

May 16, 2013

**Joint Standing Committee on Taxation
Budget Work Session –**

1. Finalize Recommendation on Part O - sudden and severe disruption in municipal valuation
 - a. New "Part O" in Governor's Change Package
 - b. Maine Municipal Association Alternative

2. Review Conformity Items
 - a. LD 989 "An Act To Conform the Maine Tax Laws for 2012 to the United States Internal Revenue Code"
 - b. GGGGG – Governor's Change Package

3. Review Other Items in Governor's Change Package

4. Discussion of Other Items for Possible Budget Recommendations

in the municipality plus the value of exempt business equipment. For purposes of this paragraph, the taxable value of exempt business equipment is the value that would have been assessed on that equipment if it were taxable. In order to obtain the reimbursement under this paragraph, the municipality must provide to the State Tax Assessor an appraisal of the exempt business equipment of all taxpayers whose equalized municipal valuation makes up at least 2% of the overall equalized valuation of the municipality. In determining the value of the property the appraiser must consider the cost, income capitalization and sales comparison approaches to the valuation of property. The appraisal must determine a value for the property within the five years prior to the date of the claim and must be prepared by a professional appraiser approved for that purpose by the State Tax Assessor. This appraisal must be the basis on which the property is assessed for municipal property tax purposes.

Revised

Sec. O-3. 36 MRSA §208-A, sub-§2 as repealed and replaced by PL 2007, c. 322, §2, is amended to read:

2. Sudden and severe disruption. A municipality experiences a sudden and severe disruption in its municipal valuation if:

A. The municipality experiences ~~an equalized~~ a net reduction in equalized municipal valuation of at least 2% from the equalized municipal valuation that would apply without adjustment under this section;

B. The ~~equalized~~ net reduction in equalized municipal valuation is attributable to:

(1) ~~the closure~~ cessation of business operations, removal, replacement, retrofit, obsolescence functional or economic obsolescence not due to short-term market volatility, or destruction of or damage to property resulting from disaster, disaster or abatement attributable to a single taxpayer that occurred in the prior tax year; and or

(2) the qualification for exemption under Chapter 105, Subchapter 4-C of business equipment that had qualified for reimbursement under Chapter 915 as of April 1, 2013 and

C. The municipality's equalized tax rate of residential property exceeds the state average.

For purposes of this subsection, "removal" does not include property that was present in the municipality for less than 24 months. This subsection does not apply to property acquired by a municipality that otherwise could have been the basis for relief pursuant to this section.

Sec. O-4. 36 MRSA §208-A, sub-§3 as repealed and replaced by PL 2007, c. 322, §2, is repealed and the following enacted in its place:

3. Procedure. A municipality may request an adjustment under this section by filing a

petition with the State Tax Assessor in accordance with this subsection.

A. On forms prescribed by the State Tax Assessor, the municipality shall identify a net reduction in equalized municipal valuation of at least 2% of the municipality's equalized value, the property of a single taxpayer, the date of the loss, and the cause of the loss. The municipality must include an appraisal report prepared by a qualified professional appraiser with respect to the property responsible for the loss that shows the value of the property immediately prior to the loss and the value of the property following the loss. The appraisal report must include a summary of the appraiser's consideration of the cost, income capitalization and sales comparison approaches to the value of the property. The municipality is required to provide any other documentation to support its claim as determined by the State Tax Assessor, including, if requested, all records associated with the municipality's assessment of the property subject to the requested adjustment for the three year period prior to the date of the reduction in valuation.

For purposes of this section, a qualified professional appraiser is an individual who is a certified general real property appraiser licensed under 32 MRSA chapter 124, or a Certified Maine Assessor certified under 36 MRSA section 310; has at least five years' experience determining the just value of real and personal property of the commercial and industrial type using the three standard methods of valuation; and attests in writing to the State Tax Assessor that the individual has a current working knowledge of the application of the three standard methods of valuation to real and personal property of the commercial and industrial type.

B. The State Tax Assessor shall examine the documentation provided by the municipality and determine whether the municipality qualifies for an adjustment under this section.

C. If the State Tax Assessor determines that a municipality qualifies for an adjustment under this section, the State Tax Assessor shall calculate the amount of the adjustment for the municipality by determining the amount by which the state valuation determined under section 208 would be reduced as a result of the net sudden and severe disruption of equalized municipal valuation for the state valuations to be used in the next fiscal year by the Commissioner of Education and the Treasurer of State. The State Tax Assessor shall adjust subsequent state valuations until such time as the state valuation recognizes the loss. The State Tax Assessor may limit the time period or amount of adjustment to reflect the circumstances of the sudden and severe loss of valuation.

Sec. O-5. 36 MRSA §208-A, sub-§5 as repealed and replaced by PL 2007, c. 322, §2, is amended to read:

4. Notifications.

A. After review of the claim, the State Tax Assessor shall approve or deny, in whole or in part, the adjustment requested. Notwithstanding 36 MRSA §151, the State Tax Assessor's written determination constitutes final agency action that is subject to review by the Superior Court in accordance with the Maine Administrative Procedure Act, except that Title 5, section 11006 does not apply.

B. Within 30 days of providing the municipality a written determination denying, in whole or in part, a claim for adjustment, the State Tax Assessor shall provide a copy of the denial letter to the clerk of the joint standing committee of the Legislature having jurisdiction over taxation matters.

C. The State Tax Assessor shall notify the Commissioner of Education and the Treasurer of State of any adjustment to state valuation determined under this section and the time period to which the adjustment applies.

Sec. O-6. 36 MRSA §694, sub-§2, ¶ B, as amended by P.L. 2007, c.627, section 25, is further amended to read:

B. In the case of a municipality that chooses reimbursement under this paragraph in which the personal property factor exceeds 5%, the applicable percentage for exempt business equipment is 50% plus an amount equal to 1/2 of the personal property factor. For purposes of this paragraph, "personal property factor" means the percentage derived from a fraction, the numerator of which is the value of business personal property in the municipality, whether taxable or exempt, and the denominator of which is the value of all taxable property in the municipality plus the value of exempt business equipment. For purposes of this paragraph, the taxable value of exempt business equipment is the value that would have been assessed on that equipment if it were taxable. In order to obtain the reimbursement under this paragraph on or after April 1, 2014, the municipality must provide to the State Tax Assessor a report providing an appraisal of the exempt business equipment of all taxpayers whose equalized municipal valuation makes up at least 2% of the overall equalized valuation of the municipality. The appraisal report must include a summary of the appraiser's consideration of the cost, income capitalization and sales comparison approaches to the valuation of property. The appraisal must determine a value for the property within the five years prior to the date of the claim and must be prepared by a qualified professional appraiser within the meaning of 36 MRSA section 208-A. This appraisal must be the basis on which the property is assessed for municipal property tax purposes.

Amend Part O of LD 1509 to renumber the sections sequentially.

