providing a sales tax exemption for machinery purchased for use in the removal and storage of manure as well as the electricity used to operate the machinery.

**Committee Amendment “A” (S-88)** proposed to add an effective date to the bill.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122nd Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part QQQ, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 593**

**An Act To Alter Trade-in Allowances Regarding Motor Homes**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GERZOFSKY COURTNEY	OTP-AM MAJ ONTP MIN	H-75

LD 593 proposed to allow a sales tax trade-in credit for motor homes.

**Committee Amendment “A” (H-75)** proposed to clarify the definition of “motor home.”

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

*Joint Standing Committee on Taxation*

**LD 613                      An Act To Provide Tax Incentives to Small Businesses**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
HANLEY S	OTP-AM    MAJ	H-109
COWGER	ONTP      MIN	S-191   STRIMLING

LD 613 proposed to amend the Maine Employment Tax Increment Financing Act to change beginning January 1, 2006 from 5 to one the number of qualified employees a business must add in order to qualify for reimbursement of state income withholding taxes.

**Committee Amendment “A” (H-109)** proposed to add an appropriations and allocations section to the bill.

**Senate Amendment “B” (S-191)** proposed to prohibit an owner-operated business, when the only employee is the owner of the business, from obtaining a benefit under the Maine Employment Tax Increment Financing Act. If such a business were to add an employee, that employee could not have an ownership interest of 50% or more in the business and be considered a “qualified employee” for purposes of the business’ obtaining a benefit.

This bill and its adopted amendments were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 626                      An Act Relating to the Sale of Foreclosed Property**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
TWOMEY	ONTP      A	H-590
BRYANT B	OTP-AM    B	
	OTP-AM    C	

LD 626 proposed to require a municipality that forecloses on residential real estate to return the excess funds, after subtracting the tax lien, interest, fees for recording the lien, costs of mailing notice, court costs and any other expenses incurred in disposing of the real estate. Notice of the availability of the excess funds would be provided to the former owner within 30 days of sale of the real estate or 180 days of the foreclosure, whichever is sooner. If the former owner fails to claim the excess funds within 36 months, the municipality would be required to remit the excess funds to the Treasurer of State for credit to the General Fund. The bill proposed to require any municipality that has availed itself of the tax lien foreclosure process since January 1, 2000 to return any excess funds to the former owners.

**Committee Amendment “A” (H-590)**, a minority report of the committee, proposed to require a municipality to place a notice in a newspaper of general circulation containing certain financial information related to the sale of a foreclosed property when the municipality experiences a net gain of \$10,000 or more from the sale.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.



*Joint Standing Committee on Taxation*

**LD 632**

**An Act To Lower the Tax Burden for Small Businesses and Low-income Families**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u> BOWEN COURTNEY	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-586
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LD 632 proposed to conform Maine income tax law to federal provisions concerning bonus depreciation and “Section 179” expensing by eliminating the required addition to income beginning in the 2005 tax year.

**Committee Amendment “A” (H-586)** proposed to incorporate changes enacted as part of Public Law 2005, chapter 12 and adds a section making the earned income tax credit refundable and restoring that credit to 5% of the federal credit for tax years beginning in 2005.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 672**

**An Act To Promote Ornamental Horticulture by Amending the Definition of “Commercial Agricultural Production”**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u> FLETCHER NUTTING J	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-174
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LD 672 proposed to restrict sales tax exemptions for certain agricultural products to those used in commercial agriculture and to expand the types of agricultural activities for which the exemptions are available. The bill also proposed to impose a sales tax on sales of automobile extended warranties.

**Committee Amendment “A” (H-174)** proposed to restrict the expansion of the agricultural sales tax exemptions proposed in the bill to products used in commercial production of greenhouse and nursery products. It also proposed to remove the expansion of the sales tax to automobile extended warranties.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

*Joint Standing Committee on Taxation*

**LD 700**                    **An Act To Provide Tax Benefits for Sale of Leased Land Used as a Primary Residence**                    **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAVIS P CLARK	ONTP    MAJ OTP-AM    MIN	S-267

LD 700 proposed an income tax exemption for capital gains for a person who sells property to a person who, at the time of the sale, was leasing the property for use as a primary residence.

**Committee Amendment “A” (S-267)** proposed that the exemption would be available only when property is sold to an individual for use as that individual's homestead.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 716**                    **An Act To Create an Income Tax Checkoff To Support Veterans' Cemeteries**                    **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
THOMPSON MARTIN	OTP-AM	H-176

LD 716 proposed to establish the Maine Veterans' Memorial Cemetery Maintenance Fund to provide for the maintenance and upkeep of Maine veterans' cemeteries funded by an income tax checkoff.

**Committee Amendment “A” (H-176)** proposed to add an appropriations and allocations section to the bill.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part RRR, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

## *Joint Standing Committee on Taxation*

**LD 791**

**An Act Concerning the Taxation of Property Owned by Certain  
Veterans' Organizations**

**PUBLIC 645**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MARTIN PINEAU	OTP-AM	S-299 S-663 ROTUNDO

LD 791 proposed to amend the property tax exemption for property owned or used solely by benevolent and charitable institutions to permit a proportionate exemption when only a portion of the property is owned and occupied or used solely by the benevolent and charitable institution.

**Committee Amendment “A” (S-299)** proposed to replace the bill, change the title and expand the property tax exemption for veteran’s organizations to apply to property owned, occupied and used by those organizations to further charitable purposes. If a portion of the property is used solely for purposes not related to the veterans' organization, that portion would be subject to property tax

**Senate Amendment “A” to Committee Amendment “A” (S-663)** proposed to add a mandate preamble and strike out an appropriations and allocations section.

### *Enacted law summary*

Public Law 2005, chapter 645 expands the property tax exemption for veterans’ organizations to include property owned, occupied and used by those organizations to further charitable purposes. If a portion of the property is used solely for purposes not related to the veterans' organization, that portion is subject to property tax.

**LD 972**

**An Act To Exempt Military Pensions for Future Military Retirees  
from State Income Tax**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
EBERLE DAVIS P	ONTP MAJ OTP-AM MIN	H-191 S-214 PERRY J

LD 972 proposed to exempt from the state income tax all military pension benefits for military personnel retiring on or after January 1, 2006 received by a Maine resident as a result of service in the active or reserve components of the Army, Navy, Air Force, Marines or Coast Guard.

**Committee Amendment “A” (H-191)** proposed changes to accomplish more effectively the intent of the bill.

**Senate Amendment “A” To Committee Amendment “A” (S-214)** proposed to apply the exemption from state income tax for military pension benefits to all military personnel, instead of just to those retiring after January 1, 2006.

This bill and its adopted amendments were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

***Joint Standing Committee on Taxation***

A similar proposal was included in the Governor’s Supplemental Budget Bill in the Second Regular Session as Part KK but was removed in the Committee Amendment to that bill. (See summary of LD 1968 included in the summaries of the Joint Standing Committee on Appropriations and Financial Affairs.)

**LD 1074                      An Act To Stimulate Economic Development in Maine's Aviation Industry                      INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAIGLE	OTP-AM    A	H-299
PERRY J	OTP-AM    B	
	ONTP        C	

LD 1074 proposed to expand the sales tax exemption for aircraft purchased or leased by a nonresident and immediately transported out of the State by including within the exemption sales or leases of any aircraft and repair or replacement parts used exclusively in aircraft or in the overhauling or rebuilding of aircraft.

**Committee Amendment “B” (H-299)** proposed to limit the exemption for aircraft to those that weigh over 6,000 pounds that are propelled by turbine engines or are in use by a Federal Aviation Administration classified 135 operator and to remove aircraft parts from the exemption.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The issue addressed by this bill was also addressed in the Supplemental Budget Bill in Public Law 2005, chapter 2005, Part EE, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 1090                      An Act To Create a Grandparent-to-grandchild Exemption in the Real Estate Transfer Tax                      INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CRESSEY	OTP-AM	H-171
COURTNEY		

LD 1090 proposed to exempt from the real estate transfer tax deeds between grandparent and grandchild.

**Committee Amendment “A” (H-171)** proposed to incorporate a fiscal note.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005,

## *Joint Standing Committee on Taxation*

chapter 519, Part SSS, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 1102**                      **An Act To Connect the BETR Program with Job Retention**                      **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CLARK	OTP-AM    A	
STRIMLING	ONTP        B	

LD 1102 proposed to require that a recipient of benefits under the Business Equipment Tax Reimbursement program be required to refund a portion of benefits received if the recipient reduces its work force by terminating or suspending positions for more than 3 months. If the person is required to refund a portion of the reimbursement, that person would not be permitted to participate in the BETR program for 2 years.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1400, 1557, 1660 and 2056.

**LD 1116**                      **An Act To Exempt from the Sales Tax Electricity Used in Homes**                      **DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CAMPBELL	ONTP        MAJ	H-175
COURTNEY	OTP-AM     MIN	

LD 1116 proposed a sales tax exemption for persons who are 62 years of age or older for the purchase of residential electricity when that person's primary residence is heated with electricity.

**Committee Amendment "A" (H-175)** proposed to expand the sales tax exemption to include all sales of residential electricity on or after October 1, 2005.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

## Joint Standing Committee on Taxation

**LD 1158**                      **An Act To Allow Employee Retirement Disability Benefits To Be Eligible for the Pension Deduction under Maine Income Tax Law**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u> DUDLEY STRIMLING	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-585
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LD 1158 proposed to expand the \$6,000 pension exemption to include benefits received under a disability retirement plan policy administered by the State for state employees and teachers.

