

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

An Act To Provide Property Tax and Income Tax Relief

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

PART A

Sec. A-1. 36 MRSA §683, sub-§1, as repealed and replaced by PL 2005, c. 2, Pt. F, §1 and affected by §5, is amended to read:

1. Exemption amount. Except for assessments for special benefits, the just value of ~~\$13,000~~\$50,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed ~~\$13,000~~\$50,000 of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

Sec. A-2. Application. This Part applies to property taxes based on the status of property on or after April 1, 2008.

PART B

Sec. B-1. 36 MRSA §6201, sub-§1, as amended by PL 2005, c. 2, Pt. E, §1 and affected by §§7 and 8, is further amended to read:

1. Benefit base. "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. The benefit base may not exceed ~~\$3,000~~\$2,400 for single-member households and ~~\$4,000~~\$3,400 for households with 2 or more members.

Sec. B-2. 36 MRSA §6207, sub-§1, ¶A-1, as amended by PL 2005, c. 2, Pt. E, §4 and affected by §§7 and 8, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed ~~8%~~6% of income plus 100% of that portion of the benefit base that exceeds ~~8%~~6% of income to a maximum payment of ~~\$2,000~~\$2,500.

Sec. B-3. Application. This Part applies to applications for benefits made on or after August 1, 2008.

PART C

Sec. C-1. 36 MRSA §5219-S, as amended by PL 2003, c. 20, Pt. GG, §1, is further amended to read:

§ 5219-S. Earned income credit

A taxpayer is allowed a refundable credit against the taxes otherwise due under this Part equal to ~~5%~~25% of the federal earned income credit for the same taxable year, ~~except that for tax years beginning in 2003, 2004 and 2005, the applicable percentage is 4.92% instead of 5%. The credit may not reduce the state income tax to less than zero.~~

36 §05219-S

Credit for consumption of wood processing residue

(REALLOCATED TO TITLE 36, SECTION 5219-T)

Sec. C-2. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART D

Sec. D-1. 36 MRSA §5126, first ¶, as amended by PL 2001, c. 583, §16, is further amended to read:

~~For income tax years beginning on or after January 1, 1998 but before January 1, 1999, a resident individual is allowed \$2,400 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2000 but before January 1, 2007, a resident individual is allowed \$2,850 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For tax years beginning on or after January 1, 2007, a resident individual is allowed the same amount allowed under Section 151 of the Code for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return.~~

Sec. D-2. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART E

Sec. E-1. 36 MRSA §5219-N, sub-§1, as amended by PL 2003, c. 390, §48, is further amended to read:

1. Generally. Except as provided in subsection 2, an individual whose Maine taxable income determined as if the individual were a resident individual for the entire year is ~~\$2,000~~\$10,000 or less is allowed a credit equal to the tax otherwise imposed on that individual by this Part. In no case may this credit reduce the Maine income tax to less than zero.

Sec. E-2. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART F

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

1-B. Single individuals and married persons filing separate returns; tax years beginning 2002 to 2007. For tax years beginning ~~on or after January 1, in~~ 2002 to 2007, for single individuals and married persons filing separate returns:

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

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

1-C. Single individuals and married persons filing separate returns; tax years beginning after 2007. For tax years beginning on or after January 1, 2008, for single individuals and married persons filing separate returns:

If Maine <u>taxable</u> income is:	The tax is:
Less than <u>\$5,000</u>	<u>1% of the Maine taxable income</u>
At least <u>\$5,000</u> but less than <u>\$10,000</u>	<u>\$50 plus 2% of the excess over \$5,000</u>
At least <u>\$10,000</u> but less than <u>\$22,500</u>	<u>\$150 plus 5% of the excess over \$10,000</u>
<u>\$22,500</u> or more	<u>\$775 plus 6.99% of the excess over \$22,500</u>

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

2-B. Heads of households; tax years beginning 2002 to 2007. For tax years beginning ~~on or after January 1, in~~ 2002 to 2007, for unmarried individuals or legally separated individuals who qualify as heads of households:

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

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

2-C. Heads of households; tax years beginning after 2007. For tax years beginning on or after January 1, 2008, for unmarried individuals or legally separated individuals who qualify as heads of households:

If Maine taxable income is:	The tax is:
Less than \$7,500	1% of the Maine taxable income
At least \$7,500 but less than \$15,000	\$75 plus 2% of the excess over \$7,500
At least \$15,000 but less than \$37,500	\$225 plus 5% of the excess over \$15,000
\$37,500 or more	\$1,350 plus 6.99% of the excess over \$37,500

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

3-B. Individuals filing married joint return or surviving spouses; tax years beginning 2002 to 2007. For tax years beginning ~~on or after January 1, in~~ 2002 to 2007, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

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

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

3-C. Individuals filing married joint return or surviving spouses; tax years beginning after 2007. For tax years beginning on or after January 1, 2008, for individuals filing married joint returns or surviving spouses:

<u>If Maine taxable income is:</u>	<u>The tax is:</u>
<u>Less than \$10,000</u>	<u>1% of the Maine taxable income</u>
<u>At least \$10,000 but less than \$20,000</u>	<u>\$100 plus 2% of the excess over \$10,000</u>
<u>At least \$20,000 but less than \$45,000</u>	<u>\$300 plus 5% of the excess over \$20,000</u>
<u>\$45,000 or more</u>	<u>\$1,550 plus 6.99% of the excess over \$45,000</u>

Sec. F-7. 36 MRSA §5403, as repealed and replaced by PL 1999, c. 731, Pt. T, §10 and affected by §11, is amended to read:

§ 5403. Annual adjustments for inflation

Beginning in ~~2002~~2008, and each subsequent calendar year thereafter, on or about September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for taxable years beginning in the succeeding calendar year by the dollar amounts of the tax rate tables specified in section 5111, subsections ~~1-B1-C, 2-B2-C~~ and ~~3-B3-C~~. If the dollar amounts of each rate bracket, adjusted by application of the cost-of-living adjustment, are not multiples of \$50, any increase must be rounded to the next lowest multiple of \$50. If the cost-of-living adjustment for any taxable year is 1.000 or less, no adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate tables. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.

Sec. F-8. Application. The section in this Part that amends the Maine Revised Statutes, Title 36, section 5403 applies to tax years beginning on or after January 1, 2008.

PART G

Sec. G-1. 36 MRSA §5122, sub-§2, ¶L, as amended by PL 2003, c. 705, §11 and affected by §14, is further amended to read:

L. For income tax years beginning on or after January 1, 2000 and before January 1, 2004, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to former section 5125. For income tax years beginning on or after January 1, 2004, an amount equal to the total premiums spent for qualified long-term care insurance contracts as defined in the Code, Section 7702B(b), as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(l) and by the long-term care premiums claimed as an itemized deduction pursuant to former section 5125;

Sec. G-2. 36 MRSA §5122, sub-§2, ¶T, as amended by PL 2005, c. 519, Pt. LLL, §1 and c. 622, §26, is further amended to read:

T. For income tax years beginning on or after January 1, 2002 and before January 1, 2004, an amount equal to the total premiums spent for long-term care insurance policies certified under Title 24-A, section 5075-A as long as the amount subtracted is reduced by the long-term care premiums claimed as an itemized deduction pursuant to former section 5125.

For income tax years beginning on or after January 1, 2004, an amount equal to the total premiums spent for qualified long-term care insurance contracts certified under Title 24-A, section 5075-A, as long as the amount subtracted is reduced by any amount claimed as a deduction for federal income tax purposes in accordance with the Code, Section 162(l) and by the long-term care premiums claimed as an itemized deduction pursuant to former section 5125;

Sec. G-3. 36 MRSA §5124-A, as amended by PL 2005, c. 12, Pt. P, §5, is repealed.

Sec. G-4. 36 MRSA §5125, as amended by PL 2005, c. 12, Pt. P, §6 and affected by §10, is repealed.