SUMMARY

PART O

1. This amendment adds back “obsolescence” as a qualifying cause of sudden and severe disruption in municipal valuation, but limited and clarified as “functional or economic obsolescence not due to short term market volatility.”
2. This amendment adds as an additional qualifying cause of sudden and severe disruption in municipal valuation the loss of value between April 1, 2013 and April 1, 2014 that is attributable to the exemption of business equipment under BETE that as of April 1, 2013 had been taxable property that qualified for reimbursement under Chapter 915.
3. This Part requires an application for a “sudden and severe” adjustment to include an assessment of property valuation by a “professional appraiser”. This amendment clarifies what information must be included in the appraisal report, and specifies that the report must be prepared by a qualified professional appraiser meeting the specified requirements. This amendment also expressly allows the State Tax Assessor to ask for and obtain the previous three years’ worth of assessing records with respect to the property subject to the sudden and severe adjustment request to further verify the adequacy of the application.
4. This amendment provides that any denial of a claim for adjustment is final agency action subject to review in Superior Court, and that the State Tax Assessor shall provide a copy of the denial letter to the clerk of the joint standing committee of the Legislature having jurisdiction over taxation matters a copy of the denial letter.
5. This Part requires all municipalities that receives the so-called “enhanced BETE” reimbursement rate because of their disproportionate reliance on personal property in their tax base to provide a “professional appraisal report” that provides an appraisal of the exempt business equipment of all taxpayers whose equalized municipal valuation makes up at least 2% of the overall equalized valuation of the municipality. This version clarifies what information must be included in the appraisal report, and specifies that the report must be prepared by a qualified professional appraiser meeting the specified requirements. This amendment implements the new requirements on and after April 1, 2014 in order to allow the affected municipalities to engage the necessary professional and otherwise prepare their assessment to meet the mandates.

To: Taxation Committee
Appropriations Committee

Fr: Geoff Herman, Maine Municipal Association

Re: LD 1509 Change Package, Revised version of Part O

Date: May 16, 2013

MMA appreciates the work that has been done on Part O in the budget, dealing with the “sudden and severe” valuation adjustment system and the “enhanced BETE” reimbursement system. From the municipal perspective, significant improvements have been made to the proposals in the original budget bill, and those improvements are reflected in the change package.

The two principal municipal concerns were:

1. The original proposal required the municipal applicants for sudden and severe adjustments and “enhanced” BETE reimbursement to obtain third party “professional appraisals” to substantiate the municipal application, which in many cases would cost more to the municipality than the benefits provided. The revised language allows municipal assessors meeting certain qualification standards to make those municipal applications; and
2. The original proposal excluded “obsolescence” as a factor contributing to the sudden loss of an industry’s property value that could be used to justify a “sudden and severe” adjustment. The factor of obsolescence has been brought back into the list of possible factors to justify a sudden and severe adjustment, although in a somewhat qualified way (“functional or economic not due to short-term market volatility”). Because obsolescence clearly plays a significant role in pushing down the value of large scale industrial and commercial property, we appreciate the restoration of that eligibility factor as provided in the change package.

MMA has only one final concern with the wording of the Part O in the change package. As currently worded, in order for functional or economic obsolescence to be considered a

legitimate factor in the determination of suddenly lost value, the obsolescence must have occurred "in the prior tax year".

Simply put, this is an unreasonable standard. "In the prior tax year" may not be an unreasonable standard with respect to the other potential reasons for a sudden and severe adjustment (cessation of operation, removal of property, destruction or damage to property), but the originating causes and contributing factors driving either functional or economic obsolescence can clearly take more than a single tax year to become recognizable and quantifiable.

The change package version of Part O requires functional and economic obsolescence to be considered a justifiable reason for a sudden loss in the value of industrial property only if:

- (1) the obsolescence is not due to short-term market volatility; and
- (2) the obsolescence "occurred" in the prior tax year.

This is another way of saying that obsolescence is not a factor that can be considered in the eligibility for a sudden and severe adjustment.

Attached to this memo is alternative wording for this section of Part O. In this alternative wording, we have tried to preserve the interest of the Administration in ensuring maximum accountability in the administration of sudden and severe adjustments for reasons of functional or economic obsolescence.

Current language in change package:

2. Sudden and severe disruption. A municipality experiences a sudden and severe disruption in its municipal valuation if:

- A. The municipality experiences ~~an equalized~~ a net reduction in equalized municipal valuation of at least 2% from the equalized municipal valuation that would apply without adjustment under this section;
- B. The ~~equalized~~-net reduction in equalized municipal valuation is attributable to:

~~The closure cessation of business operations, removal, replacement, retrofit, obsolescence functional or economic obsolescence not due to short-term market volatility, or destruction of or damage to property resulting from disaster, disaster or abatement~~ attributable to a single taxpayer that occurred in the prior tax year.

Proposed amendment to language in the change package (highlighted)

(Prepared by the Maine Municipal Association)

2. Sudden and severe disruption. A municipality experiences a sudden and severe disruption in its municipal valuation if:

- A. The municipality experiences ~~an equalized~~ a net reduction in equalized municipal valuation of at least 2% from the equalized municipal valuation that would apply without adjustment under this section;
- B. The ~~equalized~~-net reduction in equalized municipal valuation is attributable to:

The ~~closure cessation of business operations, removal, replacement, retrofit, obsolescence~~ or destruction of or damage to property resulting from ~~disaster disaster or abatement~~ attributable to a single taxpayer that occurred in the prior tax year, or *functional or economic obsolescence not due to short-term market volatility, the recognition of which was manifested during the prior tax year and in a timely manner, either by action of the municipal assessors or abatement, in consideration of the origins, causes and demonstrable impacts of the obsolescence.*

Summary. In the context of the “sudden and severe” valuation adjustment law, this amendment preserves the requirement that the most tangible causes of a property’s sudden loss in value, such as cessation of business, removal of property, or destruction or damaged property, must have occurred in the immediately prior tax year and not earlier. In recognition that the loss of value due to obsolescence is recognized and determined in a different way than damage, removal or business closure, the amendment requires the determination of lost value associated with functional or economic obsolescence to have occurred in the immediately prior tax year (rather than the obsolescence itself, which may not have a clear point-in-time existence), and that the determination was made in a timely manner in consideration of the origins, causes and demonstrable impacts of the obsolescence.



126th MAINE LEGISLATURE

LD 989

LR 380(02)

An Act To Conform the Maine Tax Laws for 2012 to the United States Internal Revenue Code

Fiscal Note for Bill as Amended by Committee Amendment " "

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2013-14	FY 2014-15	Projections FY 2015-16	Projections FY 2016-17
Net Cost (Savings)				
General Fund	\$58,197,000	\$26,149,700	\$20,365,150	\$20,308,150
Revenue				
General Fund	(\$58,197,000)	(\$26,149,700)	(\$20,365,150)	(\$20,308,150)
Other Special Revenue Funds	(\$3,063,000)	(\$1,376,300)	(\$1,071,850)	(\$1,068,850)

Fiscal Detail and Notes

Updating references to the United States Internal Revenue Code of 1986 (IRC) contained in State statutes so that the reference is to the IRC as amended through January 2, 2013 for tax years beginning on or after January 1, 2012 will decrease General Fund revenue by \$58,197,000 in FY 2013-14 and by \$26,149,700 in FY 2014-15 and Municipal Revenue Sharing by \$3,063,000 in FY 2013-14 and by \$1,376,300 in FY 2014-15.