**Committee Amendment “A” (H-585)** proposed to expand the exemption to disability benefits received under any employee retirement plan.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

**LD 1165**                      **An Act To Encourage the Preservation of Affordable Housing**                      **PUBLIC 644**

<u>Sponsor(s)</u> GLYNN	<u>Committee Report</u> OTP-AM    MAJ ONTP        MIN	<u>Amendments Adopted</u> H-634 S-664    ROTUNDO
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LD 1165 proposed an income tax deduction for capital gains or depreciation recapture associated with the sale of a multifamily affordable housing property. It also proposed to exempt the sale of a multifamily affordable housing property from the real estate transfer tax.

**Committee Amendment “A” (H-634)** proposed to restructure the provisions of the bill to improve administration of the income tax deduction for capital gains and depreciation recapture associated with the sale of multifamily affordable housing property. The amendment also proposed to delete the real estate transfer tax exemption for affordable housing from the bill

**Senate Amendment “A” to Committee Amendment “A” (S-664)** proposed to amend Committee Amendment “A” to incorporate changes in the law enacted since the bill was drafted. The amendment also proposed to decrease the Maine State Housing Authority's Other Special Revenue Funds share of real estate transfer tax revenue by \$187,067 in fiscal year 2006-07 and increase the General Fund share of real estate transfer tax revenue by same amount to cover the net revenue loss and General Fund cost of the bill. It also proposed to move the General Fund appropriation of \$20,000 from fiscal year 2005-06 to fiscal year 2006-07.

### *Enacted law summary*

Public Law 2005, chapter 644 provides an income tax deduction for capital gains or depreciation recapture associated with the sale of a multifamily affordable housing property. This chapter also decreases the Maine State Housing Authority's share of real estate transfer tax revenue by \$187,067 in fiscal year 2006-07 to cover the revenue loss associated with the new deduction.

## *Joint Standing Committee on Taxation*

**LD 1258**                      **An Act To Provide for Department of Labor Services and Other Services in Unorganized Territories**                      **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MARTIN	ONTP      MAJ	
JACKSON	OTP-AM      MIN	

LD 1258 proposed to assess landowners in the unorganized territory a fee equal to .01% of equalized state valuation for the landowners' property. The revenue from the fee would be used to offset the cost of providing services, such as police and fire protection, game warden services and services provided by Department of Labor personnel, in the unorganized territory.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

**LD 1328**                      **An Act To Amend the Maine Tree Growth Tax Law To Encourage Public Access**                      **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MARTIN	ONTP      MAJ	
PINEAU	OTP-AM      MIN	

LD 1328 proposed to deny Maine Tree Growth Tax Law eligibility for a parcel of land to which public access for recreational use is limited or prohibited.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

**LD 1343**                      **An Act To Simplify Rent and Property Tax Relief**                      **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
EDER	ONTP	
STRIMLING		

LD 1343 proposed that a claimant may apply for a benefit under the Maine Residents Property Tax Program on that claimant's individual income tax form.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

## Joint Standing Committee on Taxation

**LD 1400**                      **An Act To Reduce Payments under the Business Equipment Tax Reimbursement Program and To Eliminate Double Dipping and Increase Conformity with the Internal Revenue Code**                      **ONTP**

<u>Sponsor(s)</u> MILLS P		<u>Committee Report</u> ONTP		<u>Amendments Adopted</u>
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LD 1400 proposed to reduce reimbursement under the Business Equipment Tax Reimbursement (BETR) program to 90% of taxes paid and to reduce BETR program reimbursement by the amount of reimbursement under a tax increment financing district.

The bill also proposed to increase the State's conformity with the federal Internal Revenue Code by incorporating the federal exemption amount into the state estate tax and by conforming to the federal tax deductibility of health saving accounts.

Reimbursement under the BETR program was reduced for one year to 90% of taxes paid for the application period beginning August 1, 2006 in Public Law 2005, chapter 457, Part BBB.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1102, 1557, 1660 and 2056.

**LD 1552**                      **An Act To Make Owners of Cooperative Housing Eligible for the Homestead Exemption**                      **PUBLIC 647**

<u>Sponsor(s)</u> CROSBY MAYO		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> H-584 S-668 ROTUNDO
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LD 1552 proposed to allow residents of a residential cooperative who are shareholders in that cooperative to benefit from the Maine resident homestead property tax exemption program by providing a property tax exemption to the owner of cooperative property equal to the standard amount of the exemption multiplied by the number of units in the cooperative occupied by persons who would otherwise qualify for the homestead property tax exemption if they owned property qualifying as a homestead.

**Committee Amendment "A" (H-584)** proposed to clarify the method of applying the exemption for cooperative housing and change the application date from 2005 to 2006.

**Senate Amendment "A" to Committee Amendment "A" (S-668)** proposed to add a mandate preamble, remove the appropriations and allocations section and change the application date.

### *Enacted law summary*

Public Law 2005, chapter 647 allows residents of a residential cooperative who are shareholders in that cooperative to benefit from the Maine resident homestead property tax exemption by providing a property tax exemption to the owner of the cooperative property equal to the amount of the standard homestead exemption



## *Joint Standing Committee on Taxation*

multiplied by the number of units in the cooperative occupied by persons who would otherwise qualify for the homestead property tax exemption if they owned property currently qualifying as a homestead. The benefit must be passed on to the owners of the cooperative share.

**LD 1557**                      **An Act To Improve the Business Equipment Tax Reimbursement Program**                      **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
STRIMLING HUTTON	ONTP	

1557 proposed to prohibit reimbursement of property taxes under the Business Equipment Tax Reimbursement (BETR) program if the taxes also are reimbursed under a tax increment financing district agreement for property first placed into service on or after April 1, 2007. This bill also proposed to limit BETR reimbursement to 90% of the assessed taxes and reduce the number of years property is eligible for reimbursement from 12 years to 10 years. The savings generated would be used to fund a new program created jointly by the Department of Economic and Community Development and the Department of Administrative and Financial Services, Maine Revenue Services to provide tax assistance to small businesses based on need.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LD 1102, 1400, 1660 and 2056

**LD 1585**                      **An Act To Provide a Temporary Sales Tax Exemption for Prescription Drugs for Animals**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MCKENNEY PERRY J	OTP-AM	H-440

LD 1585 proposed to provide a sales tax exemption for sales of medicines for animals sold on a doctor's prescription before July 1, 2005, if sales tax had not been collected. If a person collected sales tax on the sale of medicines for animals prior to July 1, 2005, that person would be required to remit those taxes to the State Tax Assessor.

**Committee Amendment “A” (H-440)** proposed to incorporate a fiscal note.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

*Joint Standing Committee on Taxation*

**LD 1587**

**An Act To Modernize Maine's Tax Code**

**ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DUDLEY STRIMLING	ONTP	

LD 1587 proposed the following components to reform Maine’s tax structure.

Part A proposed to increase benefits under the Maine Residents Property Tax Program, the so-called “circuit breaker program,” by changing the tax-to-income threshold to 100% of the benefit base that exceeds 5% of income; increasing the maximum rebate to \$5,000; increasing the renter rebate to 25%; and allowing persons to use the income tax form to file for a refundable credit.

Part B proposed to increase from 5.1% to 8.5% the percentage of sales and income tax revenues transferred to the Local Government Fund for revenue sharing.

Part C proposed to reform the income tax by increasing the personal exemption amount to equal the federal amount, increase the earned income credit and make it refundable and create a 10% income tax bracket for income of \$100,000 or more for single filers, \$150,000 or more for persons filing as heads of household and \$200,000 for persons filing married joint returns.

Part D proposed to include, in the services subject to the service provider tax, amusement and recreational, business, personal and professional services. The provision of those services would be subject to the 5% tax. Part D also proposed to eliminate the sales tax exemption for sales of short-term publications, limit the exemption on funeral services and repeal the exemption on coin-operated vending machine sales.

Part E proposed to increase the sales tax on lodging from 7% to 10%.

Part F proposed to reform the business equipment tax reimbursement (BETR) program by limiting state reimbursement to 70% of the taxes paid on eligible property reduced by the amount of tax reimbursement received for the property through a tax increment financing agreement.

Part G proposed to provide that, for property first placed in service in property tax years beginning after April 1, 2005, property used in, or in support of, the provision of a nonqualified service or a retail sales facility would not be eligible for BETR reimbursement.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1595 and 1605.

## *Joint Standing Committee on Taxation*

**LD 1594**                      **An Act To Provide an Income Tax Exemption to Recent College Graduates Who Work in Maine To Help Them Pay College Loans**                      **ONTP**

<u>Sponsor(s)</u> STEDMAN	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1594 proposed to establish the Graduate Retention Program, the purpose of which would be to encourage recent college or advanced degree program graduates to work in Maine. The program would be available to persons who are recent graduates of a postsecondary school, have outstanding education loans and promise to work for a Maine employer for at least 4 years. The program would allow eligible participants to have an amount withheld from their pay equal to or more than the standard withholding for Maine income taxes for a single individual. The amount withheld would be paid by the employer directly to the holder of the education loan and would be considered payment of Maine income taxes by the participant. Eligibility would be limited to 4 years.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

**LD 1595**                      **An Act To Rebalance Maine's Tax Code**                      **ONTP**

<u>Sponsor(s)</u> WOODBURY PERRY J	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1595 proposed to make the following major changes to Maine's tax structure beginning January 1, 2006.