Sec. G-5. 36 MRSA §5203-C, sub-§1, ¶G, as enacted by PL 2003, c. 673, Pt. JJ, §3 and affected by §6, is amended to read:

G. "Tentative alternative minimum taxable income" means federal alternative minimum taxable income:

(1) Reduced by income that states are prohibited under federal law from subjecting to income tax to the extent included in federal alternative minimum taxable income;

(2) Reduced by income, loss or deductions by which the State decreases federal adjusted gross income in the case of individuals or federal taxable income in the case of corporations, estates and trusts under section 5122, ~~section 5125, subsection 3~~ or section 5164, 5176 or 5200-A or as otherwise indicated by law to the extent included in federal alternative minimum taxable income; and

(3) Increased by income, loss or deductions by which the State increases federal adjusted gross income in the case of individuals or federal taxable income in the case of corporations, estates and trusts under section 5122, ~~section 5125, subsection 3~~ or section 5164, 5176 or 5200-A or as otherwise indicated by law to the extent not included in federal alternative minimum taxable income.

Sec. G-6. 36 MRSA §5216-C, sub-§1, as enacted by PL 1999, c. 475, §6 and affected by §7, is amended to read:

1. Credit allowed. A taxpayer who contributes to a family development account reserve fund as defined in Title 10, section 1075 is allowed a credit against the tax imposed by this Part equal to the lower of:

- A. Twenty-five thousand dollars; or
- B. Fifty percent of the amount contributed by the taxpayer.

Only one credit may be claimed on each annual income tax return regardless of filing status. The credit allowed under this section may not reduce the tax to less than 0 and must be applied after allowance for all other eligible credits. ~~A taxpayer who claims a credit under this section may not claim an itemized charitable deduction under section 5125 for the amount of the contribution that qualified for the credit.~~

Sec. G-7. 36 MRSA §5275, sub-§2, as amended by PL 1979, c. 378, §44, is repealed.

Sec. G-8. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART H

Sec. H-1. 28-A MRSA §1652, sub-§1, as repealed and replaced by PL 1987, c. 342, §116, is amended to read:

1. Excise tax on malt liquor. An excise tax is imposed on the privilege of manufacturing and selling malt liquor in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~25¢~~50¢ per gallon on all malt liquor sold in the State.

Sec. H-2. 28-A MRSA §1652, sub-§2, as amended by PL 1997, c. 767, §4, is further amended to read:

2. Excise tax on wine; hard cider. An excise tax is imposed on the privilege of manufacturing and selling wine in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~30¢~~45¢ per gallon on all wine other than sparkling wine manufactured in or imported into the State, \$1 per gallon on all sparkling wine manufactured in or imported into the State and 25¢ per gallon on all hard cider manufactured in or imported into the State.

Sec. H-3. Effective date. This Part takes effect July 1, 2008.

PART I

Sec. I-1. 36 MRSA §5200, sub-§1, as amended by PL 2005, c. 618, §6 and affected by §22, is further amended to read:

1. Imposition and rate of tax. A tax at the rate of 8.93% of income is imposed for each taxable year ~~at the following rates~~ on each taxable corporation and on each group of corporations that derives income from a unitary business carried on by 2 or more members of an affiliated group~~;~~.

If the income is:	The tax is:
Not over \$25,000	3.5% of the income
\$25,000 but not over \$75,000	\$875 plus 7.93% of the excess over \$25,000
\$75,000 but not over \$250,000	\$4,840 plus 8.33% of the excess over \$75,000
\$250,000 or more	\$19,418 plus 8.93% of the excess over \$250,000

~~In the case of an affiliated group of corporations engaged in a unitary business with activity taxable only by Maine, the rates provided in this subsection are applied only to the first \$250,000 of the Maine net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the Maine net income of the entire group is taxed at 8.93%.~~

~~In the case of an affiliated group of corporations engaged in a unitary business with activity taxable both within and without this State, the rates provided in this subsection are applied only to the first \$250,000 of the net income of the entire group and must be apportioned equally among the taxable corporations unless those taxable corporations jointly elect a different apportionment. The balance of the net income of the entire group is taxed at 8.93%.~~

Sec. I-2. Application. This Part applies to tax years beginning on or after January 1, 2008.