Prepared by MRS

LD 989 Fiscal Note Decomposition (Conformity)

Fiscal Year	2014	2015	2016	2017
I. Individual Income Tax				
Married joint standard deduction	-27,392,000	-20,066,000	-20,440,000	-20,686,800
PEP and PEASE delayed phaseout	-4,642,000	-3,606,000	-3,654,000	-3,860,000
Dependent care credit expansion	-930,800	-702,576	-716,628	-730,960
EITC expansion	-327,400	-232,848	-237,505	-242,255
Teacher expense deduction	-362,000	0	0	0
Student loan interest deduction expansion	-3,194,000	-2,474,241	-2,591,167	-2,642,990
Interaction	445,000	450,865	273,299	209,995
Total	-36,403,200	-26,630,800	-27,366,000	-27,953,010
Bonus Depreciation and Section 179 Conformity	-11,426,800	1,256,800	2,807,000	2,887,010
Section 179	-5,107,500	1,263,892	1,031,462	675,000
Bonus Depreciation	-6,319,300	-7,092	1,775,538	2,212,010
Total, Individual Income Tax	-47,830,000	-25,374,000	-24,559,000	-25,066,000
II. Corporate Income Tax				
Bonus Depreciation and Section 179 Conformity	-13,430,000	-2,152,000	3,122,000	3,689,000
Section 179	-1,702,500	421,297	343,821	225,000
Bonus Depreciation	-11,727,500	-2,573,297	2,778,179	3,464,000

Governors Change package

Total Revenue Reduction for Conforming to Various Provisions of the American Taxpayer Relief Act /1

Fiscal year	2013	2014	2015	2016	2017
(1) Married Joint Standard Deduction /2	\$ -	\$ (7,932,000)	\$ (20,066,000)	\$ (20,440,000)	\$ (20,686,800)
(2) PEP and PEASE Delayed Phaseout /3	\$ -	\$ (4,642,000)	\$ (3,606,000)	\$ (3,654,000)	\$ (3,860,000)
(3) Dependent Care Credit Expansion /4	\$ -	\$ (930,800)	\$ (702,576)	\$ (716,628)	\$ (730,960)
(4) EITC Expansion /5	\$ -	\$ (327,400)	\$ (232,848)	\$ (237,505)	\$ (242,255)
(5) Teacher Expense Deduction /6	\$ -	\$ (362,000)	\$ -	\$ -	\$ -
(6) Student Loan Interest Deduction Expansion /7	\$ -	\$ (3,194,000)	\$ (2,474,241)	\$ (2,591,167)	\$ (2,642,990)
(7) Tuition Expense Deduction /8	\$ -	\$ (1,120,000)	\$ -	\$ -	\$ -
(8) Interaction Effect /9	\$ -	\$ 227,000	\$ 450,865	\$ 273,299	\$ 209,995
Total, including interaction effect	\$ -	\$ (18,281,200)	\$ (26,630,800)	\$ (27,366,000)	\$ (27,953,010)
Cap State Itemized Deductions @ \$27,500	\$ -	\$ 37,240,400	\$ 27,810,600	\$ 29,308,000	\$ 30,912,378
Net Impact on Revenues	\$ -	\$ 18,959,200	\$ 1,179,800	\$ 1,942,000	\$ 2,959,368
Depreciation Related Provisions					
Bonus Depreciation - Capital Investment Credit @ 9% /10	\$ -	\$ (10,418,000)	\$ (5,417,000)	\$ 188,000	\$ 1,199,000
Section 179 /11	\$ -	\$ (6,810,000)	\$ 1,685,189	\$ 1,375,283	\$ 900,000
Total Depreciation Related Provisions	\$ -	\$ (17,228,000)	\$ (3,731,811)	\$ 1,563,283	\$ 2,099,000
Total Revenue Impact of ATRA with Offset	\$ -	\$ 1,731,200	\$ (2,552,011)	\$ 3,505,283	\$ 5,058,368

Department of Administrative and Financial Services
Maine Revenue Services
Office of Tax Policy

- 1/ Assumes that all the tax year 2013 reduction occurs in FY 2014 and a 40/60 split for future tax years.
- 2/ Marriage penalty relief to make standard deduction for joint filers double that for single filers. Delays conformity to standard deduction for joint filers until tax year 2014.
- 3/ Increases the starting point of the phase-out of personal exemptions (PEP) and itemized deductions (PEASE).
- 4/ Increases the credit rate, eligible expenses and point of phase-out.
- 5/ Increases the point of phase-out and extends length of phase-out. Also increases benefit for large families.
- 6/ Extends the \$250 per person teacher expense deduction for tax years 2012 and 2013.
- 7/ Allows taxpayer to deduction interest beyond 60 months and increases phase-out range.
- 8/ Extends deduction for qualified tuition and expenses for one year. Maine has not conformed to this deduction in the past.
- 9/ This shows the impact of the interaction of the various changes on taxpayer liability.
- 10/ Extends 50% bonus depreciation for the 2013 tax year. Estimates assumes continuation of the Maine Capital Investment Credit for one year @ 9%.
- 11/ Extends Sec. 179 expensing amounts and threshold limits for tax years 2012 and 2013.

Amend LD 1509 by adding a new Part GGGGG

Part GGGGG

Sec. GGGGG-1. 36 MRS §111, sub-1-A, as amended by PL 2011, c. 530, §1 and affected by §2, is further amended to read:

1-A. Code. “Code” means the United States Internal Revenue Code of 1986 and amendments to that Code as of ~~December 31, 2011~~ January 2, 2013.

Sec. GGGGG-2. 36 M.R.S.A. § 5122, sub-§ 1, ¶ HH is enacted to read:

HH. For taxable years beginning in 2013:

(1) An amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) with respect to property placed in service in the State during the taxable year for which a credit is claimed under section 5219-II for that taxable year; and

(2) An amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) with respect to property for which a credit is not claimed under section 5219-II.

Sec. GGGGG-3. 36 M.R.S.A. § 5122, sub-§ 1, ¶ Q as enacted by PL 2003, c. 20, Pt. II, §2 is amended to read:

Q. For tax years beginning on or after January 1, 2003 ~~but before January 1, 2013~~, the amount of deduction claimed pursuant to the Code, Section 222 for qualified tuition and related expenses;

Sec. GGGGG-4. 36 M.R.S.A. § 5122, sub-§ 2, ¶ MM is enacted to read:

MM. For taxable years beginning on or after January 1, 2014, an amount equal to the net increase in the depreciation deduction allowable under the Code, Sections 167 and 168 that would have been applicable to that property had the depreciation deduction under the Code, Section 168(k) not been claimed with respect to such property placed in service during the taxable year beginning in 2013 for which an addition was required under subsection 1, paragraph HH, subparagraph (2) for the taxable year beginning in 2013.

Upon the taxable disposition of property to which this paragraph applies, the amount of any gain or loss includable in federal adjusted gross income must be adjusted for Maine income tax purposes by an amount equal to the difference between the addition modification for such property under subsection 1, paragraph HH, subparagraph (2) and the subtraction modifications allowed pursuant to this paragraph.

The total amount of subtraction claimed under this paragraph for all tax years may not exceed the addition modification under subsection 1, paragraph HH, subparagraph (2) for the same property.