Part A proposed to change the existing graduated income tax program into a flat tax rate of 6% and repeal the alternative minimum tax.

Part B proposed to tie the standard deduction and personal exemption under the income tax to the same amount as the federal standard deduction and personal exemption and eliminate the so-called "marriage penalty."

Part C proposed to restore the income tax credit for child care expenses to 25% of the federal tax credit.

Part D proposed to increase the earned income tax credit to 25% of the federal earned income credit and make it refundable.

Part E proposed to conform the deductibility of health savings accounts and business expensing to federal law.

Part F proposed to increase the exemption for estates under the estate tax to the same amount as under federal law.

Part G proposed to amend the Maine Residents Property Tax Program, also known as the circuit breaker program, by raising the maximum benefit from \$2,000 to \$3,000 and increasing to \$5,000 the maximum property taxes and rent constituting property taxes that may be considered in calculating the benefit.

Part H proposed to repeal certain sales tax exemptions and expand the application of the sales and use tax.

## *Joint Standing Committee on Taxation*

Part I proposed to decrease the general sales tax rate and the service provider tax rate from 5% to 4%. Part I also proposed to increase the rate of sales tax imposed on liquor sold in licensed establishments from 7% to 10%; lodging in a hotel, rooming house or tourist or trailer camp from 7% to 10%; the rental of a motor vehicle for less than one year from 10% to 20%; and prepared food from 7% to 8%.

Part J proposed to increase the real estate transfer tax from \$2.20 per \$500 to \$5.00 per \$500.

Part K proposed to provide an income tax credit of 50% of the real estate transfer tax paid on a permanent residence.

Part L proposed to increase the tax on cigarettes by 50¢ to \$1.50 per pack, the tax on smokeless tobacco products from 62% to 100% of the wholesale price, the tax on cigars from 16% to 25% of the wholesale price and the tax on other tobacco products from 16% to 100% of the wholesale sales price.

Part M proposed to increase the excise tax on malt liquor from 25¢ per gallon to 50¢ per gallon, on wine from 30¢ per gallon to \$1 per gallon and on hard cider from 25¢ per gallon to \$1 per gallon.

**Committee Amendment “A” (H-698)** proposed to replace the original bill and make the following changes to Maine tax law.

Part A proposed to increase the low-income tax credit under the income tax by increasing the threshold of taxable income below which no taxes are due from \$2,000 to \$4,000 for single individuals and married persons filing separately, \$6,000 for persons filing as heads of households and \$8,000 for persons filing married joint returns.

Part B proposed to conform the standard deduction under the income tax to the federal standard deduction beginning with the 2006 tax year, thereby eliminating the marriage penalty.

Part C proposed to conform the personal exemption under the income tax to the same amount as the federal personal exemption.

Part D proposed to lower the top income tax rate from 8.5% to 8.25% for the 2006 tax year.

Part E proposed to conform the income tax treatment of health savings accounts to the federal income tax exclusion and deduction.

Part F proposed to increase state reimbursement for the homestead exemption to 100% of municipal property taxes lost as a result of the exemption beginning in 2006.

Part G proposed to increase the maximum benefit under the Maine Residents Property Tax program from \$2,000 to \$3,000 and increase to \$5,000 the maximum amount of property tax that may be used to calculate benefits.

Part H proposed to expand the tax base under the sales tax by repealing sales tax exemptions for packaging materials, ships' stores, railroad track materials and certain short-term rentals and by extending the sales tax to amusements, personal services, personal property services, home care services, real property services, lawn and landscaping services, taxi, limousine and same day courier services, telephone directory advertising and safe deposit box rental. This Part also proposed to reinstitute the sales tax on snack foods and extend the service provider tax to basic cable and satellite television and radio service and to consumer interstate telephone calls.

## *Joint Standing Committee on Taxation*

Part I proposed to increase the sales tax on meals and lodging, liquor served at licensed establishments and prepared food from 7% to 8% and increase the sales tax on short-term rentals of automobiles from 10% to 15%. Part J proposed to increase the excise tax on malt liquor from 25¢ per gallon to 60¢ per gallon, on wine from 30¢ per gallon to \$1 per gallon and on hard cider from 25¢ per gallon to \$1 per gallon.

Part K proposed to establish a tax on the distribution, manufacture and wholesale of soft drinks and soft drink products.

Part L proposed to change the rate structure for the real estate transfer tax to provide that a transferor and a transferee of the property must pay a transfer tax starting at \$1 per \$1,000 of value of the property for property valued at less than \$100,000, increasing to \$7 per \$1,000 of value for real estate with a value exceeding \$1,000,000. The revenue from the portion of the tax received to the State and attributable to transfers by deed tax is credited 65% to the General Fund and 35% to the Housing Opportunities for Maine Fund.

Part M proposed to require the State to pay 55% of the costs of essential programs and services under the education finance laws beginning in fiscal year 2006-07.

Part N proposed to require the transfer to the Maine Budget Stabilization Fund of General Fund revenue raised by this amendment that is estimated to exceed expenditures authorized by this amendment to be available to fund the State's commitment to education funding in future years.

Part O proposed to add an appropriations and allocations section.

This bill was recommitted to the Joint Standing Committee on Taxation and carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1587 and 1605.

**LD 1605**                      **An Act To Reform the Income Tax for Middle-income and Lower-income Families**                      **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
STRIMLING	ONTP      MAJ	
WOODBURY	OTP-AM    MIN	

LD 1605 proposed to repeal exemptions, credits and refunds under the sales and use tax and the service provider tax, lower the rate of those taxes from 5% to 2% and change the income tax rates. It also proposed to increase the earned income tax credit and make that credit refundable and increase the personal exemption to match the federal exemption.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1587 and 1595.

*Joint Standing Committee on Taxation*

**LD 1607**

**An Act To Provide Incentives for Maine Film Production**

**ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PINGREE SAVAGE	ONTP	

LD 1607 proposed to establish a tax benefit for media production companies making productions in whole or in part in Maine. Under the bill, a media production company that meets certain criteria would be allowed a reimbursement of taxes withheld from wages related to the Maine production.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part GG, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 1625**

**An Act To Fully Fund the Homestead Exemption**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
COWGER BOWLES	OTP-AM MAJ ONTP MIN	S-306

LD 1625 proposed to increase state reimbursement to municipalities for property taxes foregone due to the homestead property tax exemption to 100%.

**Committee Amendment “A” (S-306)** proposed to fund the increase in state reimbursement for the homestead exemption by a transfer of funds that are projected to be available in the Maine Budget Stabilization Fund and statewide deappropriations. The Commissioner of Administrative and Financial Services would be directed to present legislation to implement the deappropriations. If none were presented, the Governor would be directed to make curtailments consistent with the deappropriations.

This bill and its adopted amendment were carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature and died on adjournment of the Second Regular Session.

*Joint Standing Committee on Taxation*

**LD 1647**

**An Act To Award Income Tax Credits for Boiler or Furnace Systems That Reduce or Eliminate Certain Pollutants**

**INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DUDLEY PERRY J	OTP-AM	H-628

LD 1647 proposed to provide a credit against corporate income taxes to businesses that put into operation on or after June 1, 2005 a furnace or boiler system that burns organic material and eliminates nitrogen oxides without increasing other pollutants or reduces particulate emissions to a level that is 20% below standards established by the Department of Environmental Protection, Board of Environmental Protection. The credit would be equal to 1.5¢ per kilowatt-hour or its equivalent in heat energy produced by the furnace or boiler system. A business with an existing boiler or furnace system placed into operation prior to June 1, 2005 could qualify for the tax credit if it modified its boiler or furnace system to burn more cleanly, but only to the extent of the kilowatt-hours or equivalent heat energy attributable to the modification.

**Committee Amendment “A” (H-628)** proposed to extend the income tax credit to businesses that are not corporations, eliminate the transferability of credits, require certifications of eligible systems by the Department of Environmental Protection, clarify the application of the credit and repeal the credit after 5 years. The amendment also proposed to require the Department of Administrative and Financial Services, Bureau of Revenue Services to report annually on the use of the credit as part of its economic development incentive report.

This bill, and its adopted amendment, was carried over on the Special Appropriations Table by S.P. 640 to the next special or regular session of the 122<sup>nd</sup> Legislature.

This bill was removed from the Special Appropriations Table in the Second Regular Session and indefinitely postponed. The substance of this bill, as amended, was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part TTT, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 1660**

**An Act To Reduce Income Taxes and Encourage Economic Growth in Maine**

**ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WOODBURY PERRY J	ONTP	

LD 1660, a Governor’s Bill, proposed the following changes to Maine income tax and the taxation of business personal property.

Part A proposed to increase the existing low-income tax credit threshold from \$2,000 to \$4,750. The increase in the threshold would apply to tax years beginning after 2004 and be funded through tax year 2009 by suspending the annual inflation adjustment to the dollar bracket amounts of the individual income tax schedules.

