

Joint Standing Committee on Taxation

LD 208

**RESOLUTION, Proposing an Amendment to the Constitution of
Maine Related to the Taxation of Personal Property**

ONTP

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

LD 208 was carried over from the First Regular Session and proposed an amendment to the Constitution of Maine to exempt business personal property from property tax as a general rule, but would have permitted municipalities to tax business personal property on the basis of just value or another basis authorized by the Legislature.

LD 345

An Act To Reinstate a Milk Handling Fee

ONTP

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

LD 345 was carried over from the First Regular Session and proposed to reinstitute the milk handling tax, which was in effect in 1995 and 1996, at the rate of 8¢ per quart on all milk handled for retail sale in Maine. The tax would be paid on a monthly basis by the wholesale handler or, if there was none, by the retail handler. Proceeds of the tax would be paid to the State's General Fund for general purposes of State Government and would not be dedicated to any particular purpose. The bill also proposed to repeal the tax on January 1, 2005.

LD 746

**Resolve, Directing the Joint Standing Committee on Taxation To
Study the State's Participation in the National Streamlined Sales
and Use Tax Agreement and Report Legislation Necessary To
Bring the State into Conformity with That Agreement**

INDEF PP

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE STANLEY	ONTP MAJ OTP-AM MIN	H-672

LD 746, a concept draft, was carried over from the First Regular Session and proposed to adopt the model sales and use tax proposal adopted on November 12, 2002 by the national Streamlined Sales Tax Project. The Streamlined Sales Tax Project is a multistate effort to simplify state sales tax laws so that they are more comprehensible to consumers and easier to administer by retailers, including mail order and Internet retailers. Under the model act, states would retain the right to determine whether to tax any item and to set the rate of tax, as well as the right to authorize local option sales taxes. The model act would make consistent among participating states the definitions of items, and each taxing jurisdiction would have only one tax rate rather than multiple rates for different taxable items.

Committee Amendment “A” (H-672) proposed to replace the bill, change it to a resolve and change the title. It would require the Joint Standing Committee on Taxation to analyze and study conformity of the State's sales and use tax laws with the national Streamlined Sales and Use Tax Agreement and make a recommendation regarding conformity, including legislation if necessary, to the First Regular Session of the 122nd Legislature

Joint Standing Committee on Taxation

This study was not approved by the Legislative Council.

LD 827

An Act Regarding Wildlife Habitat Conservation

PUBLIC 619

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DUNLAP EDMONDS	OTP-AM MAJ ONTP MIN	H-799

LD 827 was carried over from the First Regular Session by the Joint Standing Committee on Inland Fisheries and Wildlife and rereferred jointly to the Joint Standing Committees on Taxation and Inland Fisheries and Wildlife. The bill proposed to allow the Commissioner of Inland Fisheries and Wildlife to enter into an agreement with a landowner to manage a parcel of land in the unorganized territory as wildlife habitat. An agreement could include a provision that exempted the parcel of land that is the subject of the agreement from the property tax. For a landowner who owns more than 1,000 acres in the unorganized territory, no more than 15% of that landowner's holdings in the unorganized territory could be the subject of an agreement to manage the land as wildlife habitat.

Committee Amendment “A” (H-799) proposed to replace the bill. It proposed to clarify the meaning of “wildlife habitat” for purposes of the farm and open space tax law and require assessors to consider whether there was a written agreement for the protection of wildlife habitat when determining eligibility for classification under that law.

Enacted Law Summary

Public Law 2003, chapter 619 clarifies the meaning of “wildlife habitat” for purposes of the farm and open space tax law and requires assessors to consider whether there is a written agreement for the protection of wildlife habitat when determining eligibility for classification under that law.

LD 938

RESOLUTION, Proposing an Amendment to the Constitution of Maine To Change the Assessment of Lands Used for Long-term Ownership

DIED BETWEEN HOUSES

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

LD 938 was carried over from the First Regular Session and together with LD 951, commonly referred to as the “Chebeague proposal,” proposed to permit land used for long-term ownership, or generational family ownership, to be assessed based on current use. A penalty could be imposed if the land were transferred outside of the immediate family or by other than a designated bequest. See related bill, LD 951.

Joint Standing Committee on Taxation

LD 951 **An Act To Establish the Maine Land Bank and Community Preservation Program** **ONTP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERCY MAYO	ONTP	

LD 951 was carried over from the First Regular Session and, together with LD 938, commonly referred to as “the Chebeague proposal,” proposed to provide property tax relief to property owners in the State. Under the bill, a voluntary Maine Land Bank and Community Preservation Program would be created for residential and nonresidential real estate. The program would apply to land only and not buildings. The base value of land would be determined by looking back 5 years to the assessed value of the land as adjusted by using the state-certified ratio for that year. The program proposed to include provisions requiring adjustments or penalties in cases when there was a change in ownership other than to a family member or by designated bequest or the land is withdrawn from the program. The entire bill would be subject to a statutory referendum and would be conditional upon an amendment to the Constitution of Maine passing at the next statewide election. See related bill, LD 938.

LD 975 **An Act To Improve the Business Equipment Tax Reimbursement Program** **ONTP**

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

LD 975 was carried over from the First Regular Session and proposed to prohibit reimbursement of property taxes under the Business Equipment Tax Reimbursement program if the taxes were also reimbursed under a tax increment financing district agreement.

LD 1141 **An Act To Provide Property Tax Relief for Maine Residents and Businesses and Implement Comprehensive Tax Reform** **ONTP**

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

LD 1141 was carried over from the First Regular Session and proposed to provide for a statutory referendum designed to achieve tax relief for residents and businesses in the State and implement comprehensive tax and education funding reform. The bill proposed to provide property tax relief by establishing a cap on local property taxes of 12 mills on secondary residential property and 4 mills on all other property for the purpose of funding public education. Additional money for public education would have been raised from the property tax only if approved by the voters at a referendum.

Joint Standing Committee on Taxation

The bill also proposed to provide property tax relief by expanding the tax and rent refund program, phasing out the tax on certain personal property and gradually eliminating the need for the business equipment tax reimbursement program. Education funding would be stabilized by setting aside a portion of unappropriated surplus for an Education Funding Stabilization Fund. Income tax relief would be provided by setting aside a portion of revenues in excess of estimates to be used to reduce income tax rates. The bill proposed to direct the Joint Standing Committee on Taxation to report legislation to the Second Regular Session to raise revenue necessary to meet the State's education funding obligation. The referendum questions would require the voters to indicate whether they would prefer raising the sales tax rate by 2 percentage points or by removing sales tax exemptions and increasing the rate by no more than one percentage point. The bill would take effect only if a majority of the voters approved at least one of the revenue options and if a constitutional amendment was also approved to permit different property tax rates for secondary residential property.