Sec. GGGGG-5. 36 MRSA §5124-A as amended by P.L. 2011, c. 380, Pt. N, §7 is further amended to read:

§ 5124-A. Standard deduction; resident

The standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63, except that for tax years beginning in 2013, the basic standard deduction is \$10,150 in the case of a joint return and a surviving spouse and \$5,075 in the case of a married individual filing a separate return.

Sec. GGGGG-6. 36 MRSA §5125, sub-§2 as amended by P.L. 2003, c. 390, §34 is further amended to read:

2. Spouses. Spouses, both of whom are required to file returns under this Part, are allowed to claim itemized deductions from Maine adjusted gross income only if both do so. Their total itemized deductions from federal adjusted gross income, as modified by subsection 3, may be taken by either spouse or divided between them, as they may elect, if their federal income tax is determined on a joint return but their tax under this Part is determined on separate returns. The total itemized deductions from Maine adjusted gross income claimed on a return may not exceed the limitation amount in subsection 4.

Sec. GGGGG-7. 36 MRSA §5125, sub-§4 is enacted to read:

4. Limitation. The total itemized deductions from Maine adjusted gross income claimed on a return may not exceed \$27,500.

Sec. GGGGG-8. 36 M.R.S.A. § 5200-A, sub-§ 1, ¶ AA is enacted to read:

AA. For taxable years beginning in 2013:

(1) An amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) with respect to property placed in service in the State during the taxable year for which a credit is claimed under section 5219-II for that taxable

year; and

(2) An amount equal to the net increase in depreciation attributable to the depreciation deduction claimed by the taxpayer under the Code, Section 168(k) with respect to property for which a credit is not claimed under section 5219-II.

Sec. GGGGG-9. 36 M.R.S.A. § 5200-A, sub-§ 2, ¶ Y is enacted to read:

Y. For taxable years beginning on or after January 1, 2014, an amount equal to the net increase in the depreciation deduction allowable under the Code, Sections 167 and 168 that would have been applicable to that property had the depreciation deduction under the Code, Section 168(k) not been claimed with respect to such property placed in service during the taxable year beginning in 2013 for which an addition was required under subsection 1, paragraph AA, subparagraph (2) for the taxable year beginning in 2013.

Upon the taxable disposition of property to which this paragraph applies, the amount of any gain or loss includable in federal taxable income must be adjusted for Maine income tax purposes by an amount equal to the difference between the addition modification for such property under subsection 1, paragraph AA, subparagraph (2) and the subtraction modifications allowed pursuant to this paragraph.

The total amount of subtraction claimed under this paragraph for all tax years may not exceed the addition modification under subsection 1, paragraph AA, subparagraph (2) for the same property.

Sec. GGGGG-10. 36 M.R.S.A. § 5219-II is enacted to read:

§ 5219-II. Maine capital investment credit after 2012

1. Credit allowed. A taxpayer that claims a depreciation deduction under the Code, Section 168(k) for property placed in service in the State during the taxable year beginning in 2013 is allowed a credit against the taxes imposed by this Part in an amount equal to 9 % of the amount of the net increase in the depreciation deduction reported as an addition to income for the taxable year under section 5122, subsection 1, paragraph HH, subparagraph (1) or section 5200-A, subsection 1, paragraph AA, subparagraph (1) with respect to that property, except for excluded property under subsection 2.

2. Certain property excluded. The following property is not eligible for the credit under this section:

A. Property owned by a public utility as defined by Title 35-A, section 102;

B. Property owned by a person that provides radio paging services as defined by Title 35-A, section 102;

C. Property owned by a person that provides mobile telecommunications services as defined by Title 35-A, section 102;

D. Property owned by a cable television company as defined by Title 30-A, section 2001;

E. Property owned by a person that provides satellite-based direct television broadcast services;

F. Property owned by a person that provides multichannel, multipoint television distribution services; and

G. Property that is not in service in the State for the entire 12-month period following the date it is placed in service in the State.

3. Limitations; carry-forward. The credit allowed under subsection 1 may not reduce the tax otherwise due under this Part to less than zero. Any unused portion of the credit may be carried forward to the following year or years for a period not to exceed 20 years.

4. Recapture. The credit allowed under this section must be fully recaptured to the extent claimed by the taxpayer if the property forming the basis of the credit is not used in the State for the entire 12-month period following the date it is placed in service in the State. The credit must be recaptured by filing an amended return in accordance with section 5227-A for the tax year in which that property was used to calculate the credit under this section. The amended return must reflect the credit disallowed and the income modifications required by section 5122, subsection 1, paragraph HH and section 5200-A, subsection 1, paragraph AA with respect to that property.

Sec. GGGGG-11. 36 MRSA §5403 as amended by P.L. 2011, c. 380, Pt. N, §19 is further amended to read:

Beginning in 2002, 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-B, 1-C, 2-B, 2-C, 3-B and 3-C. Beginning in 2013, 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 amount of the itemized deduction limitation amount in section 5125, subsection 4. If the dollar amounts of each rate bracket or the limitation amount, 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 would be less than the cost-of-living adjustment for the preceding calendar year, the cost-of-living adjustment is the same as for the preceding calendar year. The assessor shall incorporate such changes into the income tax forms, instructions and withholding tables for the taxable year.

Sec. GGGGG-12. Application. The section of this part that amends Maine Revised Statutes, Title 36, section 111, subsection 1-A applies to tax years beginning on or after January 1, 2012 and to any prior tax years as specifically provided by the United States Internal Revenue Code of 1986 and amendments to that Code as of January 2, 2013. The sections of this Part that enact the

Maine Revised Statutes, Title 36, section 5125, subsection 4 and amend section 5125, subsection 2, apply to income tax years beginning on or after January 1, 2013.

**SUMMARY
PART GGGGG**

Section GGGGG-1 of this Part updates references to the United States Internal Revenue Code contained in the Maine Revised Statutes, Title 36 so that they refer to the United States Internal Revenue Code of 1986 as amended through January 2, 2013 for tax years beginning on or after January 1, 2013 and for any prior tax years as specifically provided by the United States Internal Revenue Code of 1986. The bill primarily affects the State's income tax laws.

Section GGGGG-5 of this Part amends the allowable standard deduction to not conform with the larger federal married joint standard deduction permanently enacted as part of the American Taxpayer Relief Act 2012 (ATRA) for income tax years beginning in January 1, 2013.

Sections GGGGG-6 and GGGGG-7 of this Part partially conform to the allowable itemized deductions enacted as part of the American Taxpayer Relief Act 2012 (ATRA) and also enacts a limitation on the itemized deductions for income tax years beginning on or after January 1, 2013.

Sections GGGGG-2, GGGGG-4, GGGGG-8 and GGGGG-9 of this Part enact new addition and subtraction modifications for individual and corporate income taxes to decouple from the federal bonus depreciation deductions for taxable years beginning in 2013.

Section GGGGG-3 of this Part amends the addition modification for qualified tuition and related expenses so as to conform to the Internal Revenue Code for taxable years beginning in 2013 and later.

Section GGGGG-10 of this Part also enacts a new credit section extending the Maine capital investment credit for taxable years beginning in 2013.

Section GGGGG-11 of this Part enacts an annual inflation adjustment to the itemized deduction limitation amount.