## *Joint Standing Committee on Taxation*

Part A also proposed to reduce individual income tax rates in 3 ways. First, it proposed to reduce the top marginal tax rate from 8.5% to 8.45% for tax years beginning with 2005. Second, for tax years 2006 to 2009, it proposed to use a portion of the revenue savings from the suspension of the annual inflation adjustment to permanently reduce the tax rates over the same period. The annual inflation adjustment would be reinstated for tax years beginning after 2009. Third, starting with tax years beginning in 2008, the rates would be further reduced 1% each year until the 2005 rates have been reduced by a total of 10% by virtue of this adjustment. This rate reduction would be applied prior to, and in addition to, the rate reduction funded from suspending the inflation adjustment. The rate reductions effected by Part A would be permanent. The individual alternative minimum tax rates would also be reduced to ensure that taxpayers do not become subject to the Maine alternative minimum tax solely as a result of the regular income tax rate reductions.

Part B proposed to establish a property tax exemption for property of qualified businesses that would be first subject to property tax assessment on or after April 1, 2007 in the absence of the exemption. Property first subject to property tax assessment prior to April 1, 2007 would remain eligible for the Business Equipment Tax Reimbursement, "BETR," program for the duration of the 12-year window for BETR program entitlement. Property that is no longer eligible for the BETR program because it has been subject to BETR reimbursement for the full 12-year period for BETR program entitlement would then be eligible for the business equipment property tax exemption.

Part B further proposed to establish the rate of reimbursement the State must pay to municipalities for property tax revenue lost as a result of the exemption. For the 2007 and 2008 property tax years, the rate of reimbursement would be 75% and for 2009 and subsequent property tax years, the rate of reimbursement would be 50%. Municipalities would be reimbursed 100% with respect to property that is no longer eligible for the BETR program because it has been subject to BETR reimbursement for the full 12-year period for BETR program entitlement.

This bill was carried over by H.P. 1203 from the First Special Session of the 122nd Legislature.

See also LDs 1102, 1400, 1557 and 2056.

<b>LD 1710</b>	<b>Resolve, Authorizing the State Tax Assessor To Convey the Interest of the State in Certain Real Estate in the Unorganized Territory</b>	<b>RESOLVE 135</b>
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<u>Sponsor(s)</u> WOODBURY PERRY J	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-756
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LD 1710 proposed to authorize the State Tax Assessor to convey the interest of the State in several parcels of real estate in the Unorganized Territory that were acquired by the State for nonpayment of property taxes.

**Committee Amendment "A" (H-756)** proposed to incorporate a fiscal note.

### *Enacted law summary*

Resolve 2005, chapter 135 authorizes the State Tax Assessor to convey the interest of the State in several parcels of real estate in the Unorganized Territory that were acquired by the State for nonpayment of property taxes.



## *Joint Standing Committee on Taxation*

**LD 1711**

**An Act To Make Minor Substantive Changes to the Tax Laws**

**PUBLIC 622**

<u>Sponsor(s)</u> WOODBURY PERRY J	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-974
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LD 1711 proposed to make the following changes to the laws governing taxation.

It proposed to allow a fuel tax registration violation to be prosecuted in Kennebec County or in the county where the violation occurred.

It proposed to authorize the payment of fees imposed for recording a lien or lien discharge directly from the General Fund.

It proposed to the State Tax Assessor to establish procedures for payment of taxes by credit card and to contract with one or more entities for the purpose of accepting and processing credit card transactions.

It proposed to establish that sales of property or services purchased for resale, lease or rental in the ordinary course of business by the person making the sale are not casual sales.

It proposed to clarify that a sales and use tax exemption provided to a person based upon its charitable, nonprofit or other public purposes applies only if the property or service purchased is intended to be used by the person primarily in the activity identified by the particular exemption.

It proposed to clarify that a service provider tax exemption provided to a person based upon its charitable, nonprofit or other public purposes applies only if the service purchased is intended to be used by the person primarily in the activity identified by the particular exemption.

It proposed to allow a dyed fuel violation to be prosecuted in Kennebec County or in the county where the violation occurred.

It proposed to enact a definition of “value” in Maine estate tax law and repeals language elsewhere in the law that effectively defines “value.” The new definition would provide that the value of an estate or property included in an estate is the value determined by the State Tax Assessor in accordance with the Internal Revenue Code.

It proposed to permit the State Tax Assessor to allow a licensed cigarette distributor up to 30 days to pay for cigarette tax stamps if the distributor has posted a bond of 50% of the amount of the cigarette stamp purchases.

It proposed to allow bonus depreciation, Section 179 expense and net operating loss addition modifications claimed by a C corporation to be recaptured by individual shareholders of the corporation if it elects to be treated as an S corporation in a subsequent year.

It proposed to change the date for the annual report to the Legislature regarding the BETR/TIF overlap from January 15th to March 15th and requires BETR applicants to provide BETR/TIF overlap information to the State Tax Assessor.

## *Joint Standing Committee on Taxation*

It proposed to exclude from the Maine estate tax real and tangible personal property owned by a resident of the State that is not located in the State.

It proposed to provide that only a sale of personal property for value will qualify for an automatic estate tax lien release and to clarify the commencement and duration of the estate tax lien.

**Committee Amendment “A” (H-974)** proposed to add additional technical and minor substantive changes that reorganize parallel exemption provisions in the sales and use tax and the service provider tax for greater clarity, strike a section relating to casual sales and a section relating to estate tax liens, make changes relating to the estate tax to provide greater clarity and to reflect recent enactments, add a provision updating the property tax exemption for paraplegic veterans and amend application dates. The amendment also proposed to allow a taxpayer to qualify for the 80% employment tax increment financing benefit for employment inside a Pine Tree Development Zone even if it also claims a jobs and investment tax credit for qualified investment outside a Pine Tree Development Zone.

### *Enacted law summary*

Public Law 2005, chapter 622 is the annual bill submitted by the Department of Administrative and Financial Services to make minor substantive and technical changes to the laws governing taxation. Chapter 622 makes the following changes.

It allows a fuel tax registration violation to be prosecuted in Kennebec County or in the county where the violation occurred.

It authorizes the payment of fees imposed for recording a lien or lien discharge directly from the General Fund.

It authorizes the State Tax Assessor to establish procedures for payment of taxes by credit card and to contract with one or more entities for the purpose of accepting and processing credit card transactions.

It updates the property tax exemption for paraplegic veterans.

It reorganizes parallel exemption provisions in the sales and use tax and the service provider tax for greater clarity.

It clarifies that a sales and use tax exemption provided to a person based upon its charitable, nonprofit or other public purposes applies only if the property or service purchased is intended to be used by the person primarily in the activity identified by the particular exemption.

It clarifies that a service provider tax exemption provided to a person based upon its charitable, nonprofit or other public purposes applies only if the service purchased is intended to be used by the person primarily in the activity identified by the particular exemption.

It allows a dyed fuel violation to be prosecuted in Kennebec County or in the county where the violation occurred.

It enacts a definition of “value” in Maine estate tax law and repeals language elsewhere in the law that effectively defines “value.”

It permits the State Tax Assessor to allow a licensed cigarette distributor up to 30 days to pay for cigarette tax stamps if the distributor has posted a bond of 50% of the amount of the cigarette stamp purchases.

## *Joint Standing Committee on Taxation*

It allows bonus depreciation, Section 179 expense and net operating loss addition modifications claimed by a C corporation to be recaptured by individual shareholders of the corporation if it elects to be treated as an S corporation in a subsequent year.

It excludes from the Maine estate tax real and tangible personal property owned by a resident of the State that is not located in the State.

It allows a taxpayer to qualify for the 80% employment tax increment financing benefit for employment inside a Pine Tree Development Zone even if it also claims a jobs and investment tax credit for qualified investment outside a Pine Tree Development Zone.

**LD 1729**

**An Act To Promote College Savings Accounts**

**ONTP**

<u>Sponsor(s)</u> DRISCOLL BARTLETT	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1729 was a concept draft pursuant to Joint Rule 208 that proposed to amend the law to provide a state income tax deduction for contributions to in-state and out-of-state qualified state tuition programs, or “529 college savings plans.”

The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part LLL, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 1739**

**RESOLUTION, Proposing an Amendment to the Constitution of  
Maine To Create a Property Tax Exemption for Lobster Traps**

**DIED BETWEEN  
BODIES**

<u>Sponsor(s)</u> ANDREWS	<u>Committee Report</u> ONTP    MAJ OTP-AM    MIN	<u>Amendments Adopted</u> S-552
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LD 1739 was a concept draft pursuant to Joint Rule 208 that proposed to clarify the law regarding the taxable status of lobster traps and eliminate the inconsistent treatment of lobster traps from municipality to municipality.

**Committee Amendment “A” (S-552)** proposed to amend the Constitution of Maine to establish a property tax exemption for lobster traps.

See also LDs 2052 and 2053.

## Joint Standing Committee on Taxation

LD 1749

**An Act To Clarify the Taxable Status of Processing Fees Charged  
in Connection with Cancelled Lodging Reservations**

**PUBLIC 675**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
COWGER KOFFMAN	OTP-AM	S-530

LD 1749 proposed to clarify the sales tax law to provide a sales tax exemption for processing fees or forfeited advance deposits held by an innkeeper in connection with a cancelled reservation or the failure of a guest to be present on the scheduled day of arrival.

**Committee Amendment “A” (S-530)** proposed to clarify the taxable status of forfeited deposits and cancellation fees for rental of living quarters under the sales tax by providing that those deposits or fees are not subject to sales tax if the rental is cancelled on or before the scheduled date of arrival. The amendment proposed to make this clarification retroactive to January 1, 2001 and to provide that a person who has paid or collected sales tax on forfeited deposits or cancellation fees would not be entitled to a refund.