PART J

Sec. J-1. 36 MRSA §1811, first ¶, as amended by PL 2001, c. 439, Pt. TTTT, §2 and affected by §3, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is ~~7%~~9% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; ~~7%~~9% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of rental for a period of less than one year of an automobile; ~~7%~~9% on the value of prepared food; and 5% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided.

Sec. J-2. Effective date. This Part takes effect July 1, 2008.

PART K

Sec. K-1. 30-A MRSA §5681, sub-§5, as amended by PL 2005, c. 12, Pt. E, §1, is further amended to read:

5. Transfers to funds. On the last day of each month, the Treasurer of State shall transfer to the Local Government Fund a percentage, as provided in this subsection, of the receipts from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A to F and L to P, and credited to the General Fund without any reduction, except that the postage, state cost allocation program and programming costs of administering state-municipal revenue sharing may be paid by the Local Government Fund. Any amounts transferred to the Local Government Fund in excess of the annual growth ceiling must be transferred to the Disproportionate Tax Burden Fund. The percentage transferred to the Local Government Fund on the last day of each month is:

- A. For months beginning before July 1, 2007, 5.1%; and
- B. For months beginning on or after July 1, 2007, 5.2%.

Sec. K-2. 36 MRSA §1752, sub-§3-B, as amended by PL 1999, c. 698, §1 and affected by §3, is further amended to read:

3-B. Grocery staples. "Grocery staples" means food products ordinarily consumed for human nourishment.

"Grocery staples" does not include spirituous, malt or vinous liquors; soft drinks, iced tea, sodas or beverages such as are ordinarily dispensed at bars or soda fountains or in connection with bars or soda fountains; medicines, tonics, vitamins and preparations in liquid, powdered, granular, tablet, capsule, lozenge or pill form, sold as dietary supplements or adjuncts, except when sold on the prescription of a physician; water, including mineral bottled and carbonated waters and ice; dietary substitutes; candy and confections; snack food; and prepared food.

Sec. K-3. 36 MRSA §1752, sub-§11, ¶A, as amended by PL 2005, c. 218, §14, is further amended to read:

A. "Retail sale" includes:

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

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

Sec. K-4. 36 MRSA §1752, sub-§14-F is enacted to read:

14-F. Snack food. "Snack food" means any item that is ordinarily sold for consumption without further preparation or that requires no preparation other than combining the item with a liquid; that may be stored unopened without refrigeration, except that ice cream, ice milk, frozen yogurt and

sherbert are snack foods; and that is not generally considered a major component of a well-balanced meal. "Snack food" includes, but is not limited to, corn chips, potato chips, processed fruit snacks, fruit rolls, fruit bars, popped popcorn, pork rinds, pretzels, cheese sticks, cheese puffs, granola bars, breakfast bars, bread sticks, roasted nuts, doughnuts, cookies, crackers, pastries, toaster pastries, croissants, cakes, pies, ice cream cones, marshmallows, marshmallow creme, soft drinks, ice cream sauces, ready-to-eat puddings, beef jerky, meat bars and dips.

Sec. K-5. 36 MRSA §1760, sub-§14 is repealed.

Sec. K-6. 36 MRSA §1760, sub-§16, ¶H, as enacted by PL 2005, c. 622, §6, is repealed.

Sec. K-7. 36 MRSA §1760, sub-§16, ¶I, as enacted by PL 2005, c. 622, §6, is repealed.

Sec. K-8. 36 MRSA §1760, sub-§16, ¶K, as enacted by PL 2005, c. 622, §6, is amended to read:

K. Schools that are not operated by a governmental body; and

Sec. K-9. 36 MRSA §1760, sub-§16, ¶L, as enacted by PL 2005, c. 622, §6, is amended to read:

L. Incorporated nonprofit organizations or their affiliates whose purpose is to provide literacy assistance or free clinical assistance to children with dyslexia;.