TABLE I

Conformity Item	Maine Law in 2013 without conformity (Current Maine law)	Maine Law in 2013 with conformity (Current federal law, Maine law if Maine conforms to recent federal law changes)
I. Individual Taxes		
Standard Deduction for married taxpayers	Married Joint: \$10,150 Married Separate: \$5,075	Married Joint: \$12,200 Married Separate: \$6,100
Personal Exemption Phaseout	Begins at \$178,150(S)/ \$267,200(MJ) /\$133,600(MS)/\$222,700(HH)	Begins at \$250,000(S)/ \$300,000(MJ)/ \$150,000(MS)/\$275,000(HH)
Itemized Deduction Phaseout	Begins at \$178,150(S,MJ,HH)/ \$89,075(MS)	Begins at \$250,000(S)/ \$300,000(MJ)/ \$150,000(MS)/\$275,000(HH)
Child and Dependent Care Tax Credit	Maine credit is based on the federal credit calculated with the following rules: <ol style="list-style-type: none"> 1) Maximum eligible expenses are \$2,400 for one child and \$4,800 for two or more children; 2) The maximum credit percentage is 30% and is reduced by one percentage point for every \$2,000 of income above \$10,000 (but not below 20%) 	Maine credit is based on the federal credit calculated with the following rules: <ol style="list-style-type: none"> 1) Maximum eligible expenses are \$3,000 for one child and \$6,000 for two or more children; 2) The maximum credit percentage is 35% and is reduced by one percentage point for every \$2,000 of income above \$15,000 (but not below 20%)
Earned Income Tax Credit	Maine credit is based on the federal credit calculated with the following rules: <ol style="list-style-type: none"> 1) The credit phaseout for married taxpayers begins at \$17,530 2) The credit percentage for families with three or more children is 40% 	Maine credit is based on the federal credit calculated with the following rules: <ol style="list-style-type: none"> 1) The credit phaseout for married taxpayers begins at \$22,870 2) The credit percentage for families with three or more children is 45%
Teach Classroom Expense Deduction	No deduction allowed	\$250 deduction per educator for qualified classroom expenditures
Student Loan Interest Deduction	Only interest paid during the first 60 months is eligible for the deduction; Phaseout begins at \$40,000/\$60,000(MJ); voluntary payments of interest are not deductible	No time limitations; Phaseout begins at \$60,000/\$125,000(MJ); voluntary payments of interest are deductible
Qualified tuition deduction	No deduction allowed	Deduction allowed

TABLE I - Continued

Conformity Item	Maine Law in 2013 without conformity (Current Maine law)	Maine Law in 2013 with conformity (Current federal law, Maine law if Maine conforms to recent federal law changes)
II. Business Taxes		
Bonus Depreciation	No bonus depreciation	"Conform" by continuing a 10% credit on the bonus depreciation claimed on investments made in Maine
Section 179 Expensing	Maximum deduction: \$25,000. Investment limitation above which maximum deduction is reduced: \$200,000.	Maximum deduction: \$500,000. Investment limitation above which maximum deduction is reduced: \$2,000,000.
Note: MJ=Married Joint, MS=Married Separate, S=Single, and HH=head of household		

Biennial Budget 2014-2015 - Joint Standing Committee on Taxation Summary of Initiatives in Governor's Change Package					
Item	Page	Summary of Initiative	FY 14 GF cost (savings)	FY 15 GF cost (savings)	
1	5	Homestead Property Tax Exemption 0887 - Mandate Reimbursement Provides funding for municipal reimbursement of administrative cost related to updating tax records for the homestead exemption program. (Part M)		\$ 170,000	
2	8	Mandate BETE - Reimburse Municipalities Z065. Provides funding for municipal reimbursement of administrative cost related to processing additional claims for Business Equipment Tax Exemption from municipalities (Part K)		\$ 750	
3	9	Revenue Services, Bureau of 0002 Provides funding for municipal reimbursement of administrative cost related to Homestead (Part M)		\$ 170,000	
4	9	Revenue Services, Bureau of 0002 Provides funding for municipal reimbursement of administrative cost related to BETE (Part K)		\$ 750	
5	10	Revenue Services, Bureau of 0002 One-time reduction for Data Warehouse Collection initiative -	\$ (500,000)	\$ (1,300,000)	
6	10	Revenue Services, Bureau of 0002 Overtime cost for enhanced revenue discovery and collection.		\$ 200,000	

Part	Summary of CHANGE PACKAGE Language	GF Revenue FY13	GF Revenue FY14	GF Revenue FY15
K	<p>This amends Part K. As originally proposed Part K would sunset the Business Equipment Tax Reimbursement (BETR) program with respect to property taxes paid after 2012. This amendment sunsets the BETR program with respect to property taxes paid after 2013. The amendment delays payment of reimbursements related to property taxes paid during calendar year 2013 until after June 30, 2015. One third of the reimbursement must be paid in each state fiscal year 2015-16, 2016-17 and 2017-18. The amendment also limits the BETR benefit with respect to property taxes assessed on April 1, 2013 to those property taxes due in 2013.</p>	\$ -	\$ -	\$ -
L	<p>This amends sections of Part L. Section L-1 is amended to clarify that an individual does not qualify for a senior benefit under the Circuitbreaker program unless the claimant or the claimant's spouse attained the age of 65 during the year for which relief is requested. The change provides consistency with the provisions of Section L-10. New Section L-11 provides an application date for Part L that was unintentionally omitted from the original submission.</p>	\$ -	\$ -	\$ -
N	<p>This amends Part N. This amendment clarifies that Part N is not intended to subject to tax services or products other than those that would be subject to tax in this State if purchased in non-digital physical form.</p>	\$ -	\$ -	\$ -

Part	Summary of CHANGE PACKAGE Language	GF Revenue FY13	GF Revenue FY14	GF Revenue FY15
O	<p>This amends Part O.</p> <ol style="list-style-type: none"> 1. Adds back "obsolescence" as a qualifying cause of sudden and severe disruption in municipal valuation, but limits it to "functional or economic obsolescence not due to short term market volatility." 2. Adds provision for BETE equipment between April 1, 2013 and April 1, 2014 that as of April 1, 2013 had been taxable property that qualified for reimbursement under BETR. 3. Requires a professional appraisal with the appraise meeting specified requirements; clarifies information that must be in the appraisal report; allows MRS to obtain the 3 years of previous assessing records for the property to verify the application. 4. Provides a denial for adjustment is "final agency action" subject to review in Superior Court, and MRS will provide a copy of the denial letter to Taxation Committee. 5. Requires municipalities that receives the "enhanced BETE" reimbursement rate to provide a "professional appraisal report" for the exempt business equipment of all taxpayers whose equalized municipal valuation makes up at least 2% of the overall equalized valuation of the municipality. It clarifies information that must be in the report, and that the report must be prepared by a qualified professional appraiser meeting the specified requirements. This amendment implements the new requirements on and after April 1, 2014 in order to allow the affected municipalities to engage the necessary professional and otherwise prepare their assessment to meet the mandates. 	\$ -	\$ -	\$ -

