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State of Maine
 ONE HUNDRED AND TWENTY-FIFTH LEGISLATURE
 COMMITTEE ON TAXATION

Meeting Summary – November 9, 2011

The Joint Standing Committee on Taxation held its final interim meeting on November 9, 2011. The Committee convened at approximately 11:15 shortly after the subcommittee on tax reform adjourned. The Committee started with introductions and took the agenda out of order discussing tax expenditure first followed by the update from the subcommittee on tax reform and concluding with a review carryover bills after lunch.

Highlights related to tax expenditures evaluation and review

- The Committee reviewed a draft Committee bill that requires the Taxation Committee to use specific criteria to evaluate new tax expenditures proposals in legislation that comes before the Committee. (See Attachment A. To be revised per Committee vote.)
- The Committee discussed amending the bill to include a process for the Taxation Committee to provide an advisory opinion to other policy committees when legislation that proposes new tax expenditures is referred the other policy committee.
- The Committee voted to approve the bill as amendment and it will be reviewed when the Legislature convenes in January.
- The Committee also discussed legislation for reviewing current expenditures, but decided to use current statutory authority to work on the evaluation of current tax expenditures during next session.

Highlights related to restructuring tax laws

- The chair of the subcommittee provided an update on the last of the 5 small group discussions.
- The subcommittee believes that the conversations were worthwhile and productive, and there is a need for further work. However, it seems clear that the timing isn't right for comprehensive reform.
- The three members of the subcommittee have not met to talk about how they want to proceed. It was suggested that there may be more discussion during the next session.
- Some members of the Committee expressed a continued interest in working on reform. The Committee will wait until the new Senate Chair is appointed to discuss priorities and workload before continuing discussions about an ongoing process.

Highlights related to review of carry over bills

- The Committee reviewed the remaining carryover bills.
- The carryover bill worksheet provides action taken to date. (See Attachment B.)

Wrap-up

The Joint Standing Committee on Taxation held 4 meetings during the interim. The Committee:

- developed draft principles for taxation in Maine;
- held subcommittee discussions with outside experts on restructuring Maine's tax laws;
- agreed that the time may not be right for comprehensive tax reform; however some Committee members expressed interest in a process for continued work on tax laws next session;
- voted to finalize a Committee bill that creates a process using specific criteria to review proposals for new or expanded tax expenditures that come before the Committee on a prospective basis;
- agreed to use existing statutory authority to review current tax expenditures next session; and
- voted 2 of the 12 carryover bills.

For more information go to: www.maine.gov/legis/ofpr/taxation_committee/interim_schedule.

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 Date: October 7, 2011

COMMITTEE AMENDMENT TO LD 1225, An Act to Create an Income Tax Return Check-off To Fund Cancer Screening, Detection and Prevention

Amend the bill by striking out the title and inserting the following new title in its place: **An Act to Create an Income Tax Return Check-off Evaluation Process and Add New Income Tax Return Check-offs**

Amend the bill by striking out everything after the enacting clause and before the summary and inserting in its place the following

Sec. 1. 22 MRSA §1407, sub-§4, as enacted by PL 2007, c. 341, §1, is amended to read:

4. Comprehensive Cancer Screening, Detection and Prevention Fund; funding. The Comprehensive Cancer Screening, Detection and Prevention Fund is established within the department to fund or assist in funding the comprehensive cancer screening, detection and prevention program should it be established pursuant to subsection 1, paragraph E. Any balance in the fund does not lapse but is carried forward to be expended for the same purposes in succeeding fiscal years. The fund must be deposited with and maintained and administered by the department. The fund may receive funds from any non-General Fund source, including revenues from the income tax checkoff under Title 36, section 5293, grants and contributions of money from the public or private sector, to carry out the purposes of subsection 1, paragraph E.

Sec. 2. 27 MRSA §8 is enacted to read:

§ 8. Maine Public Library Fund

There is established the Maine Public Library Fund, an interest-bearing account, referred to in this section as "the fund." The fund receives money deposited by the Treasurer of State pursuant to Title 36, section 5292 and any other money contributed voluntarily to the fund. The fund is administered by the State Librarian. All money deposited in the fund and the earnings on that money remain in the fund to be used to provide grants to free public libraries for use in providing services identified as priority services by the State Librarian. Money in the fund may also be used for the necessary administrative and personnel costs associated with the management of the fund but may not be deposited in the General Fund or any other fund except as specifically provided by law.

Sec. 3. 36 MRSA §5283 as enacted by PL 1973, c 243 and amended by PL 1987, c 502, §A137 is repealed.