LD 1394

An Act To Modernize the State's Tax System

ONTP

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DUDLEY	ONTP A	
DOUGLASS	OTP-AM B	
	OTP-AM C	

LD 1394 was carried over from the First Regular Session and proposed the following:

Part A proposed to expand the Maine Residents Property Tax Program, the so-called "circuit breaker program," by reducing the tax-to-income threshold initially to 3%, phasing in an additional decrease of .5% over a 4-year period; increasing the maximum rebate to \$6,000; increasing the income limits for single-member households and households with 2 or more members to \$45,000 and \$75,000, respectively; increasing the renter rebate to 25%; and allowing persons to use the income tax form to file for a refundable credit.

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

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

Part D proposed to expand the definition of "taxable services" for purposes of the imposition of sales tax to include amusement and recreational, business, personal and professional services and eliminate the sales tax exemption for sales of short-term publications. It also proposed to limit the exemption on funeral services and repeal the exemption on coin-operated vending machine sales and require the joint standing committee of the Legislature having jurisdiction over taxation matters to review annually the additional sales tax revenue collected, as well as the annual cost of reimbursing municipalities as required. Any such revenue collected in excess of the reimbursement obligation would be used to reduce the tax burden on Maine citizens.

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

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

Joint Standing Committee on Taxation

Part G proposed that, for property first placed in service in property tax years beginning after April 1, 2003, property used in, or in support of, the provision of a nonqualified service or a retail sales facility would not be eligible for BETR reimbursement.

LD 1492 **An Act To Promote the Production and Use of Fuels Derived from Agricultural and Forest Products** **PUBLIC 698**

<u>Sponsor(s)</u> SUSLOVIC	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-641 S-564 CATHCART
-------------------------------	-----------------------------------	--

LD 1492 was carried over from the First Regular Session and proposed to provide an income tax credit of 5¢ per gallon for the production of liquid fuels from biomass.

Committee Amendment “A” (H-641) proposed to expand the definition of "biofuel" to include gaseous fuels such as hydrogen and methane. It proposed to clarify that the income tax credit apply only to tax attributable to income derived from the production of biofuel and add a requirement that the biofuel meet state and federal regulatory requirements. The amendment also proposed to clarify the requirements for documenting eligibility for the credit and to add an appropriation and allocation section.

Senate Amendment “A” to Committee Amendment “A” (S-564) proposed to remove the appropriations and allocations section.

Enacted Law Summary

Public Law 2003, chapter 698 provides an income tax credit of 5¢ per gallon of biofuel produced in the State that meets state and federal regulatory requirements. The credit applies only against taxes attributable to income derived from the production of biofuel.

Joint Standing Committee on Taxation

LD 1629

RESOLUTION, Proposing a Competing Measure under the Constitution of Maine To Create Municipal Service Districts To Reduce the Cost of Local Government, To Provide Property Tax Relief and To Increase Economic Competitiveness

CMR 1

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE	OTP-AM A	H-601
STANLEY	OTP-AM B	H-608 PERCY
	OTP-AM C	S-350 STANLEY
	ONTP D	S-351 GAGNON

LD 1629, a Governor’s bill, was carried over from the First Regular Session to the First Special Session and proposed a competing measure with Initiated Bill 3, Legislative Document 1372, “An Act to Enact the School Finance Act of 2003.” The resolution proposed to provide a fiscal reform package that would reduce costs of governmental services now borne by municipalities and reduce property tax burdens in the following ways:

1. By providing fiscal incentives for regional consolidation through the establishment of municipal service districts;
2. By expanding property tax relief available through the Maine Residents Property Tax Program and repealing the homestead exemption;
3. By repealing prospectively the Business Equipment Tax Reimbursement Program, providing a property tax exemption for personal property that would have been eligible for BETR, including “BETR-expired” property and providing 50% reimbursement to municipalities for lost taxes;
4. By permitting a 1% local option sales and use tax limited to 5 years and used to finance eligible capital projects; and
5. By lowering the top rate under the income tax over 15 years and reducing the extent of indexing for inflation.

Committee Amendment “C” (H-601) was the majority report of the committee during the First Special Session. It proposed to replace the body of the resolution with 2 new Parts. Part A of this amendment proposed to amend the Essential Programs and Services Funding Act to increase the State's share of funding public education from kindergarten to grade 12 from 50% over 5 years to 55% over 5 years. Part A also proposed to establish the essential programs and services model for funding education as the basis for the calculation of a full-value education mill rate expectation identifying the state and local share of the cost of providing essential programs and services beginning in fiscal year 2005-06.

Part B proposed to establish a cap on growth in the municipal services side of municipal budgets modeled after the budget stabilization cap for the State Government budget. Whether a municipality has exceeded the budget cap will be determined as part of a municipality's annual postaudit. If the budget cap has been exceeded, the municipality's share of state revenue sharing will be reduced.

This amendment also proposed to change the wording of the referendum question.

House Amendment “C” to Committee Amendment “C” (H-608) proposed to require the Department of Education and the Department of Administrative and Financial Services, Bureau of Revenue Services to review the effectiveness of this resolution in lowering property taxes and meeting the goals of education

Joint Standing Committee on Taxation

funding and to report their findings and recommendations to the joint standing committee of the Legislature having jurisdiction over taxation matters in 2010. The committee would be authorized to report out legislation if necessary to further the goals of this resolution.

Senate Amendment “G” to Committee Amendment “C” (S-350) proposed to restore the homestead property tax exemption to \$7,000 for all homesteads. The amendment also proposed to expand the Maine Residents Property Tax Program, commonly referred to as the circuit breaker program, by phasing in over a 3-year period increases to the income eligibility limits, the maximum benefit and the percentage of refundable taxes between 4% and 8% of household income. The maximum benefit would be increased to \$1,250 in 2004, \$1,750 in 2005 and \$2,000 in 2006 and after. The eligibility limits would be increased for single-member households and multiple-member households and would be increased respectively to \$35,000 and \$55,000 in 2004, \$40,000 and \$60,000 in 2005 and \$50,000 and \$75,000 in 2006 and after. The percentage of refundable taxes between 4% and 8% of household income would be increased to 52.5% in 2004, 55% in 2005 and 60% in 2006 and after.