### *Enacted law summary*

Public Law 2005, chapter 675 clarifies the taxable status under the sales tax laws of forfeited deposits and cancellation fees for rental of living quarters by providing that those deposits or fees are not subject to sales tax if the rental is cancelled on or before the scheduled date of arrival. The clarification is retroactive to January 1, 2001 and provides that a person who has paid or collected sales tax on forfeited deposits or cancellation fees is not entitled to a refund.

LD 1751

**An Act Concerning Technical Changes to the Tax Laws**

**PUBLIC 618**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERRY J WOODBURY	OTP-AM A OTP-AM B	S-571

LD 1751 is the annual bill presented by the Department of Administrative and Financial Services, Bureau of Revenue Services to make technical changes to the laws governing taxation. In addition to correcting punctuation errors, standardizing archaic language and correcting cross-references, the bill proposed to make the following changes to the laws governing taxation.

It proposed to add a definition of “manufactured housing” to the sales and use tax law. The definition being added is the one that has been applied administratively by the Department of Administrative and Financial Services, Bureau of Revenue Services.

It proposed to eliminate a sales tax exemption that is not currently being administered because the Office of the Attorney General has advised the Bureau of Revenue Services that it violates the commerce clause of the United States Constitution.

It proposed to replace the imprecise phrase “mobile and modular homes” with the defined term “manufactured housing.”

## *Joint Standing Committee on Taxation*

It proposed to eliminate a superfluous cross-reference and to eliminate other redundant language.

It proposed to enact various technical changes to clarify a statute enacted in 2005 that altered the Maine income tax calculation for multistate corporations.

It proposed to clarify that the Pine Tree Development Zone tax credit may not be carried forward indefinitely to offset future income in years beyond the Pine Tree Development Zone time period. This is the interpretation being applied administratively by the Bureau of Revenue Services.

It proposed to eliminate the solid waste reduction investment tax credit, which is no longer available.

It proposed to correct a reference to the name of the state agency that certifies investments for the quality child care investment credit.

It proposed to clarify that estates and trusts must file a Maine income tax return if they owe Maine income tax, even if their Maine taxable income is zero or less. This is the interpretation being applied administratively by the Bureau of Revenue Services.

It proposed to clarify the definition of “income” for purposes of the Maine Residents Property Tax Program.

It proposed to clarify the procedure for payment of claims under the Business Equipment Tax Reimbursement program.

It proposed to clarify that Maine elective property owned by an estate of a nonresident is subject to Maine estate tax.

**Committee Amendment “A” (S-571)** proposed to add a provision authorizing the Maine Residents Property Tax Program to be referred to as “the Circuitbreaker Program.”

### *Enacted law summary*

Public Law 2005, chapter 618 is the annual bill presented by the Department of Administrative Services, Bureau of Revenue Services to make technical changes to the laws governing taxation. Chapter 618 makes the following changes.

It adds a definition of “manufactured housing” to the sales and use tax law. The definition is the one that has been applied administratively by the Department of Administrative and Financial Services, Bureau of Revenue Services.

It eliminates a sales tax exemption that is not currently being administered because the Office of the Attorney General has advised the Bureau of Revenue Services that it violates the commerce clause of the United States Constitution. The section also clarifies an ambiguous cross-reference.

It replaces the imprecise phrase “mobile and modular homes” with the defined term “manufactured housing.”

It enacts various technical changes to clarify a statute enacted in 2005 that altered the Maine income tax calculation for multistate corporations.

## Joint Standing Committee on Taxation

It clarifies that the Pine Tree Development Zone tax credit cannot be carried forward indefinitely to offset future income in years beyond the Pine Tree Development Zone time period. This is the interpretation currently being applied administratively by the Bureau of Revenue Services.

It eliminates the solid waste reduction investment tax credit, which is no longer available.

It corrects the name of the state agency that certifies investments for the quality child care investment credit.

It clarifies that estates and trusts must file a Maine income tax return if they owe Maine income tax, even if their Maine taxable income is zero or less. This is the interpretation currently being applied administratively by the Bureau of Revenue Services.

It clarifies the definition of “income” for purposes of the Maine Residents Property Tax Program.

It clarifies the procedure for payment of claims under the Business Equipment Tax Reimbursement program.

It clarifies that Maine elective property owned by an estate of a nonresident is subject to Maine estate tax.

It authorizes the Maine Residents Property Tax Program to be referred to as “the Circuitbreaker Program.”

It corrects punctuation errors, standardizes archaic language and corrects cross-references.

**LD 1761**

**An Act To Offer Financial Institutions an Option for Payment of the Maine Franchise Tax**

**PUBLIC 608**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERRY J	OTP-AM MAJ ONTP MIN	H-953 WOODBURY S-453

LD 1761 proposed an alternative tax calculation for purposes of the franchise tax for financial institutions by permitting a financial institution to choose either the current method based on Maine net income and Maine assets or the alternative method for calculating the franchise tax based on Maine assets only. The election would be irrevocable for that tax year. The bill would apply to tax years ending after December 31, 2005.

**Committee Amendment “A” (S-453)** proposed technical corrections to the bill.

**House Amendment “A” to Committee Amendment “A” (H-953)** proposed to change the application date of the bill to tax years beginning on or after January 1, 2006.

### ***Enacted law summary***

Public Law 2005, chapter 608 provides an alternative method of tax calculation for purposes of the franchise tax for financial institutions beginning with tax years beginning on or after January 1, 2006. A financial institution may elect either the current method of calculation based on Maine net income and Maine assets or the alternative method based on solely Maine assets. The election is irrevocable for the tax year for which it is chosen.

## *Joint Standing Committee on Taxation*

**LD 1775**

**An Act To Establish a Refundable Historic Rehabilitation Credit**

**ONTP**

<u>Sponsor(s)</u> MITCHELL	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1775 proposed to allow a refundable income tax credit based on qualified historic rehabilitation to a developer that owns 2 or more structures located in the Kennebec Arsenal District National Historic Landmark. The credit would be equal to the federal credit but limited to \$500,000 per year and allowed only for 4 consecutive tax years beginning in 2006.

The substance of this bill was incorporated into the Supplemental Budget Bill as Public Law 2005, chapter 519, Part H, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

See also LD 2079.

**LD 1796**

**Resolve, Concerning the Assessment of Property Subject to  
Affordable Housing Limitations and Benefits**

**RESOLVE 170**

<u>Sponsor(s)</u> PERRY J CLOUGH	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-531
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LD 1796 proposed, for property tax purposes, to exclude from the “just value” of federal low-income housing credit property the effect of the presence of intangible assets or rights such as contracts, agreements, subsidies, credits and licenses.

**Committee Amendment “A” (S-531)** proposed to change the bill to a resolve directing the Department of Administrative and Financial Services, Bureau of Revenue Services to review factors affecting the assessment of affordable housing property, prepare informational materials for municipal assessors and report to the joint standing committee of the Legislature having jurisdiction over taxation matters by January 10, 2007.

### *Enacted law summary*

Resolve 2005, chapter 170 directs the Department of Administrative and Financial Services, Bureau of Revenue Services to review factors affecting the assessment of affordable housing property for property tax purposes. The resolve also directs the bureau to provide an informational program and materials for municipal assessors and requires a report to the joint standing committee of the Legislature having jurisdiction over taxation matters.

*Joint Standing Committee on Taxation*

LD 1797

**An Act To Clarify the Qualifications for the Maine Residents  
Property Tax Program**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
SULLIVAN HUTTON	OTP-AM	S-532

LD 1797 proposed to allow homeowners who rent out their home for less than one month a year to qualify for the Maine Residents Property Tax Program.

**Committee Amendment “A” (S-532)** proposed to clarify the language allowing certain homeowners who rent their homesteads for up to 31 days in the aggregate during the year to qualify for benefits under the Maine Residents Property Tax Program and to prorate benefits to reflect the rental period. The amendment also proposed to apply the new language to applications filed on or after August 1, 2006, remove emergency provisions, reorganize language for greater clarity and add an appropriations and allocations section.

This bill and its adopted amendment were placed on the Special Appropriations Table and died on adjournment of the Second Regular Session.

LD 1799

**An Act To Exempt Trail-grooming Equipment from the Personal  
Property Tax**

**PUBLIC 652  
EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAVIS P	OTP-AM MAJ ONTP MIN	S-452 S-685 ROTUNDO

LD 1799 proposed a property tax exemption for snow grooming equipment and machinery.

**Committee Amendment “A” (S-452)** proposed that the property tax exemption apply only to snowmobile trail-grooming equipment registered with the Department of Conservation.

**Senate Amendment “A” to Committee Amendment “A” (S-685)** proposed that the property tax exemption for snow grooming equipment apply retroactively to property taxes based on the status of property on or after April 1, 2006 and that a mandate preamble and emergency preamble and clause be added.

***Enacted law summary***

Public Law 2005, chapter 652 provides a property tax exemption beginning April 1, 2006 for snowmobile trail-grooming equipment registered with the Department of Conservation.

Public Law 2005, chapter 652 was enacted as an emergency measure effective May 30, 2006.