Part	Summary of CHANGE PACKAGE Language	GF Revenue FY13	GF Revenue FY14	GF Revenue FY15
FFFF	New - This Part requires the State Controller to transfer \$250,000 from the Bureau of Revenue Services Fund program, Internal Service Fund in the Department of Administrative and Financial Services to the General Fund unappropriated surplus in fiscal year 2014-15.	\$ -	\$ -	\$ 250,000
GGGG	New - This Part requires the State Controller to transfer \$100,000 from the Elderly Tax Deferral Program, Other Special Revenue Funds account to the General Fund unappropriated surplus no later than June 30, 2015.	\$ -	\$ -	\$ 100,000
HHHH	New - This Part requires the State Controller to transfer \$200,000 from the Bureau of Revenue Services Fund program, Internal Service Fund account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus in fiscal year 2012-13	\$ 200,000	\$ -	\$ -
IIII	New - This Part requires the State Controller to transfer \$185,000 from the Elderly Tax Deferral Program, Other Special Revenue Funds account to the General Fund unappropriated surplus on June 30, 2013.	\$ 185,000	\$ -	\$ -
PPPP	New - This Part requires the State Controller to transfer \$1,200,000 from the Revenue Services – Bureau of program, Other Special Revenue Funds account to the General Fund unappropriated surplus on June 30, 2013, \$500,000 no later than June 30, 2014 and \$1,300,000 no later than June 30, 2015.	\$ 1,200,000	\$ 500,000	\$ 1,300,000

Part	Summary of CHANGE PACKAGE Language	GF Revenue FY13	GF Revenue FY14	GF Revenue FY15
VVVV	<p>New - This Part repeals the provision that "sunsets" the sales tax exemption for aircraft and aircraft parts. This Part also enacts threshold language that establishes consistency among various use tax exemptions and provides that in most circumstances Maine use tax does not apply to tangible personal property brought into Maine by either a resident or a nonresident, when that property is not present in the State for more than 30 days during the 12 months following its purchase, exclusive of days that the property is located in Maine for storage, repair, alteration, refitting, reconstruction, overhaul or restoration. This Part also expands exemption for certain purchases of watercraft by nonresidents to remove use tax for less than 15 days use in some circumstances being taxed higher effective rate than 30 days or more of such use.</p>	\$ -	\$ -	\$ -
WWWW	<p>New - This Part amends Maine law to clarify that when tangible personal property is purchased for resale and then rented to consumers on an interim basis, use tax is incurred when the owner depreciates the property for federal income tax purposes or claims an expense for the property under section 179 of the Internal Revenue Code, consistent with the longstanding administrative position of the Bureau of Revenue Services.</p>	\$ -	\$ -	\$ -

Part	Summary of CHANGE PACKAGE Language	GF Revenue FY13	GF Revenue FY14	GF Revenue FY15
GGGGG	<p>New - Alternative to conformity bill LD 989</p> <p>GGGGG-1 updates references to the United States Internal Revenue Code in the Maine Revised Statutes, Title 36 so that they refer to the IRS Code of 1986 as amended through January 2, 2013 for tax years beginning on or after January 1, 2013 and for any prior tax years as specifically provided by the Code of 1986. The bill primarily affects the State's income tax laws.</p> <p>GGGGG-2, GGGGG-4 enact new addition and subtraction modifications for individual income taxes to decouple from the federal bonus depreciation deductions for taxable years beginning in 2013.</p> <p>GGGGG-3 amends the addition modification for qualified tuition and related expenses so as to conform to the Internal Revenue Code for taxable years beginning in 2013 and later.</p> <p>GGGGG-5 amends the allowable standard deduction to <u>not</u> conform with the larger federal married joint standard deduction permanently enacted as part of the American Taxpayer Relief Act 2012 (ATRA) for income tax years beginning in January 1, 2013.</p> <p>GGGGG-6 partially conforms to the allowable itemized deductions enacted as part of ATRA</p> <p>GGGGG-7 enacts a limitation on the itemized deductions for income tax years beginning on or after January 1, 2013.</p>		\$1,731,200	\$(2,551,011)

Amend sections in LD 1509 Part K as follows:

Current

Sec. K-3. 36 MRS §700-C is enacted to read:

§700-C. Transition.

Reimbursement provided by this chapter is eliminated for property taxes paid on or after January 1, 2013. Property that would otherwise qualify for reimbursement under this chapter is eligible for exemption to the extent provided, and except as excluded, under Chapter 105, subchapter 4-C for property tax years beginning on or after April 1, 2014.

Revised

Sec. K-3. 36 MRS §6666 is enacted to read:

§6666. Transition

Reimbursement provided by this chapter is eliminated for property taxes paid on or after January 1, 2014. Property that would otherwise qualify for reimbursement under this chapter is eligible for exemption to the extent provided, and except as excluded, under Chapter 105, subchapter 4-C for property tax years beginning on or after April 1, 2014.

Reimbursement for property taxes due prior to January 1 and paid during calendar year 2013 which would otherwise be paid pursuant to section 6656 are to be certified to the State Controller in three equal installments on or about September 15 in three consecutive fiscal years beginning with fiscal year 2015-16 and paid by the assessor based on those certified amounts on or about December 15 of the corresponding fiscal years.

Current

Sec. K-5. Retroactivity. That section of this Part that enacts the Maine Revised Statutes, Title 36, section 700-C applies retroactively to property taxes paid on or after January 1, 2013.

Revised

Sec. K-5. Retroactivity. That section of this Part that enacts the Maine Revised Statutes, Title 36, section 6666 applies retroactively to property taxes paid on or after January 1, 2013.

SUMMARY
PART K

Part K as originally proposed would sunset the Business Equipment Tax Reimbursement (BETR) program with respect to property taxes paid after 2012. This amendment sunsets the BETR program with respect to property taxes paid after 2013. The amendment delays payment of reimbursements related to property taxes paid during calendar year 2013 until after June 30, 2015. One third of the reimbursement must be paid in each state fiscal year 2015-16, 2016-17 and 2017-18. The amendment also limits the BETR benefit with respect to property taxes assessed on April 1, 2013 to those property taxes due in 2013.

Amend section in LD 1509 Part L as follows:

Current

Sec. L-1. 36 MRSA §6201, sub-§3, as amended by PL 2007, c. 438, §112 is further amended to read:

3. Elderly household. “Elderly household” means a household in which, during the year for which relief is requested:

A. At least one member of the household had attained the age of ~~62~~ 65;

~~B. The claimant was not married and had attained the age of 55 and was, due to disability, receiving federal disability payments such as supplemental security income; or~~

~~C. The claimant was married and had attained the age of 55 and both the claimant and the claimant’s spouse were, due to disability, receiving federal disability payments such as supplemental security income.~~

Revised

Sec. L-1. 36 MRSA §6201, sub-§3, as amended by PL 2007, c. 438, §112 is further amended to read:

3. Elderly household. “Elderly household” means a household in which, during the year for which relief is requested:

A. The claimant or the claimant’s spouse ~~At least one member of the household~~ had attained the age of ~~62~~ 65;

~~B. The claimant was not married and had attained the age of 55 and was, due to disability, receiving federal disability payments such as supplemental security income; or~~

~~C. The claimant was married and had attained the age of 55 and both the claimant and the claimant’s spouse were, due to disability, receiving federal disability payments such as supplemental security income.~~

Amend LD 1509 Part L by adding the following new Section L-11

Sec. L-11. Application. This Part applies to application periods beginning on or after August 1, 2013.