Senate Amendment “H” to Committee Amendment “C” (S-351) proposed to remove the provision establishing a referendum process if the local cost share expectation is exceeded. The amendment proposed to remove all of Part B of the Committee Amendment "C", which proposed to establish a cap on municipal budget growth. The amendment also proposed to amend the question.

Enacted Law Summary

Competing Measure Resolution 2003, chapter 1 was adopted in the First Special Session. It set forth a competing measure, pursuant to Article IV, Part 3, Section 18 of the Constitution of Maine, to be placed on the ballot in November 2003 with Initiated Bill 3, An Act to Enact the School Finance Act of 2003. If approved by the voters, the resolution would accomplish the following.

Competing Measure Resolution 2003, chapter 1 set forth a competing measure that would increase the State's share of the cost of funding public education from kindergarten to grade 12 under the essential programs and services funding model to 55% by fiscal year 2009-10. The resolution also established a formula for calculating a maximum local mill rate expectation that would not exceed 10 mills.

The resolution would restore the homestead property tax exemption to \$7,000 for all homesteads.

The resolution would increase benefits and eligibility under the Maine Residents Property Tax Program over 3 years by raising the income eligibility to \$50,000 for single member households and \$75,000 for multiple member households, increasing the maximum benefit to \$2,000 and increasing the portion of rebated taxes between 4% and 8% of income from 50% to 60%.

Neither Initiated Bill 3 nor Competing Measure Resolution 1 received sufficient votes in November 2003 to become law; however, under the terms of the Maine Constitution, Initiated Bill 3, receiving the highest number of votes, will be submitted to the voters again by itself in June 2004.

Joint Standing Committee on Taxation

LD 1651 **An Act To Conform the Maine Tax Laws for 2003 to the United States Internal Revenue Code** **INDEF PP**

<u>Sponsor(s)</u> LEMOINE STANLEY		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u>
---	--	-----------------------------------	--	---------------------------

LD 1651 proposed to update references to the United States Internal Revenue Code contained in Title 36 of the Maine Revised Statutes, to the United States Internal Revenue Code as amended through December 31, 2003, for tax years beginning on or after January 1, 2003 and for any prior years as specifically provided by the United States Internal Revenue Code. The provisions of this bill, as amended, were included in LD 1813. See summary of 1813 below.

LD 1664 **An Act To Provide an Income Tax Modification for the Empowerment Zone Employment Credit** **ONTP**

<u>Sponsor(s)</u> SHERMAN STANLEY		<u>Committee Report</u> ONTP		<u>Amendments Adopted</u>
---	--	---------------------------------	--	---------------------------

LD 1664 proposed to allow a business to deduct any amount received under the federal empowerment zone employment credit program, which provides tax incentives to businesses who hire employees who live and work in federally designated "empowerment zones." The provisions of this bill were included in LD 1813. See summary of LD 1813 below.

LD 1670 **An Act To Include Disability Retirement Income in Retirement Income Eligible for Tax Exemption** **INDEF PP**

<u>Sponsor(s)</u> WATSON		<u>Committee Report</u> OTP-AM		<u>Amendments Adopted</u> H-787
-----------------------------	--	-----------------------------------	--	------------------------------------

LD 1670 proposed to provide an income tax exemption for the first \$6,000 of income received under a disability retirement plan administered by the State for state employees and teachers.

Committee Amendment "A" (H-787) proposed to expand the \$6,000 income tax exemption for retirement income to include benefits under all employer-maintained disability retirement benefit plans. The amendment also proposed to add an application section

This bill was indefinitely postponed when removed from the Special Appropriations Table.

Joint Standing Committee on Taxation

LD 1674 **An Act To Expand Property Tax Exemptions for Veterans to Cooperative Housing** **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LESSARD MAYO	OTP-AM MAJ ONTP MIN	H-786

LD 1674 proposed to apply the property tax exemption for veterans to veterans or certain members of their family who have an ownership interest in a cooperative housing entity.

Committee Amendment “A” (H-786) proposed to replace the bill and establish a rebate program for veterans and their survivors who are not eligible for a property tax exemption because they live in cooperative housing. The rebate program would provide those veterans and their survivors with tax benefits equivalent to what they would receive if they were eligible for a property tax exemption.

This bill was indefinitely postponed when removed from the Special Appropriations Table.

LD 1684 **An Act To Make Retirement Benefits More Equitable by Imposing a Surcharge on Income from Congressional Retirement Benefits** **DIED BETWEEN HOUSES**

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

LD 1684 proposed to impose a state income tax surcharge on the benefits of members of Congress received under the congressional retirement plan. The surcharge would be applied in 3 stages to take a progressively larger portion of the affected benefits as those benefits increase. In this regard, the surcharge would be similar to the 3-tiered reduction to Social Security benefits under the windfall elimination and offset provisions of Social Security law for retirees who receive benefits under both Social Security and another public pension plan.

LD 1703 **Resolve, Authorizing the State Tax Assessor To Convey the Interest of the State in Certain Real Estate in the Unorganized Territory** **RESOLVE 104**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
STANLEY LEMOINE	OTP	

LD 1703 proposed to authorize the State Tax Assessor to convey the interest of the State in several parcels of real estate in the Unorganized Territory that were acquired for nonpayment of property tax.

Enacted Law Summary

Joint Standing Committee on Taxation

LD 1724

An Act To Create the Maine Military Family Relief Fund

PUBLIC 703

<u>Sponsor(s)</u> HALL	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-422 S-593 CATHCART
---------------------------	-----------------------------------	--

LD 1724 proposed to establish the Maine Military Family Relief Fund and an income tax check-off for contributions to the Fund. See also LD 1699 summarized under the Committee on Legal and Veterans Affairs.

Committee Amendment “A” (S-422) proposed to change the date for tax years to which the income tax checkoff applies and add a repeal of the checkoff on December 31, 2007. It also proposed to add an appropriation and allocation section to the bill.

Senate Amendment “A” (S-593) proposed to replace a General Fund appropriation for the Department of Administrative and Financial Services, Bureau of Revenue Services with an Other Special Revenue allocation and to require the bureau to absorb any initial administrative costs. It also proposed to require transfers from the Maine Military Family Relief Fund to an Other Special Revenue Funds account within the bureau to be used to support the operations of the bureau necessary for the implementation of this Act.