## *Joint Standing Committee on Taxation*

**LD 1809**                      **An Act To Provide Additional Property Tax Relief to Maine Citizens**                      **ONTP**

<u>Sponsor(s)</u> CUMMINGS	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1809 was a concept draft pursuant to Joint Rule 208. It proposed to require municipalities, beginning in fiscal year 2006-07, to use 90% of any increase in state funding for education for property tax relief.

**LD 1823**                      **An Act To Exempt Vegetable Seeds for Home Gardens from the Sales Tax**                      **DIED BETWEEN BODIES**

<u>Sponsor(s)</u> PIOTTI	<u>Committee Report</u> ONTP      MAJ OTP-AM    MIN	<u>Amendments Adopted</u>
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LD 1823 proposed to create a sales tax exemption for vegetable seeds used to grow crops in home gardens.

**LD 1836**                      **An Act To Amend the Laws Governing the Assessment of Property Taxes in the Event of a Change of Ownership of the Property**                      **ONTP**

<u>Sponsor(s)</u> CRAVEN ROTUNDO	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1836 proposed to relieve a previous owner of property of certain property taxes if the previous owner provides certain information, such as a copy of the executed deed, to the assessor.

**LD 1844**                      **An Act To Amend the Laws Governing the Excise Tax on New Automobiles**                      **ONTP**

<u>Sponsor(s)</u> SCHATZ	<u>Committee Report</u> ONTP      MAJ OTP-AM    MIN	<u>Amendments Adopted</u>
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LD 1844 was a concept draft pursuant to Joint Rule 208. It proposed to amend the laws governing the excise tax on new automobiles.

## Joint Standing Committee on Taxation

LD 1856

**An Act To Conform the Maine Tax Laws for 2005 to the United States Internal Revenue Code**

**PUBLIC 486  
EMERGENCY**

<u>Sponsor(s)</u> WOODBURY		<u>Committee Report</u> OTP		<u>Amendments Adopted</u>
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LD 1856 proposed to update references to the United States Internal Revenue Code contained in the Maine Revised Statutes, Title 36 to the United States Internal Revenue Code as amended through December 31, 2005 for tax years beginning on or after January 1, 2005 and for any prior years as specifically provided by the United States Internal Revenue Code.

### *Enacted law summary*

Public Law 2005, chapter 486 updates references to the United States Internal Revenue Code contained in the Maine Revised Statutes, Title 36 to the United States Internal Revenue Code as amended through December 31, 2005 for tax years beginning on or after January 1, 2005 and for any prior years as specifically provided by the United States Internal Revenue Code. The bill affects Maine's income tax and estate tax laws.

Public Law 2005, chapter 486 was enacted as an emergency measure effective March 13, 2006.

LD 1857

**An Act Relating to the Assessment of Property Taxes on Time-share Property**

**PUBLIC 607**

<u>Sponsor(s)</u> DUPLESSIE		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> H-993
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LD 1857 proposed to require that the taxable value of time-share property be calculated in the same manner as if the unit were a residential condominium unit owned by a single taxpayer. The managing entity of the time-share development would divide the property tax proportionately among the time-share owners based on each time-share owner's assessment for costs. It also proposed to require the managing entity to collect property taxes from owners and remit the property taxes to the municipality.

**Committee Amendment "A" (H-993)** proposed to clarify that an assessor may consider the value of a time-share estate listed on a declaration of value form under the real estate transfer tax when valuing the property for property tax purposes. The amendment also proposed that a managing entity of time-share property that collects money for property taxes be required to pay outstanding property tax amounts no later than 30 days after the date it collected those taxes or 10 months after the date of the property tax commitment, whichever is earlier.

### *Enacted law summary*

Public Law 2005, chapter 607 clarifies that an assessor may consider the value of a time-share estate listed on a declaration of value form under the real estate transfer tax when valuing the property for property tax purposes. It also provides that a managing entity of time-share property that collects money for property taxes must pay outstanding property tax amounts no later than 30 days after the date it has collected those taxes or 10 months after the date of the property tax commitment, whichever is earlier.

## *Joint Standing Committee on Taxation*

**LD 1893**                      **An Act To Adjust the Excise Tax Filing Schedule for Wine and Beer Producers**                      **ONTP**

<u>Sponsor(s)</u> DUNN PERRY J	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1893 proposed to change the excise tax filing schedule for wineries and breweries to coincide with the sales tax schedule. The bill also proposed to require that the excise tax be calculated based on the calendar year basis beginning in 2007.

**LD 1917**                      **An Act To Establish Requirements and Standards for Health Savings Accounts for Small Businesses**                      **ONTP**

<u>Sponsor(s)</u> CUMMINGS	<u>Committee Report</u> ONTP	<u>Amendments Adopted</u>
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LD 1917 was a concept draft pursuant to Joint Rule 208 that proposed to set reasonable standards for health savings accounts for small business owners and their employees who want to establish health savings accounts.

See also LD 195.

**LD 1965**                      **An Act To Ensure the Ability of Municipalities To Provide Assistance to Their Citizens**                      **PUBLIC 515  
EMERGENCY**

<u>Sponsor(s)</u> NUTTING J	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-481
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LD 1965 proposed to exempt from the municipal property tax cap amounts appropriated by a municipality to support a general assistance program.

**Committee Amendment “A” (S-481)** proposed to replace the provisions of the bill and to provide that municipal spending limitations do not need to be adjusted for changes in state reimbursement for general assistance expenses if those changes are the result of operation of the statutory formula for the general assistance program.

### *Enacted law summary*

Public Law 2005, chapter 515 provides that municipal spending limitations do not need to be adjusted for changes in state reimbursement for general assistance expenses if those changes are the result of operation of the statutory formula for the general assistance program.

Public Law 2005, chapter 515 was enacted as an emergency measure effective March 28, 2006.

## Joint Standing Committee on Taxation

LD 1972

An Act To Preserve Maine's Working Waterfront

PUBLIC 609

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAMON PERCY	OTP-AM	S-602

LD 1972 was a concept draft pursuant to Joint Rule 208 that proposed to implement an amendment to the Constitution of Maine approved by the voters in November 2005 to permit the Legislature to authorize current use taxation of waterfront land that is used for or that supports commercial fishing activities.

**Committee Amendment “A” (S-602)** proposed statutory language to implement the amendment to the Constitution of Maine approved by the voters in 2005.

The amendment proposed to implement current use valuation of working waterfront land according to a process that is similar to the current use valuation of open space land. Working waterfront land would be land used at least 50% to provide access to or support the conduct of commercial fishing activities. Current use value would be the value of the land if it were required to remain in its current use as working waterfront land. Assessors would be directed to determine current use value by eliminating valuation factors unrelated to working waterfront use and by comparison to similar types of uses. If there is insufficient data to support comparative valuation, the assessor could use a formula that reduces the valuation of the working waterfront land based on the percentage of use as working waterfront land and the existence of permanent restrictions on use.

A penalty would be established for withdrawal of land from current use valuation as working waterfront land. The penalty would be the same as for withdrawal from tree growth current use valuation and would be equal to the higher of the difference in taxes that would have been paid over the previous 5 years and a percentage of the difference between the current use value and the just value on the date of withdrawal. The percentage would be 30% for land that has been classified for 10 years or less and decrease one percentage point each year until it reaches 20% after the land has been classified for 20 years.

The amendment also proposed to require the State Tax Assessor, in conjunction with interested parties, to analyze and report on sales experience of working waterfront land every 2 years and to make recommendations to improve the effectiveness of working waterfront current use valuation.

### *Enacted law summary*

Public Law 2005, chapter 609 implements an amendment to the Constitution of Maine adopted by the voters in November 2005 to permit the Legislature to provide for the current use valuation for property tax purposes of waterfront land used for or to support commercial fishing activities.

Chapter 609 provides for current use valuation of working waterfront land according to a process that is similar to the current use valuation of open space land. Working waterfront land is land used at least 50% to provide access to or support the conduct of commercial fishing activities. Current use value is the value of the land if it were required to remain in its current use as working waterfront land. Assessors are directed to determine current use value by eliminating valuation factors unrelated to working waterfront use and by comparison to similar types of uses. If there is insufficient data to support comparative valuation, the assessor may use a formula that reduces the valuation of the working waterfront land based on the percentage of use as working waterfront land and the existence of permanent restrictions on use.

## *Joint Standing Committee on Taxation*

A penalty is established for withdrawal of land from current use valuation as working waterfront land. The penalty is the same as for withdrawal from tree growth current use valuation and is equal to the higher of the difference in taxes that would have been paid over the previous 5 years and a percentage of the difference between the current use value and the just value on the date of withdrawal. The percentage is 30% for land that has been classified for 10 years or less and decreases one percentage point each year until it reaches 20% after the land has been classified for 20 years.

Chapter 609 also requires the State Tax Assessor, in conjunction with interested parties, to analyze and report on sales experience of working waterfront land every 2 years and to make recommendations to improve the effectiveness of working waterfront current use valuation.

**LD 1989**                      **Resolve, Directing the State Board of Property Tax Review To Accept and Review the Appeal Filed by the Town of Palermo**                      **RESOLVE 134 EMERGENCY**

<u>Sponsor(s)</u> WESTON PIOTTI	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-464
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LD 1989 proposed to require the State Board of Property Tax Review to consider the appeal filed by the Town of Palermo on December 8, 2005 regarding the 2006 valuation of the town as determined by Maine Revenue Services.

**Committee Amendment “A” (S-464)** proposed to remove language from the emergency preamble that might appear to relate to the merits of the appeal filed by the Town of Palermo and change the date by which a decision must be rendered by the State Board of Property Tax Review.