SUMMARY
PART L

Section L-1 is amended to clarify that an individual does not qualify for a senior benefit under the Circuitbreaker program unless the claimant or the claimant's spouse attained the age of 65 during the year for which relief is requested. The change provides consistency with the provisions of Section L-10. New Section L-11 provides an application date for Part L that was unintentionally omitted from the original submission.

Amend LD 1509 Part N by adding the following new Section N-2

Sec. N-2. 36 MRSA § 1752, sub-§26, is enacted to read:

26. Products transferred electronically. “Products transferred electronically” means digital products the sale of which in non-digital physical form would be subject to sales tax in this State as sales of tangible personal property.

Amend LD 1509 Part N by renumbering Section N-2 to be Section N-3

Sec. N-3. 36 MRSA § 1811, as amended by PL 2011, c.209, §4 and affected by PL 2011, c. 209, §5, is further amended to add ¶2:

“Products transferred electronically” are sold in this State if the property is electronically delivered to the customer at an address in Maine. If the property is not received by the purchasers at the seller’s Maine business location or the purchaser’s Maine location, the sale is in this State for these purposes when a Maine billing address is provided by the purchaser in connection with the transaction or, if no billing address is provided by the purchaser in connection with the transaction, when a Maine billing address is indicated in the seller’s business records.

**SUMMARY
PART N**

This amendment clarifies that Part N is not intended to subject to tax services or products other than those that would be subject to tax in this State if purchased in non-digital physical form.

Amend LD 1509 by adding a new Part FFFF

PART FFFF

Sec. FFFF-1. Bureau of Revenue Services Fund; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$250,000 no later than June 30, 2015 from the Bureau of Revenue Services Fund program, Internal Service Fund account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

**SUMMARY
PART FFFF**

This Part requires the State Controller to transfer \$250,000 from the Bureau of Revenue Services Fund program, Internal Service Fund in the Department of Administrative and Financial Services to the General Fund unappropriated surplus in fiscal year 2014-15.

Amend LD 1509 by adding a new Part GGGG

PART GGGG

Sec. GGGG-1. Elderly Tax Deferral; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$100,000 no later than June 30, 2015 from the Elderly Tax Deferral Program, Other Special Revenue Funds account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

**SUMMARY
PART GGGG**

This Part requires the State Controller to transfer \$100,000 from the Elderly Tax Deferral Program, Other Special Revenue Funds account to the General Fund unappropriated surplus no later than June 30, 2015.

Amend LD 1509 by adding a new Part HHHH

PART HHHH

Sec. HHHH-1. Bureau of Revenue Services Fund; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$200,000 no later than June 30, 2013 from the Bureau of Revenue Services Fund program, Internal Service Fund account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

**SUMMARY
PART HHHH**

This Part requires the State Controller to transfer \$200,000 from the Bureau of Revenue Services Fund program, Internal Service Fund account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus in fiscal year 2012-13.

Amend LD 1509 by adding a new Part III

PART III

Sec. III-1. Elderly Tax Deferral; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$185,000 no later than June 30, 2013 from the Elderly Tax Deferral Program, Other Special Revenue Funds account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

SUMMARY

PART III

This Part requires the State Controller to transfer \$185,000 from the Elderly Tax Deferral Program, Other Special Revenue Funds account to the General Fund unappropriated surplus on June 30, 2013.

Amend LD 1509 by adding a new Part PPPP

PART PPPP

Sec. PPPP-1. Revenue Services – Bureau of; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$1,200,000 on June 30, 2013 from the Revenue Services – Bureau of program, Other Special Revenue Funds account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

Sec. PPPP-2. Revenue Services – Bureau of; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$500,000 no later than June 30, 2014 from the Revenue Services – Bureau of program, Other Special Revenue Funds account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

Sec. PPPP-3. Revenue Services – Bureau of; transfer to General Fund. Notwithstanding any other provision of law, the State Controller shall transfer \$1,300,000 no later than June 30, 2015 from the Revenue Services – Bureau of program, Other Special Revenue Funds account in the Department of Administrative and Financial Services to the General Fund unappropriated surplus.

**SUMMARY
PART PPPP**

This Part requires the State Controller to transfer \$1,200,000 from the Revenue Services – Bureau of program, Other Special Revenue Funds account to the General Fund unappropriated surplus on June 30, 2013, \$500,000 no later than June 30, 2014 and \$1,300,000 no later than June 30, 2015.

Amend LD 1509 by adding a new Part VVVV

PART VVVV

Sec.VVVV-1. 36 MRSA §1760, sub-§23-C as amended by PL 2011, c. 380, Pt. GGG, §1 is amended as follows:

23-C. Certain vehicles purchased or leased by nonresidents. Sales or leases of the following vehicles to a person that is not a resident of this State, if the vehicle is intended to be driven or transported outside the State immediately upon delivery:

A. Motor vehicles, except:

(1) Automobiles rented for a period of less than one year; and

(2) All-terrain vehicles and snowmobiles as defined in Title 12, section 13001;

B. Semitrailers;

C. Aircraft, if the property is an aircraft not exempted under subsection 88-A; and

E. Camper trailers, including truck campers.

If the vehicles are purchased subsequently registered the vehicle or is required register/ the vehicle for use in the State within 12 months of the date of purchase, the person seeking registration purchaser is liable for use tax on the basis of the original purchase price. Other subsequent use by the purchaser in the State of a vehicle other than an automobile is subject to use tax if the vehicle is present in the State for more than 30 days during the 12 months following its purchase, excluding any days that the property is located in Maine for storage, repair, alteration, refitting, reconstruction, overhaul or restoration. The location of property in the State at any time during a day is considered presence in the State for that entire day.

Sec.VVVV-2. 36 MRSA §1760, sub-§25 as amended by PL 2011, c. 285, §3 is repealed and the following enacted in its place:

25. Watercraft purchased by nonresidents.

A. Sales of watercraft, materials to be incorporated under contract in the construction of a watercraft or materials under contract for the repair, alteration, refitting, reconstruction, overhaul or restoration of a watercraft to a person that is not a resident of this State when the watercraft is present in the State not more than 30 days, not including any time spent in this State for storage, during the 12 months following its purchases.

B. If watercraft or materials exempted by this subsection are present in the State for more than 30 days, for a purpose other than storage, during the 12-month period following its date of purchases, the exemption is 60% of the sale price of the watercraft or materials.

For purchases of this subsection, the location of the watercraft in the State at any time during a day is considered presence in the State for that entire day.