Enacted Law Summary:

Public Law 2003, chapter 703 establishes the Maine Military Family Relief Fund and enacts an income tax checkoff to permit individual income tax filers to make contributions to the fund. The fund is administered by the Adjutant General who is authorized to make grants from the fund to families of persons who are members of the Maine National Guard or the armed forces reserves who have been called to active duty. The income tax checkoff is repealed December 31, 2007.

LD 1735

An Act To Repeal the Taxation of Personal Property Valued at \$1,000 or More

ONTP

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

LD 1735 proposed to extend to all personal property the exemption from municipal taxation of items of personal property valued at \$1,000 or less.

Joint Standing Committee on Taxation

LD 1745 **An Act To Exempt Unemployment Benefits from State Income Tax** **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CLARK	ONTP MAJ	H-755
DAVIS P	OTP-AM MIN	H-813 CLARK

LD 1745 proposed to exempt unemployment benefits from Maine income tax beginning January 1, 2004.

Committee Amendment “A” (H-755) proposed to clarify the unemployment benefits to which the exemption applied.

House Amendment “A” (H-813) proposed to remove the emergency preamble and emergency clause.

This bill was indefinitely postponed when removed from the Special Appropriations Table.

LD 1746 **An Act To Provide Equity in Veterans' Property Tax Exemptions** **PUBLIC 702**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
THOMPSON	OTP-AM	H-725
HATCH PH		H-742 LEMOINE
		S-566 CATHCART

LD 1746 proposed to extend to widowers of veterans the same property tax exemptions that are currently provided to widows of veterans. The bill also proposed to extend to fathers of veterans the same property tax exemptions that are currently provided to mothers of veterans.

Committee Amendment “A” (H-725) proposed to extend veterans' property tax exemptions to fathers of eligible veterans to include those who survive veterans of World War I, in order to provide statutory consistency.

House Amendment “A” (H-742) proposed to add a change to the bill to extend the property tax exemptions for certain mothers of veterans to include fathers of veterans to correct an omission in the bill.

Senate Amendment “A” (S-566) proposed to add a mandate preamble to the bill.

Enacted Law Summary

Public Law 2003, chapter 702 extends to widowers and fathers of veterans the same property tax exemptions that are currently provided to widows and mothers of veterans.

Joint Standing Committee on Taxation

LD 1763

An Act To Promote Responsible Pet Ownership

PUBLIC 682

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
COLWELL BRYANT	OTP-AM	H-727 S-567 CATHCART

LD 1763, based on New Hampshire law, proposed to establish the Companion Animal Sterilization Program beginning January 1, 2005 to provide funding assistance to Maine residents who adopt a dog or cat from an animal shelter and need the animal to be spayed or neutered. A resident would pay a fee of \$30 to participating veterinarians. Disabled, elderly, unemployed or low-income residents who were eligible to receive low-income assistance, such as food stamps or MaineCare or unemployment benefits, would pay a fee of \$15, which would cover an examination, vaccinations and sterilization from a participating veterinarian.

Participating veterinarians would be reimbursed for the difference between the fee and 80% of the veterinarian's fee for sterilizing the companion animal less the copayment; if the companion animal were owned by a disabled, elderly, low-income or unemployed person, the veterinarian would receive full reimbursement.

The primary source of funding for the program would be a voluntary checkoff on the individual income tax form that would allow a taxpayer to donate a portion of a tax refund or make a donation with the tax return.

This bill also proposed to establish the Companion Animal Overpopulation Committee, a permanent committee whose purpose would be to study and report on pet overpopulation in Maine and the relationship of companion animal overpopulation to the spread of rabies and other threats to the public health and make recommendations to reduce the number of stray and homeless cats and dogs in the State and the number of healthy cats and dogs euthanized in animal shelters and to increase compliance with dog licensing and rabies vaccination laws.

Committee Amendment “A” (H-727) proposed to strike portions of the bill providing statutory details for the establishment of a companion animal sterilization program. The amendment proposed to retain and revise provisions establishing the Companion Animal Sterilization Fund to provide funding for subsidies to persons with low incomes to assist them in the spaying or neutering of companion animals. The fund would be administered by the Commissioner of Agriculture, Food and Rural Resources, who would be required to establish the procedures and eligibility criteria in consultation with veterinarians and representatives of humane societies and animal shelters. The primary source of funding for the fund would be a voluntary checkoff on the individual income tax form that would allow a taxpayer to donate a portion of a tax refund or make a donation with the tax return.

Senate Amendment “A” to Committee Amendment “A” (S-567) proposed to replace a General Fund appropriation for the Department of Administrative and Financial Services, Bureau of Revenue Services with an Other Special Revenue allocation and to require the bureau to absorb any initial administrative costs. It also proposed to require transfers from the Companion Animal Sterilization Fund to an Other Special Revenue Funds account within the bureau to be used to support the operations of the bureau necessary for the implementation of this Act.

Enacted Law Summary

Public Law 2003, chapter 682 establishes the Companion Animal Sterilization Fund in the Department of Agriculture and enacts an income tax checkoff to permit individual income tax filers to make contributions to

Joint Standing Committee on Taxation

the fund. The fund is administered by the Commissioner of Agriculture who is directed to develop procedures and eligibility standards for awarding subsidies to low-income persons for the spaying or neutering of companion animals.

LD 1769 **An Act To Provide for Fair Treatment of Taxpayers** **INDEF PP**

<u>Sponsor(s)</u> CLOUGH NASS	<u>Committee Report</u> OTP-AM MAJ ONTP MIN	<u>Amendments Adopted</u> H-699
-------------------------------------	---	------------------------------------

LD 1769 proposed to restore language of the provision governing the statute of limitations on certain tax assessments to the tax laws that existed prior to enactment of Public Law 2003, chapter 451, Part HH which expanded the 6-year statute of limitations on assessments under the tax laws to remove the requirement that the liability be attributable to information not reported by the taxpayer and changed the standard for determining the 50% threshold.

Committee Amendment “A” (H-699) proposed to incorporate a fiscal note.

This bill was indefinitely postponed when removed from the Special Appropriations Table.

LD 1794 **An Act to Expand Maine’s Homestead Exemption for the Blind** **PUBLIC 686**

<u>Sponsor(s)</u> RICHARDSON, J EDMONDS	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-724 S-568 CATHCART
---	-----------------------------------	--

LD 1794 proposed to expand the property tax exemption on residential real estate up to the just value of \$4,000 for persons who are blind to include residential property that is held in a revocable living trust for a person who is blind and who occupies the property as that person’s permanent residence. This change mirrors the exemptions granted to veterans and under the Maine resident homestead property tax exemption program.