Sec. K-10. 36 MRSA §1760, sub-§16, ¶M, as enacted by PL 2005, c. 622, §6, is repealed.

Sec. K-11. 36 MRSA §1760, sub-§17 is repealed.

Sec. K-12. 36 MRSA §1760, sub-§24 is repealed.

Sec. K-13. 36 MRSA §1760, sub-§34, as amended by PL 2005, c. 218, §23, is repealed.

Sec. K-14. 36 MRSA §1760, sub-§43, as amended by PL 1983, c. 828, §6, is repealed.

Sec. K-15. 36 MRSA §1760, sub-§49, as amended by PL 2005, c. 622, §7, is repealed.

Sec. K-16. 36 MRSA §1760, sub-§64, as amended by PL 2003, c. 588, §10, is repealed.

Sec. K-17. 36 MRSA §1760, sub-§65, as amended by PL 1993, c. 670, §6, is repealed.

Sec. K-18. 36 MRSA §1760, sub-§71, as enacted by PL 1989, c. 533, §8, is repealed.

Sec. K-19. 36 MRSA §1760, sub-§75, as enacted by PL 1989, c. 871, §15, is repealed.

Sec. K-20. 36 MRSA §1760, sub-§76, as amended by PL 2003, c. 588, §11, is repealed.

Sec. K-21. 36 MRSA §2551, sub-§1-C is enacted to read:

1-C. Amusement and recreation services. "Amusement and recreation services" means theater and opera performances, movies, pari-mutuel racing net receipts, spectator sporting events, commercial participant amusements and all other recreation services.

Sec. K-22. 36 MRSA §2551, sub-§1-D is enacted to read:

1-D. Business and legal services. "Business and legal services" includes tax preparation services; legal services; business support services; business investigation and security services; warehousing and storage services; business-related dry cleaning and laundry services and other personal business services; and repair and maintenance of electronic equipment and commercial machinery.

Sec. K-23. 36 MRSA §2551, sub-§7-C is enacted to read:

7-C. Personal appearance services. "Personal appearance services" includes services provided by barber shops, beauty parlors and health clubs; personal care services; and cleaning, storage and repair of clothing and shoes.

Sec. K-24. 36 MRSA §2551, sub-§12-A is enacted to read:

12-A. Real and personal property services. "Real and personal property services" includes domestic services to buildings and dwellings; warehouse and storage services; insurance services; real estate services; home investigation and security services; specialized design services; household and electrical repairs and maintenance; repair and maintenance of household appliances and other goods; motor vehicle washing and repair; and other services to buildings and dwellings and related personal property.

Sec. K-25. 36 MRSA §2551, sub-§18-A is enacted to read:

18-A. Social and organization services. "Social and organization services" includes consumer purchases of professional association memberships, club and fraternal organization memberships, domestic services, other household operations services and religious and welfare activities, including donations to such organizations.

Sec. K-26. 36 MRSA §2551, sub-§20-A is enacted to read:

20-A. Transportation services. "Transportation services" includes airplane, bus, railroad, truck, watercraft, taxi, limousine, toll road, pipeline, postal, courier and messenger services provided by a nongovernmental entity.

Sec. K-27. 36 MRSA §2552, sub-§1, as amended by PL 2005, c. 386, Pt. S, §§4 to 6 and affected by §9, is further amended to read:

1. Rate. A tax at the rate of 5% is imposed on the value of the following services sold in this State:

- A. Extended cable and satellite television services;
- B. Fabrication services;
- C. Rental of video media and video equipment;
- D. Rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105;
- E. Telecommunications services;

- F. The installation, maintenance or repair of telecommunications equipment;
- G. Private nonmedical institution services;
- H. Community support services;
- I. Day habilitation services;
- J. Personal support services; and
- K. Residential training services;
- L. Personal appearance services;
- M. Real and personal property services;
- N. Business and legal services purchased by a person other than a business;
- O. Amusement and recreation services;
- P. Social and organization services purchased by a person other than a business; and
- Q. Transportation services.