Sec. VVVV-3. 36 MRSA §1760, sub-§45 is amended to read:

45. Certain property purchased outside State. Sales of property purchased and used by the present owner outside the State:

A. If the property is an automobile, as defined in Title 29-A, section 101, subsection 7, and if the owner is an individual who was, at the time of purchase, a resident of the other state;

A-2. If the property is a snowmobile or all-terrain vehicle as defined in Title 12, section 13001 and the purchaser is an individual who is not a resident of the State;

~~A-3. If the property is an aircraft not exempted under subsection 88 or 88-A and the owner at the time of purchase was a resident of another state or tax jurisdiction and the aircraft is present in this State not more than 20 days during the 12 months following its purchase, exclusive of days during which the aircraft is in this State for the purpose of undergoing "major alterations," "major repairs" or "preventive maintenance" as those terms are described in 14 Code of Federal Regulations, Appendix A to Part 43, as in effect on January 1, 2005. For the purposes of this paragraph, the location of an aircraft on the ground in the State at any time during a day is considered presence in the State for that entire day, and a day must be disregarded if at any time during that day the aircraft is used to provide free emergency or compassionate air transportation arranged by an incorporated nonprofit organization providing free air transportation in private aircraft by volunteer pilots so children and adults may access life-saving medical care;~~

A-4. If the property is brought into this State solely to conduct activities directly related to a declared state disaster or emergency, at the request of the State, a county, city, town or political subdivision of the State or a registered business, the property is owned by a person not otherwise required to register as a seller under section 1754-B and the property is present in this State only during a disaster period. As used in this paragraph, "declared state disaster or emergency" has the same meaning as in Title 10, section 9902, subsection 1 and "disaster period" means the period of 60 days that begins with the date of the Governor's proclamation of a state of emergency or the declaration by the President of the United States of a major disaster or major emergency, whichever occurs first; or

~~B. For more than 12 months in In all other cases-, if the property is not required to be registered, and is present in the State for no more than 30 days during the 12 months following its purchase, excluding any days that the property is located in Maine for storage, repair, alteration, refitting, reconstruction, overhaul or restoration. The location of property in the State at any time during a day is considered presence in the State for that entire day.~~

~~Property, other than automobiles, watercraft, snowmobiles, all-terrain vehicles and aircraft, that is required to be registered for use in this State does not qualify for this exemption unless it was registered by its present owner outside this State more than 12 months prior to its registration in this State. If property required to be registered for use in this State was not required to be registered for use outside this State, the owner must be able to document actual use of the property outside this State for more than 12 months prior to its registration in this State. For purposes of this subsection, "use" does not include storage but means actual use of the property for a purpose consistent with its design.~~

Sec. VVVV-4. 36 MRSA §1760, sub-§76 is repealed.

Sec. VVVV-5. 36 MRSA §1760, sub-§82 is amended to read:

82. Sales of property delivered outside this State. Sales of tangible personal property when the seller delivers the property to a location outside this State or to the United States Postal Service, a common carrier or a contract carrier hired by the seller for delivery to a location outside this State, regardless of whether the property is purchased F.O.B. shipping point or other point in this State and regardless of whether passage of title occurs in this State. ~~This exemption does not apply to any subsequent use of the property in this State.~~ Subsequent use in this State of property other than an automobile is subject to use tax if the property is present in the State for more than 30 days during the 12 months following its purchase, excluding any days that the property is located in Maine for storage, repair, alteration, refitting, reconstruction, overhaul or restoration. The location of property in the State at any time during a day is considered presence in the State for the entire day. In addition subsequent is in this State of any property, including automobiles, the use of which is exempt from pursuant to this section, is subject to use tax if the property is registered or required to be registered for use in the State within 12 months of the date of the purchase.

Sec. VVVV-6. 36 MRSA §1760, sub-§88 is repealed.

Sec. VVVV-7. 36 MRSA §1760, sub-§88-A is amended to read:

88-A. Aircraft and parts. Sales, use or leases of aircraft and sales of repair and replacement parts exclusively for use in aircraft or in the significant overhauling or rebuilding of aircraft or aircraft parts or of components from July 1, 2011 to June 30, 2015-2033.

Sec. VVVV-7. 36 MRSA §1764 is amended to read:

§1764. Tax against certain casual sales

The tax imposed by this Part must be levied upon all casual rentals of living quarters in a hotel, rooming house, tourist camp or trailer camp and upon all casual sales involving the sale of trailers, truck campers, motor vehicles, special mobile equipment, watercraft ~~or aircraft~~ unless the property is sold for resale at retail sale or to a corporation, partnership, limited liability company or limited liability partnership when the seller is the owner of a majority of the common stock of the corporation or of the ownership interests in the partnership, limited liability company or limited liability partnership. This section does not apply to the rental of living quarters rented for a total of fewer than 15 days in the calendar year, except that a person who owns and offers for rental more than one property in the State during the calendar year is liable for collecting sales tax with respect to the rental of each unit regardless of the number of days for which it is rented. For purposes of this section, "special mobile equipment" does not include farm tractors and lumber harvesting vehicles or loaders.

Sec. VVVV-8. 36 MRSA §1765, sub-§4 is repealed.

Sec. VVVV-9. Application. Those sections of this Part that amend the Maine Revised Statutes Title 36 Section 1760, subsection 23-C, 25, 82 apply to sales occurring on or after October 1, 2013. The section of this Part that amends the Maine Revised Statutes, Title 36 Section 1760, subsection 45 applies to property first used in Maine on or after October 1, 2013.

**SUMMARY
PART VVVV**

This Part repeals the provision that “sunset” the sales tax exemption for aircraft and aircraft parts. This Part also enacts threshold language that establishes consistency among various use tax exemptions and provides that in most circumstances Maine use tax does not apply to tangible personal property brought into Maine by either a resident or a nonresident, when that property is not present in the State for more than 30 days during the 12 months following its purchase, exclusive of days that the property is located in Maine for storage, repair, alteration, refitting, reconstruction, overhaul or restoration. This Part also expands exemption for certain purchases of watercraft by nonresidents to remove use tax for less than 15 days use in some circumstances being taxed higher effective rate than 30 days or more of such use.

Amend LD 1509 by adding a new Part WWWW

Part WWWW

Sec. WWWW-1. 36 MRSA §1758 is amended to read:

1. Definition. As used in this section, unless the context otherwise indicates, the term "rentals" includes any receipts derived from the use of property that is rented or leased.

2. Generally; tax imposed on rental payments. This section governs the taxation of tangible personal property that is purchased for resale in this State, other than at casual sale, and upon which no sales tax has been paid pursuant to chapters 211 to 225 when the property, while being held in inventory for resale, is rented or leased after purchase on an interim basis by the purchaser to another person prior to being sold. In lieu of the use tax otherwise imposed by section 1861, a tax is imposed at the same rate as that provided in the case of sales taxes by section 1811 upon all rentals received by the purchaser for the use of that property.

3. Exceptions. The purchaser is liable for a use tax on the property based on the purchase price less the aggregate amount of tax paid pursuant to this section on the rentals received by the purchaser in the following circumstances:

A. When the purchaser, after first renting tangible personal property purchased for resale, subsequently makes any use of that property other than as set forth in subsection 2; ~~or~~

B. When the purchaser rents the property for a period of 12 months or more to any one person; or

C. When the purchaser depreciates the property, or claims an expense for the property under section 179 of the Code, for federal income tax purposes.

4. Other sections applicable. The tax on rentals imposed by this section is subject to section 1812 and all other pertinent provisions of this Part and for the purposes of this Part is treated the same as the sales tax imposed by section 1811 with the lessor deemed to be the retailer, the lease payments deemed to be the sale price and the lessee deemed to be the purchaser and consumer.

SUMMARY

Part WWWW

This Part amends Maine law to clarify that when tangible personal property is purchased for resale and then rented to consumers on an interim basis, use tax is incurred when the owner depreciates the property for federal income tax purposes or claims an expense for the property under section 179 of the Internal Revenue Code, consistent with the longstanding administrative position of the Bureau of Revenue Services.