Committee Amendment “A” (H-724) proposed to clarify the expansion of the exemption to property held in a revocable living trust for a person who is blind and who occupies the property as that person's permanent residence.

Senate Amendment “A” to Committee Amendment “A” (S-568) proposed to add a mandate preamble to the bill.

Enacted Law Summary

Public Law 2003, chapter 686 extends the property tax exemption for residential property of persons who are blind to include residential property that is held in a revocable living trust for a person who is blind and who occupies the property as that person’s permanent residence.

Joint Standing Committee on Taxation

LD 1804

An Act To Clarify Property Eligible for Reimbursement of Property Taxes under the Business Equipment Tax Reimbursement Program

PUBLIC 625

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
BOWLES	OTP-AM	H-823 H-846 LEMOINE

LD 1804 proposed to exclude gambling machines and devices, including electronic video machines, from eligibility in the business equipment tax reimbursement program. See also LD 1361 and LD 1820 summarized under the Committee on Legal and Veterans Affairs.

Committee Amendment “A” (H-843) proposed to provide that equipment used in the playing phases of lottery schemes would be included in the definition of gambling machines or devices.

House Amendment “A” to Committee Amendment “A” (H-846) proposed to correct the fiscal note on Committee Amendment “A”.

Public Law 2003, chapter 625 excludes gambling machines and devices, including electronic video machines and equipment used in the playing phases of lottery schemes, from eligibility in the business equipment tax reimbursement program.

LD 1807

Resolve, Authorizing the State Tax Assessor To Convey the Interest of the State in a Certain Parcel of Real Estate Located in the City of Auburn

RESOLVE 108

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE STANLEY	OTP-AM	H-700

LD 1807 proposed to authorize the State Tax Assessor to convey the interest of the State in several parcels of real estate located in the City of Auburn acquired under the elderly tax deferral program.

Committee Amendment “A” (H-700) proposed to remove incorrect and confusing language in section 1 and change the method of distribution of proceeds of the property that is the subject of the resolve.

Enacted Law Summary

Resolve 2003, chapter 108 authorizes the State Tax Assessor to convey the interest of the State in a certain parcel of tax-acquired real estate located in the City of Auburn acquired under the elderly tax deferral program.

Joint Standing Committee on Taxation

LD 1813

An Act To Make Minor Substantive Changes to the Tax Laws

PUBLIC 705

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
LEMOINE	OTP-AM	H-824
STANLEY		S-595 CATHCART

LD 1813 proposed to make the following changes to the laws governing taxation:

1. Add retailers of low-energy fuel to the categories of persons who are subject to revocation of their registration certificate if they fail to comply with a notice to segregate trust fund taxes. The change was inadvertently omitted from legislation enacted in the 119th Legislature that established this new category of licensee under the Special Fuel Tax Act;
2. Establish a requirement for persons who purchase more than 2 cartons per month of unstamped cigarettes for personal use to report and pay the cigarette tax directly to the Department of Administrative and Financial Services, Bureau of Revenue Services and clarify that persons who fail to do so are subject to the same assessment provisions as those liable for other taxes;
3. Add the federal empowerment zone employment credit to those similar federal credits that are deductible from state income for purposes of calculating Maine taxable income for individuals and corporations and add citations to the specific provisions of the Internal Revenue Code that authorize the credits. The changes would apply to tax years beginning on or after January 1, 2004; and

Clarify that premiums paid by self-employed taxpayers for long-term care insurance may be used to reduce Maine taxable income only to the extent that those premiums have not already been deducted in arriving at federal adjusted gross income. The change would apply to tax years beginning on or after January 1, 2004.

Committee Amendment “A” (H-824) proposed to amend the bill by adding 3 sections. One new section would permit access by the Department of Human Services to certain real estate transfer tax information to assist in the recovery of amounts owed the State under the Medicaid program. Another new section would expand the sales tax exemption for nonprofit residential care facilities to include nonprofit assisted living programs. The amendment also proposed to strike the section of the bill that repeals the sales tax exemption for truck bodies and trailers manufactured in the State and proposed to authorize in the 3rd new section a committee review of the provision during regular interim meetings. This review was not approved by the Legislative Council.

Senate Amendment “A” (S-595) proposed to provide for conformity of the State's tax laws with the United States Internal Revenue Code as of December 31, 2003 except for those provisions of the Code related to health savings accounts. This amendment also makes a technical correction to avoid a conflict by incorporating changes to the Maine Revised Statutes, Title 36, section 1760, subsection 16 that were enacted by Public Law 2003, chapter 588.

This amendment also proposed to remove the requirement that the joint standing committee of the Legislature having jurisdiction over taxation matters conduct a review during the 2004 legislative interim of the sales tax

Enacted Law Summary

Public Law 2003, chapter 705 made minor substantive changes to the laws governing taxation. Specifically the law does the following.

Joint Standing Committee on Taxation

1. It adds retailers of low-energy fuel to the categories of persons who are subject to revocation of their registration certificate if they fail to comply with a notice to segregate trust fund taxes. The change was inadvertently omitted from legislation enacted in the 119th Legislature that established this new category of licensee under the Special Fuel Tax Act.
2. It eliminates the requirement for processors and shippers of wild blueberries to file an annual application for renewal of certification.
3. It requires persons who purchase more than 2 cartons per month of unstamped cigarettes for personal use to report and pay the cigarette tax directly to the Department of Administrative and Financial Services, Bureau of Revenue Services and clarifies that persons who fail to do so are subject to the same assessment provisions as those liable for other taxes.
4. It adds the federal empowerment zone employment credit to those similar federal credits that are deductible from state income for purposes of calculating Maine taxable income for individuals and corporations and add citations to the specific provisions of the Internal Revenue Code that authorize the credits.
5. It clarifies that premiums paid by self-employed taxpayers for long-term care insurance may be used to reduce Maine taxable income only to the extent that those premiums have not already been deducted in arriving at federal adjusted gross income.
6. It permits access by the Department of Human Services to certain real estate transfer tax information to assist in the recovery of amounts owed the State under the Medicaid program. See also Public Law 2003, chapter 673, section DD-2 which contains the same change.
7. It expands the sales tax exemption for nonprofit residential care facilities to include nonprofit assisted living programs.
8. It updates the State's general conformity with changes in the United States Internal Revenue Code between May 28, 2003 and December 31, 2003, with the exception of provisions related to health savings accounts.