Sec. K-28. 36 MRSA §2557, sub-§3, ¶H, as enacted by PL 2005, c. 622, §10, is repealed.

Sec. K-29. 36 MRSA §2557, sub-§3, ¶I, as enacted by PL 2005, c. 622, §10, is repealed.

Sec. K-30. 36 MRSA §2557, sub-§3, ¶K, as enacted by PL 2005, c. 622, §10, is amended to read:

- K. Schools that are not operated by a governmental body; and

Sec. K-31. 36 MRSA §2557, sub-§3, ¶L, as enacted by PL 2005, c. 622, §10, is amended to read:

- L. Incorporated nonprofit organizations or their affiliates whose purpose is to provide literacy assistance or free clinical assistance to children with dyslexia; ~~and~~

Sec. K-32. 36 MRSA §2557, sub-§3, ¶M, as enacted by PL 2005, c. 622, §10, is repealed.

Sec. K-33. 36 MRSA §2557, sub-§9, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. K-34. 36 MRSA §2557, sub-§13, as amended by PL 2005, c. 622, §11, is repealed.

Sec. K-35. 36 MRSA §2557, sub-§26, as enacted by PL 2003, c. 673, Pt. V, §25 and affected by §29, is repealed.

Sec. K-36. 36 MRSA §2559, as amended by PL 2005, c. 386, Pt. S, §7 and affected by §9, is further amended to read:

§ 2559. Application of revenues

Revenues derived by the tax imposed by this chapter must be credited to a General Fund suspense account. On or before the last day of each month, the State Controller shall transfer a percentage of the revenues received by the State Tax Assessor during the preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A to F and L to P to the Local Government Fund as provided by Title 30-A, section 5681, subsection 5. The balance remaining in the General Fund suspense account must be transferred to service provider tax General Fund revenue. On or before the 15th day of each month, the State Controller shall transfer all revenues received by the assessor during the preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs G to K to the Medical Care Services Other Special Revenue Funds account, the Other Special Revenue Funds Mental Health Services - Community Medicaid program, the Medicaid Services - Mental Retardation program and the Office of Substance Abuse - Medicaid Seed program within the Department of Health and Human Services.

Sec. K-37. Effective date. This Part takes effect July 1, 2008.

SUMMARY

This bill provides a framework for property tax relief and income tax relief discussions in the following ways.

Part A increases the homestead property tax exemption from \$13,000 to \$50,000.

Part B increases benefits by reducing the threshold for 100% reimbursement of property taxes from 8% of income to 6% of income. It also changes the maximum property taxes that may be considered in the formula from \$3,000 to \$2,400 for single-member households and from \$4,000 to \$3,400 for households with 2 or more members, having the effect of reducing the income eligibility threshold to \$60,000 for single-member households and \$85,000 for households with 2 or more members.

Part C increases the earned income tax credit from 5% of the federal credit to 25% and makes it refundable.

Part D provides that the personal exemption under the income tax will be the same as the federal personal exemption, increasing the amount from \$2,850 to \$3,400 for tax years beginning in 2007.

Part E increases the low-income tax credit threshold from \$2,000 of taxable income to \$10,000 of taxable income.

Part F reduces personal income tax rates and adjusts brackets.

Part G eliminates the income tax incorporation of the standard deduction or itemized deductions claimed on a federal income tax return.

Part H increases the excise tax on beer from 25¢ per gallon to 50¢ per gallon and on wine from 30¢ per gallon to 45¢ per gallon.

Part I changes the rate of tax on all taxable income for corporations to 8.93%.

Part J increases the sales tax on meals and lodging from 7% to 9%.

Part K repeals various sales tax exemptions and broadens the sales tax and service provider tax to cover certain services not currently taxed. It also reinstitutes the sales tax on nonstaple foods.