### *Enacted law summary*

Resolve 2005, chapter 134 requires the State Board of Property Tax Review to consider the appeal filed by the Town of Palermo on December 8, 2005 regarding the 2006 valuation of the town as determined by Maine Revenue Services and requires a decision to be rendered no later than 30 days after the effective date of the Resolve.

Resolve 2005, chapter 134 was finally passed as an emergency measure effective March 13, 2006.

**LD 2025**                      **An Act To Implement Recommendations of the Study Commission Regarding Liveable Wages Concerning the Circuit Breaker Program**                      **DIED BETWEEN BODIES**

<u>Sponsor(s)</u>	<u>Committee Report</u> ONTP      MAJ OTP-AM    MIN	<u>Amendments Adopted</u> H-910
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LD 2025 was a recommendation of the Study Commission Regarding Liveable Wages, established in Resolve 2005, chapter 128. The bill proposed to increase the maximum refund amount for homeowners under the Maine

***Joint Standing Committee on Taxation***

Residents Property Tax Program, the so-called “circuit breaker program,” from \$2,000 to \$5,000 and to increase the renters benefit from 20% to 22%.

**LD 2026**                    **An Act To Implement Recommendations of the Study Commission Regarding Liveable Wages Concerning Conformity with Federal Tax Laws**                    **DIED BETWEEN BODIES**

<u>Sponsor(s)</u>	<u>Committee Report</u> ONTP      MAJ OTP-AM    MIN	<u>Amendments Adopted</u>
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LD 2026 was a recommendation of the Study Commission Regarding Liveable Wages established in Resolve 2005, chapter 128. The bill proposed to amend Maine's tax laws to achieve conformity with federal tax laws regarding the child care credit, personal exemption and child tax credit.

**LD 2027**                    **An Act To Implement Recommendations of the Study Commission Regarding Liveable Wages Concerning the State Earned Income Tax Credit**                    **DIED BETWEEN BODIES**

<u>Sponsor(s)</u>	<u>Committee Report</u> ONTP      MAJ OTP-AM    MIN	<u>Amendments Adopted</u>
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LD 2027 was a recommendation of the Study Commission Regarding Liveable Wages, established in Resolve 2005, chapter 128, that proposed to expand the Maine earned income tax credit by increasing it to 30% of the federal credit and by making it refundable.

**LD 2039**                    **An Act To Establish Municipal Cost Components for Unorganized Territory Services To Be Rendered in Fiscal Year 2006-07**                    **PUBLIC 624 EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-952 S-630    MARTIN
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LD 2039 proposed to establish municipal cost components for state and county services provided to the unorganized territory that would be paid for by a municipality. The municipal cost components constitute the property tax for the unorganized territory.

**Committee Amendment “A” (H-952)** proposed statutory changes to apply growth limitations to spending and taxes under the municipal cost component that parallel state and local limitations and to direct the Commission to Study the Cost of Providing Certain Services in the Unorganized Territories to review the new growth limitations and make recommendations for retaining, amending or repealing those limitations to the joint standing committee

## *Joint Standing Committee on Taxation*

of the Legislature having jurisdiction over taxation matters as part of its reporting responsibilities under Resolve 2005, chapter 125.

**Senate Amendment “A” to Committee Amendment “A” (S-630)** proposed to allow a governmental body to exceed or increase the county growth limitation only if a majority of the members of the county budget committee or county advisory committee and the county commissioners agree to that action. The amendment also proposed to require the Commission To Study the Cost of Providing Certain Services in the Unorganized Territories to develop a new budget funding mechanism for the office of the fiscal administrator of the unorganized territory that promotes budget transparency and provides better fiscal accountability.

### ***Enacted law summary***

Public Law 2005, chapter 624 establishes municipal cost components for state and county services provided to the unorganized territory that would be paid for by a municipality. The municipal cost components constitute the property tax for the unorganized territory.

Chapter 624 also includes statutory changes to apply growth limitations to spending and taxes under the municipal cost component that parallel state and local limitations and directs the Commission to Study the Cost of Providing Certain Services in the Unorganized Territories to review the new growth limitations and make recommendations for retaining, amending or repealing those limitations to the joint standing committee of the Legislature having jurisdiction over taxation matters as part of its reporting responsibilities under Resolve 2005, chapter 125. The commission is also directed to develop a new budget funding mechanism for the office of the fiscal administrator of the unorganized territory that promotes budget transparency and provides better fiscal accountability.

Public Law 2005, chapter 624 was enacted as an emergency measure effective May 4, 2006.

**LD 2048**

**An Act To Strengthen Maine's Craft Brewers**

**DIED ON  
ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
EDMONDS RICHARDSON J	OTP-AM    MAJ ONTP      MIN	S-588

LD 2048 proposed to provide the following tax incentives to malt liquor brewers:

The bill proposed a tax credit against the excise taxes imposed on malt liquor manufactured and sold in Maine by a brewer equal to 17.5¢ per gallon of malt liquor manufactured in Maine and exported from the State. The credit would be limited to 50% of the amount of excise taxes due. The percentage of malt liquor that is eligible for the credit is 90% of the amount produced and exported in the first year and is reduced by 10% each year. If a brewer increases its production and export of malt liquor by 10% in a year, an additional credit would be allowed for the excess.

The bill proposed to provide a nonrefundable credit against income taxes paid by a Maine brewer equal to 50% of the payroll taxes withheld by that brewer for each employee employed in the State for the manufacture of malt liquor above the number of employees employed by the brewer in the State for the manufacture of malt liquor in 2005, or the first year of business of the brewer, whichever is later.

## *Joint Standing Committee on Taxation*

Both the excise tax credit and the income tax credit would expire on December 31, 2016.

**Committee Amendment “A” (S-588)** proposed to make changes to the provisions of the bill relating to the malt liquor excise tax credit to apply the credit based on the fiscal year rather than on the year of production. The amendment also proposed to replace the income tax credit with an expansion of the employment tax increment financing program to provide an enhanced reimbursement for qualified brewers who add qualified employees. The amendment proposed that the excise tax credit and enhanced employment tax increment financing reimbursement be repealed March 1, 2010 unless the Commissioner of Economic and Community Development certifies that the number of new employees of qualified brewers for which reimbursement was made in 2009 has increased at least 10% over total 2006 employment.

This bill and its adopted amendment were placed on the Special Appropriations Table and died on adjournment of the Second Regular Session.

<b>LD 2052</b>	<b>RESOLUTION, Proposing an Amendment to the Constitution of Maine To Create a Property Tax Exemption for Property Owners with Limited Personal Property Assessments</b>	<b>INDEF PP</b>
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<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WOODBURY COURTNEY	OTP-AM    MAJ ONTP      MIN	H-877

LD 2052 proposed an amendment to the Constitution of Maine to provide a property tax exemption for personal property of a person who owns otherwise taxable personal property with a just value of no more than \$20,000.

See also LDs 1739, and 2053.

<b>LD 2053</b>	<b>An Act To Simplify and Relieve Personal Property Taxes for Small Businesses</b>	<b>ONTP</b>
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<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WEBSTER	ONTP	

LD 2053 proposed property tax exemptions for certain personal property owned by small businesses. A person with up to \$20,000 of business personal property would be entitled to an exemption for that property. A person with up to \$100,000 of personal property that would be eligible for the BETR program would be entitled to a property tax exemption for that property. The bill also proposed to require the State to reimburse municipalities and the unorganized territory for 100% of the property tax revenue loss resulting from the exemptions.

See also LDs 1739 and 2052.



## *Joint Standing Committee on Taxation*

**LD 2056**

**An Act To Replace Municipal Revenues Subject to Business  
Equipment Property Tax Exemption**

**PUBLIC 623**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
BOWLES	OTP-AM    MAJ	H-1078
MARTIN	ONTP      MIN	

LD 2056 proposed to establish a property tax exemption for eligible business equipment that is first subject to property tax assessment on or after April 1, 2008 in the absence of the exemption. The bill proposed to require the State to reimburse municipalities for 50% of the lost property tax revenue associated with the exemption, as is required by the Constitution of Maine.

Property first subject to property tax assessment prior to April 1, 2008 would remain taxable and eligible for the Business Equipment Tax Reimbursement, “BETR,” program for the duration of the 12 years of BETR program entitlement. Property no longer eligible for the BETR program because it has received BETR reimbursement for the full 12 years would become exempt and the State would be required to reimburse municipalities for 100% of the lost property tax revenue associated with this type of property, referred to as “BETR-expired property.” Property that was placed in service on or before April 1, 1995 would remain fully taxable.

The bill also proposed to provide for additional state reimbursements to municipalities in which the taxable value of exempt business equipment, other than BETR-expired property, exceeds 10% of the entire taxable value in the municipality.

The bill also proposed to protect the expectations of municipalities with respect to the sheltering and revenues related to tax increment financing revenues to be used by municipalities on their own qualifying tax increment financing projects.

**Committee Amendment “A” (H-1078)** proposed to remove so-called “BETR-expired” property and certain retail property from eligibility for the new property tax exemption but to leave that property eligible for reimbursement to the taxpayer under the BETR program.