LD 1816

An Act Concerning Technical Changes to the Tax Laws

PUBLIC 588

<u>Sponsor(s)</u> LEMOINE STANLEY	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-754
---	-----------------------------------	------------------------------------

LD 1816 proposed to make the following changes to the laws governing taxation:

1. Clarify that the Department of Administrative and Financial Services, Bureau of Revenue Services must preserve electronically transmitted tax returns for at least 3 years, and that returns could be preserved in the form of digital images rather than microfilm reproductions;
2. Add definitions of “rural community health center” and “school” to the sales and use tax law, to repeal language that is definitional in nature from the statute exempting these types of entities and to repeal cross-references to the repealed language;

Joint Standing Committee on Taxation

3. Clarify that the sales tax exemption for sales to contractors of materials that would be incorporated into real estate of an exempt entity include sales to subcontractors;
4. Replace outdated references to federal laws and regulations governing air carriers from the sales tax exemption for parts used by scheduled airlines;
5. Clarify the application of the exemption provisions in the gasoline tax law;
6. Expand the special fuel tax exemption for kerosene delivered to a separate tank for retail sale to include kerosene prepackaged for home use. The Bureau of Revenue Services is currently applying this interpretation administratively;
7. Correct the applicable tax years for the provisions relating to the modification of federal adjusted gross income for property eligible for federal bonus depreciation for individual income tax computation purposes;
8. Add a reference to net operating loss provisions for clarity and consistency with other statutory provisions;
9. Delete redundant provisions that require taxpayers to make timely payment of income and franchise taxes;
10. Relocate an inappropriately placed requirement to file amended returns into the chapter of law governing the filing of returns, in order to clarify that amended returns are returns for purposes of determining the timeliness of assessments, requests for appeal and refund requests;
11. Repeal a cross-reference to the provision repealed in the Maine Revised Statutes, Title 36, section 5227;
12. Repeal a redundant statute authorizing the State Tax Assessor to name the assessor's employees as agents to collect income taxes;
13. Clarify the sales tax treatment of sales of products for human consumption through vending machines; and
14. Make various grammatical changes.

Committee Amendment “A” (H-754) proposed to add a provision to the bill that would clarify the sales tax treatment of sales of products for internal human consumption through vending machines.

Enacted Law Summary

Public Law 2003, chapter 588 makes the following changes to the laws governing taxation.

1. It clarifies that the Department of Administrative and Financial Services, Bureau of Revenue Services must preserve electronically transmitted tax returns for at least 3 years, and that returns may be preserved in the form of digital images rather than microfilm reproductions.
2. It adds definitions of "rural community health center" and "school" to the sales and use tax law, repeals language that is definitional in nature from the statute exempting these types of entities and repeals cross-references to the repealed language.

Joint Standing Committee on Taxation

3. It clarifies that the sales tax exemption for sales to contractors of materials that will be incorporated into real estate of an exempt entity includes sales to subcontractors.
4. It replaces outdated references to federal laws and regulations governing air carriers from the sales tax exemption for parts used by scheduled airlines. The existing statute refers to regulations of the Civil Aeronautics Board, which no longer exists, and cites a federal law that has been repealed.
5. It clarifies the application of the exemption provisions in the gasoline tax law.
6. It expands the special fuel tax exemption for kerosene delivered to a separate tank for retail sale to include kerosene prepackaged for home use. The Bureau of Revenue Services is currently applying this interpretation administratively.
7. It corrects the applicable tax years for the provisions relating to the modification of federal adjusted gross income for property eligible for federal bonus depreciation for individual income tax computation purposes.
8. It adds a reference to net operating loss provisions for clarity and consistency with other statutory provisions.
9. It deletes redundant provisions that require taxpayers to make timely payment of income and franchise taxes.
10. It relocates an inappropriately placed requirement to file amended returns into the chapter of law governing the filing of returns, in order to clarify that amended returns are returns for purposes of determining the timeliness of assessments, requests for appeal and refund requests.
11. It repeals a cross-reference to the provision repealed in the Maine Revised Statutes, Title 36, section 5227.
12. It repeals a redundant statute authorizing the State Tax Assessor to name the assessor's employees as agents to collect income taxes.
13. It clarifies the sales tax treatment of sales of products for human consumption through vending machines.
14. It also makes various grammatical changes.

LD 1824

An Act To Provide Property Tax Relief to Maine Homeowners

INDEF PP

Sponsor(s)
COLWELL
DAGGETT

Committee Report
RECEIVED BY
CLERK PUR TO
JT RULE 309

Amendments Adopted

LD 1824 proposed to create the Maine Homestead Property Tax Relief Program by incorporating the current Maine Residents Property Tax Program, commonly referred to as the "circuit breaker" program, and the homestead property tax exemption program. The new program would apply to tax years

Joint Standing Committee on Taxation

beginning April 1, 2004. Taxpayers would receive property tax relief payments beginning September 30, 2004.

The new program would have the following provisions:

1. Payments would be provided directly to Maine resident property taxpayers;
2. Under the homestead portion of the program, all Maine resident property owners, regardless of income level, would receive a homestead property tax relief payment equivalent to a \$14,000 property tax exemption based on local valuation and the local mil rate as long as the owner did not owe any back taxes on the claimed property;
3. Under the circuitbreaker portion of the program, the maximum benefit payment for low-income nonelderly households would be increased to \$1,250 from the current \$1,000 and the percentage of rent considered payment for property taxes would be increased to 20% from the current 18% for nonelderly households;
4. Low-income or elderly households would obtain both the homeowners benefit and the circuitbreaker benefit if those households qualified for both benefits; however, the total maximum benefit could not exceed the total amount of property taxes owed; and
5. The application deadlines and tax relief payment deadlines would be the same for all benefits under the new program: all applications would have to be submitted by April 15th and all payments would be made by the State Treasurer no later than September 30th of each year and subsequent claims for the same property by the same claimant could be done through the claimant's Maine income tax return or through a separate return.

The bill also proposed to authorize a municipality to develop a local program in which the property taxes would be frozen or increased only by the rate of inflation. Eligibility for the program would be limited to taxpayers who had occupied their homes for at least 20 years and who were in danger of losing the property due to inability to pay the property taxes. The municipality would recoup the lost revenue when the homes were sold or transferred. The program would require approval at a local option referendum.

LD 1824 was removed from Committee by the presiding officers without a Committee report near the end of the Second Special Session.

LD 1850

**Resolve, Regarding Legislative Review of Chapter 31:
Affordable Housing Development District - Recovery of Public
Revenue, a Major Substantive Rule of the Maine State Housing
Authority**

**RESOLVE 115
EMERGENCY**

Sponsor(s)

Committee Report
OTP

Amendments Adopted

LD 1850 proposed to authorize the Maine State Housing Authority to adopt Chapter 31: Affordable Housing Development District - Recovery of Public Revenue, a major substantive rule.

Joint Standing Committee on Taxation

Enacted Law Summary

Resolve 2003, chapter 115 authorizes the Maine State Housing Authority to adopt Chapter 31: Affordable Housing Development District - Recovery of Public Revenue, a major substantive rule.

Resolve 2003, chapter 115 was finally passed as an emergency measure and took effect March 24, 2004.

LD 1882 **An Act To Establish Municipal Cost Components for Unorganized Territory Services To Be Rendered in Fiscal Year 2004-2004-05** **P & S 44 EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-837
-------------------	-----------------------------------	------------------------------------

LD 1882 proposed to establish municipal cost components for state and county services provided to the unorganized territory that would be paid for by a municipality. The municipal cost components would constitute the property tax for the unorganized territory.

Committee Amendment “A” (H-837) proposed to make changes to reflect new budget information that became available after the bill was printed.

Enacted Law Summary

Private and Special 2003, chapter 44 establishes municipal cost components for state and county services provided to the unorganized territory that would be paid for by a municipality. The municipal cost components constitute the property tax for the unorganized territory.

Private and Special 2003, chapter 44 was enacted as an emergency measure and took effect April 14, 2004.

LD 1887 **Resolve, To Reduce the State Valuation for the Town of Lincoln** **RESOLVE 124**

<u>Sponsor(s)</u> CATHCART CARR	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-440
---------------------------------------	-----------------------------------	------------------------------------

LD 1887 proposed to authorize the Town of Lincoln to request a reduction in its 2004 state valuation based on a sudden and severe disruption of valuation, caused by the bankruptcy of Eastern Pulp and Paper Co., pursuant to the Maine Revised Statutes, Title 36, section 208-A.

Committee Amendment “A” (S-440) proposed to correct the date from 2004 to 2005.

Joint Standing Committee on Taxation

Enacted Law Summary

Resolve 2003, chapter 124 authorizes the Town of Lincoln to request a reduction in its 2005 state valuation based on a sudden and severe disruption of valuation, caused by the bankruptcy of Eastern Pulp and Paper Co., pursuant to the Maine Revised Statutes, Title 36, section 208-A.

LD 1893

An Act To Impose Limits on Real and Personal Property Taxes

ONTP

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

LD 1893 is an initiated bill which proposed to limit the ad valorem taxes levied on real or personal property to a maximum rate of 1% of the value of the property. The base value of the property is the 1996-97 assessed value. For property constructed, sold or transferred after the 1996-97 assessment, the base value is the appraised value at the time of construction or acquisition. This base value could be adjusted up or down each year by a maximum of 2%. Certain exemptions, including transfers between spouses and transfers between a parent and child, would be included.

This initiated bill also proposed to prohibit any change in the maximum property tax rate except by a 2/3 vote of all voters in a statewide referendum. Localities could impose special taxes, except on property, and only by a 2/3 vote of the electors in the locality by referendum at a general election in November.

LD 1895

Resolve, To Reduce the State Valuation for the Town of East Millinocket

RESOLVE 123

<u>Sponsor(s)</u>		<u>Committee Report</u>		<u>Amendments Adopted</u>
STANLEY DUPREY, G		OTP-AM		S-439

LD 1895 proposed to authorize the Town of East Millinocket to seek an adjustment of its state valuation for the year 2003 without meeting the August 1st filing deadline set forth in current law.

Committee Amendment "A" (S-439) proposed to correct the date from 2003 to 2004.

Enacted Law Summary

Resolves 2003, chapter 123 authorizes the Town of East Millinocket to seek an adjustment of its state valuation for the year 2004 without meeting the August 1st filing deadline set forth in current law.

Joint Standing Committee on Taxation

LD 1911 **An Act To Authorize Municipalities To Establish Local Tax Relief Programs** **ONTP**

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

LD 1911 was a concept draft that proposed to allow municipalities to establish local tax relief programs.

LD 1923 **An Act To Increase Business Investment, Provide Expanded Property Tax Relief to Low-income and Moderate-income Homeowners and Cap Local and County Spending** **INDEF PP**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
STANLEY LEMOINE	RECEIVED BY CLERK PUR TO JT RULE 309	

LD 1923 was a Governor's bill that proposed the following tax relief measures.

Part A proposed to establish a property tax exemption for certain business property that would have been first subject to property tax after April 1, 2004 in the absence of this exemption. Property placed in service on or before April 1, 2004 would remain eligible for the Business Equipment Tax Reimbursement, or "BETR," program for the duration of the 12-year window for BETR program entitlement, after which it would be exempt. Property placed in service on or before April 1, 1995, the date after which property placed into service is eligible under BETR, would remain subject to property taxation as long as it continued to be otherwise subject to personal property taxation in the State.

Part A also proposed to establish a procedure for the State Tax Assessor to value business equipment entitled to the tax exemption. Continuing valuation of this class of property would be required in order to provide the required 50% state reimbursement to municipalities for lost property tax revenue.

Part B proposed to repeal the homestead property tax exemption program for property tax years beginning on or after April 1, 2004, expand the Maine Residents Property Tax Program and rename the expanded property tax reimbursement "the Homestead Tax Cap Program" for applications required to be filed on or after August 1, 2004. The program would be expanded by increasing the income eligibility requirements for nonelderly households to \$75,000 for single-member households and to \$100,000 for households with 2 or more members and by increasing the maximum allowable benefit from \$1,000 to \$1,325 for applications filed in 2004 and to \$2,000 thereafter.

Part C, which is modeled after the budget stabilization cap applicable to the State Government budget, proposed to establish a cap on municipal and county government spending. Each year, municipal and county budgets could not exceed the average real personal income growth rate, adjusted by inflation, except in exceptional circumstances. For a budget to exceed the adjusted annual growth rate, the municipal or county budget authority would need to state what exceptional circumstances require the cap to be exceeded and vote on a separate article to exceed the cap.