The generally applicable rate of reimbursement to municipalities for revenue losses from the new exemption would be changed to 100% in the first year of the exemption and would be reduced 10% each year until it reaches 50%. Municipalities with more than 5% of their valuation in exempt property could choose alternative reimbursement for property tax losses equal to 50% plus 1/2 of the percentage that business personal property represents of the total taxable value plus the exempt business personal property value in the municipality.

Reimbursement to taxpayers would be provided for property remaining in the BETR program after 12 years at the rate of 75% in the 13th year and decreasing 5% a year until it reaches 50%.

Additional funds would be provided for the Disproportionate Tax Burden Fund (Revenue Sharing II) beginning at \$2,000,000 in fiscal year 2009-10 and increasing \$500,000 each year until funding reaches \$4,000,000.

Reimbursements received by taxpayers under the BETR program for property first subject to assessment on or after April 1, 2008 and for property still qualifying for BETR after the first 12 years of reimbursement would be reduced

## Joint Standing Committee on Taxation

by the amount of taxes reimbursed under a tax increment financing district to avoid a taxpayer's receiving reimbursement for more than 100% of property taxes paid.

See also LDs 1102, 1400, 1557 and 1660.

### *Enacted law summary*

Public Law 2005, chapter 623 establishes a property tax exemption for eligible business equipment that is first subject to property tax assessment on or after April 1, 2008 in the absence of the exemption. Certain property located at a retail sales facility and used for a retail sales activity remains taxable but eligible for reimbursement under the business equipment tax reimbursement (BETR) program. Property currently in the BETR program will remain eligible after 12 years; however, reimbursement for property taxes paid will decline gradually to 50%. Property that was placed in service on or before April 1, 1995 remains fully taxable.

Public Law 2005, chapter 623 requires the State to reimburse municipalities for the lost property tax revenue associated with the exemption, as required by the Constitution of Maine. Reimbursement is for 100% of lost revenue in the first year the exemption is in effect and declines 10% per year until it reaches the constitutional minimum of 50% for the 2013 tax year. Municipalities with more than 5% of their valuation in exempt property may choose alternative reimbursement. Alternative reimbursement is 50% plus 1/2 of the percentage that business personal property represents of the total taxable value plus exempt business personal property value in the municipality.

Additional funds are provided for the Disproportionate Tax Burden Fund beginning at \$2,000,000 in fiscal year 2009-10 and increasing \$500,000 each year until funding reaches \$4,000,000.

Reimbursements received by taxpayers under the BETR program for property first subject to assessment on or after April 1, 2008 and for property still qualifying for BETR after the first 12 years of reimbursement are reduced by the amount of taxes reimbursed under a tax increment financing district to avoid a taxpayer's receiving reimbursement for more than 100% of property taxes paid.

**LD 2073**

**An Act To Bring Maine's Sales and Use Tax Law into Conformity  
with the Streamlined Sales and Use Tax Agreement**

**ONTP**

Sponsor(s)

Committee Report

Amendments Adopted

ONTP

LD 2073 proposed changes to Maine's sales and use tax law in order to bring it into conformity with the Streamlined Sales Tax Agreement, a product of the Streamlined Sales Tax Project, which is an effort of state governments, with input from local governments and the private sector, to simplify and modernize sales and use tax collection and administration.

## *Joint Standing Committee on Taxation*

**LD 2075**

**An Act To Create the Taxpayer Bill of Rights**

**ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
	ONTP      MAJ	
	OTP-AM    MIN	

LD 2075 is a citizen-initiated bill under Article IV, Part 3, section 18 of the Maine Constitution. It proposed to restrain the growth in state and local government by imposing tax and expenditure limitations on state and local government and by requiring a procedure of voter approval of tax and fee increases.

Under LD 2075, growth in annual expenditures of the General Fund, the Highway Fund, quasi-governmental organizations, Other Special Revenue funds and local district governments would be limited according to a formula based on changes in population and inflation. Growth in budgets of school administrative units and state-level educational institutions is limited according to changes in inflation and student enrollment. For the General Fund and Highway Fund budgets, revenues exceeding the expenditure limitation must be distributed by directing 20% of that excess to a budget stabilization fund and 80% of that excess to a tax relief fund. The budget stabilization funds may be used only in years when revenues are not sufficient to fund the level of expenditure permitted by the growth limits. The tax relief funds must be used to provide tax relief. For quasi-governmental agencies and state agencies that manage Other Special Revenue funds, the managers of those funds must report excess surpluses to the Legislature with a plan for refund of those revenues.

Under LD 2075, any increase in revenue would be possible only by a 2/3 vote of each House of the Legislature or the legislative body of a local district or the governing body of a quasi-governmental agency and the approval of the voters of the jurisdiction, if applicable.

**Committee Amendment “A” (H-1106)** proposed to incorporate a fiscal note.

As a citizen-initiated bill, under the terms of the Maine Constitution, LD 2075 will be submitted to the voters for approval at the general election on November 7, 2006.

**LD 2079**

**An Act To Encourage the Preservation of Historic Structures**

**ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GAGNON	ONTP	
MARRACHE		

LD 2079 proposed to provide an additional income tax credit for the rehabilitation of historic properties not to exceed \$100,000 annually per taxpayer for expenditures that meet the requirements in current law for a tax credit for the rehabilitation of historic properties and that are expended for a certified historic structure located in a municipality that is eligible to receive a distribution from the Disproportionate Tax Burden Fund in at least one month during the calendar year that expenditures are made and that has experienced a decline in population as determined by the latest Federal Decennial Census. The bill also provides that a tax credit for the rehabilitation of historic properties is transferable.

See also LD 1775 and Public Law 2005, chapter 519, Part H, the Supplemental Budget Bill, LD 1968, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change

## *Joint Standing Committee on Taxation*

Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2006 and June 30, 2007.

**LD 2084**                      **An Act To Clarify the Taxable Status of Parts Provided under Service Contracts**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u> ROTUNDO CRAVEN	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-551
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LD 2084 proposed a sales tax exemption for parts provided to a nonprofit entity for the repair of equipment pursuant to a service contract.

**Committee Amendment “A” (S-551)** proposed to clarify that the exemption would apply to parts used in performance of a service contract for an organization or government agency if the parts would have been exempt if purchased directly by the organization or government agency.

This bill and its adopted amendment were placed on the Special Appropriations Table and died on adjournment of the Second Regular Session.

**LD 2085**                      **An Act To Clarify the Sales Tax Exemption for Air Ambulance Services**                      **DIED ON ADJOURNMENT**

<u>Sponsor(s)</u>	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-589
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LD 2085 proposed to exempt from sales tax sales made on or after December 1, 2004 to an air ambulance service established as a limited liability company if all of the members of the limited liability company were incorporated nonprofit organizations.

**Committee Amendment “A” (S-589)** proposed to apply the sales tax exemption to nonprofit ambulance services that are not incorporated and to apply the exemption retroactively to sales to an air ambulance service that is organized as a limited liability company if all of the members of the company are incorporated nonprofit organizations.

This bill and its adopted amendment were placed on the Special Appropriations Table and died on the adjournment of the Second Regular Session.

## Joint Standing Committee on Taxation

LD 2093

### An Act To Strengthen the Collection of the Tax on Tobacco Products

PUBLIC 627

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CUMMINGS	OTP-AM MAJ ONTP MIN	H-1009 H-1022 BIERMAN H-1042 WOODBURY

LD 2093 proposed to strengthen the ability of the State to enforce the collection of the tax on tobacco products. The bill also proposed to permit the seizure and forfeiture of contraband tobacco products within the State and to strengthen and clarify the penalties for distributing or selling tobacco products in contravention of the law.

**Committee Amendment “A” (H-1009)** proposed to make a technical correction to clarify that tobacco products in transit by a common carrier or a contract carrier are not subject to seizure.

**House Amendment “B” (H-1022)** proposed to increase the number of cigars that could be imported or transported into this State without a license from 50 to 125 cigars for personal use.

**House Amendment “C” (H-1042)** proposed to change additional references to 50 cigars in 2 places in the bill to conform to the change made by House Amendment “B.”

#### *Enacted law summary*

Public Law 2005, chapter 627 strengthens the ability of the State to enforce the collection of the tax on tobacco products. The bill also permits the seizure and forfeiture of contraband tobacco products within the State. The bill also strengthens and clarifies the penalties for distributing or selling tobacco products in contravention of the law.

LD 2096

### Resolve, To Reduce State Valuation as a Result of the Closure of Georgia-Pacific Facilities

RESOLVE 202  
EMERGENCY

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
SCHNEIDER BLANCHARD	OTP-AM	S-590

LD 2096 proposed to authorize the City of Old Town to request a reduction in its state valuation as a result of a reduction in value of the Georgia-Pacific Corporation facility, and to provide that the payments for general purpose aid for local schools to the city be adjusted to reflect such an adjustment in state valuation.

**Committee Amendment “A” (S-590)** proposed to revise the resolve to describe more accurately the process for adjustment to the City of Old Town's state valuation that is authorized by the resolve and to require that a request for adjustment be filed by October 1, 2006.

## *Joint Standing Committee on Taxation*

### *Enacted law summary*

Resolve 2005, chapter 202 authorizes the City of Old Town to request a reduction in its state valuation as a result of a reduction in value of the Georgia-Pacific Corporation facility notwithstanding statutory filing deadlines, and provides that the payments for general purpose aid for local schools to the city be adjusted to reflect such an adjustment in state valuation.

Resolve 2005, chapter 202 was finally passed as an emergency measure effective April 28, 2006.