Joint Standing Committee on Taxation

the 2007-2008 school year. It also proposed to delay the requirements that school administrative units implement standards in the content areas of career preparation, foreign languages and visual and performing arts by one year to the 2007-2008 school year.

4. It proposed to delete the section of the bill that proposes to place transportation operating costs into the essential programs and services funding model and instead incorporates an unallocated section that provides that transportation operating costs must be placed in the essential programs and services funding model beginning in fiscal year 2005-06 and must include adjustments to the proposed calculation of these operating costs to reflect the transportation of special education students and vocational education students and other factors that respond to unique costs in some school administrative units. This section also proposed to provide that the proposed appeals process might also include analyses of other factors beyond cost efficiency and a cost comparison with comparable units.
5. It proposed to provide a technical amendment to the definition of "local cost share expectation" to clarify that this expectation is directly related to the school administrative unit's contribution to the "total cost of education" as determined by the Commissioner of Education.
6. It proposed to provide a technical amendment to clarify that the calculation of the full-value education mill rate is derived from an annual local share percentage beginning in fiscal year 2005-06 and concluding in fiscal year 2009-10.
7. It proposed to clarify that a school administrative unit's legislative body might exceed the local cost share expectation beginning in fiscal year 2005-06 rather than in fiscal year 2009-10 as proposed in the bill.
8. It proposed to establish an exception for the member municipalities of school administrative districts and community school districts whose district cost sharing formulas were established by private and special law and further directs the Department of Education to study the implications of the proposed "total cost of education" mechanism on member municipalities of districts whose district cost sharing formulas were created by private and special law.
9. It proposed to establish January 1, 2005 as the implementation date for the use of state-approved guidelines in the identification of children requiring special education services and provides that the Department of Education will provide training to school administrative units in the application of these guidelines beginning in fiscal year 2004-05.

Senate Amendment "A" To Committee Amendment "A" (S-550) proposed to replace the provision of the committee amendment that established specific performance indicators for the related reduction in local property tax commitments for the fiscal year 2005-06 to 2009-10 period with projected performance indicators that are based on a reduction in the local property tax commitment to fund the cost of essential programs and services that is less than the local property tax commitment made in the prior fiscal year.

The amendment also proposed to add a new provision regarding the annual report required from the Municipal Budget Analysis Committee by requiring that the annual report also include recommendations, including any recommended changes in the law, related to the level of state funding, the related local property tax commitment required to fund the costs of kindergarten to grade 12 public education, municipal services and the local share of the county budget and the benchmarks and projected performance indicators established for the fiscal year 2005-06 to 2009-10 period.

Joint Standing Committee on Taxation

Enacted Law Summary

Public Law 2003, chapter 712 amends the school funding laws to refine the essential programs and services funding approach in preparation for its implementation beginning in fiscal year 2005-06. Specifically, the law accomplishes the following:

1. It provides that by fiscal year 2009-10 the state share of kindergarten to grade 12 education funding, as described by essential programs and services, must be 55%; and it amends the existing state share percentage targets for fiscal year 2005-06 through fiscal year 2009-10 to provide for the so-called “ramp” necessary to achieve the 55% state share of school funding.
2. It establishes a formula for determination of the maximum local cost share expectation and requires the Commissioner of Education to notify each school administrative unit annually of its local cost share expectation for property tax years beginning on or after April 1, 2005. It also proposed to require that this expectation must decline from 9.0 mills for fiscal year 2005-06 to 8.0 mills for fiscal year 2009-10.
3. It provides that, beginning in fiscal year 2005-06, the legislative body of a school administrative unit may adopt a property tax rate that exceeds its local cost share expectation in a vote separate from the vote taken to adopt the school budget.
4. It requires that local cost sharing among member municipalities of a school administrative district or community school district be based on pupil count unless a different cost sharing formula has been established by private and special law prior to January 1, 2004.
5. It requires that the transportation operating costs component must be placed in the essential programs and services funding model beginning in fiscal year 2005-06 and must include adjustments to the calculation of these operating costs that reflect the transportation of special education students, vocational education students, and other factors that respond to unique cost drivers in some school administrative units. It also provides that, beginning in fiscal year 2005-06, an appeals process must be implemented; and further provides that this appeals process may include analyses of other factors beyond cost efficiency and a cost comparison with comparable units.
6. It requires that special education costs will be included in essential programs and services starting in fiscal year 2005-06; it establishes January 1, 2005 as the implementation date for the utilization of state-approved guidelines in the identification of children requiring special education services; and it provides that the Department of Education will provide training to school administrative units in the application of these guidelines beginning in fiscal year 2004-05.
7. It places early childhood education program costs and vocational education program costs into essential programs and services no later than fiscal year 2007-08.
8. It establishes benchmarks and performance indicators for analysis of state and local cost share performance and the impact of the law on local property taxes. It provides for the establishment of the Municipal Budget Analysis Committee for the purpose of providing the Governor and the Legislature with an annual report that analyzes the effectiveness of increased state support for education in reducing the local property tax commitment required to fund the cost of the essential programs and services over the 2005-06 to 2009-10 period.

Joint Standing Committee on Taxation

9. It provides for the delay, by one year to the 2007-2008 school year, of the requirements for school administrative units and certain private high schools to implement standards in the content areas of mathematics, English language arts, health and physical education, science and technology and social studies, including the requirement that high school graduation be determined by student achievement of the standards for these content areas. It also provides for the further delay, by one year to the 2007-2008 school year, of the requirements that school administrative units implement standards in the content areas of career preparation, foreign languages and visual and performing arts.

LD 1927

An Act To Modify Taxation of Benefits under Employee Retirement Plans, Including Retirement Plans for Teachers

INDEF PP

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GAGNON SIMPSON	OTP-AM MAJ ONTP MIN	S-481

LD 1927 proposed to increase the income tax deduction for pensions to \$8,000 beginning January 1, 2005 and by \$1,000 each subsequent year until the amount of the deduction is \$17,000 in 2014. In 2015 the deduction would increase to \$20,000. Beginning with tax years beginning January 1, 2016, the amount of the deduction would be equal to the amount of the maximum federal social security benefits reduced by any social security benefits and railroad retirement benefits actually received by the taxpayer.

Committee Amendment “A” (S-481) proposed to incorporate a fiscal note.

The bill was indefinitely postponed when removed from the Special Appropriations Table.