Sec. 4. 36 MRSA §5291 is enacted to read:

§ 5291. Voluntary checkoff evaluation

1. **Review of checkoffs.** The State Tax Assessor shall, annually, review each voluntary checkoff that appears on the individual income tax return form pursuant to this chapter and calculate the number of taxpayers using the checkoff to contribute funds. Beginning January 1, 2015, and every 10 years thereafter, the assessor shall calculate the average number of taxpayers using each checkoff during the previous 2 tax years.

2. **Report.** The State Tax Assessor shall, beginning January 1, 2015, and every 10 years thereafter, provide a report to the joint standing committee with jurisdiction over taxation matters on the use of the voluntary checkoffs by taxpayers. The assessor shall include in the report a list of the 3 voluntary checkoffs with the fewest number of taxpayers using the checkoffs during the previous 2 tax years.

3. **Committee review.** The joint standing committee with jurisdiction over taxation matters shall review the report provided by the assessor and may issue a report of its findings and recommendations, including recommendations for the repeal of the 3 voluntary checkoffs with the fewest number of taxpayers using the checkoffs during the previous 2 tax years in order to make space available on the individual income tax return form for checkoffs proposed in future legislation that the committee deems worthy for such use. The committee shall notify the Legislature of the results of each review conducted under subsection 2a and may report to the Legislature any legislation necessary to implement recommendations resulting from the review conducted under this section.

Sec. 5. 36 MRSA §5292 is enacted to read:

§ 5292. Maine Public Library Fund; voluntary checkoff

1. **Maine Public Library Fund.** When filing a return, a taxpayer entitled to a refund under this Part may designate that a portion of that refund be paid into the Maine Public Library Fund established in Title 27, section 8. A taxpayer who is not entitled to a refund under this Part may contribute to the Maine Public Library Fund by including with that taxpayer's return sufficient funds to make the contribution. The contribution may not be less than \$1. Each individual income tax return form must contain a designation in substantially the following form: "Maine Public Library Fund: () \$1, () \$5, () \$10, () \$25 or () Other \$.... ."

2. **Contributions credited to Maine Public Library Fund.** The State Tax Assessor shall determine annually the total amount contributed pursuant to subsection 1. Prior to the beginning of the next year, the State Tax Assessor shall deduct the cost, up to \$2,000 annually, of administering the Maine Public Library Fund checkoff and report the remainder to the Treasurer of State, who shall forward that amount to the Maine Public Library Fund.

Sec. 6. 36 MRSA §5293 is enacted to read:

§ 5293. Comprehensive Cancer Screening, Detection and Prevention Fund checkoff

1. Comprehensive Cancer Screening, Detection and Prevention Fund. Taxpayers who, when filing their returns, are entitled to a refund under this Part may designate that a portion of that refund be paid into the Comprehensive Cancer Screening, Detection and Prevention Fund established in Title 22, section 1407, subsection 4. A taxpayer who is not entitled to a refund under this Part may contribute to the Comprehensive Cancer Screening, Detection and Prevention Fund by including with that taxpayer's return sufficient funds to make the contribution. Each individual income tax return form must contain a designation in substantially the following form: "Contribution to Comprehensive Cancer Screening, Detection and Prevention Fund: () \$5, () \$10, () \$25 or () Other \$..."

2. Contributions credited to Comprehensive Cancer Screening, Detection and Prevention Fund. The State Tax Assessor shall determine annually the total amount contributed pursuant to subsection 1. Prior to the beginning of the next year, the assessor shall deduct the cost of administering the Comprehensive Cancer Screening, Detection and Prevention Fund checkoff, but not exceeding \$5,000 annually, and report the remainder to the Treasurer of State, who shall credit that amount to the Comprehensive Cancer Screening, Detection and Prevention Fund established in Title 22, section 1407, subsection 4.

Sec. 7. Effective date. This Act applies to tax years beginning on and after January 1, 2013.

SUMMARY

This bill creates an evaluation process for the voluntary checkoffs on the income tax form that allows taxpayers to donate to various funds. It repeals It requires the State Tax Assessor to, beginning in tax years on or after January 1, 2013, annually review each voluntary checkoff that appears on the individual income tax return form and calculate the number of taxpayers using the checkoffs. It requires the assessor to, beginning January 1, 2015 and every 10 years thereafter, calculate the average number of taxpayers using each checkoff during the previous 2-year period and report the use by taxpayers to the Joint Standing Committee on Taxation. It requires the Joint Standing Committee on Taxation to review the report and make recommendations to the Legislature that may include the repeal of the 3 voluntary checkoffs with the fewest average number of taxpayers using the checkoffs during the previous 2 tax years in order to make space available on the individual income tax return form for checkoffs proposed in future legislation that the committee deems worthy for such use.. This bill creates the Maine Public Library Fund and allows it to receive contributions from a voluntary checkoff on the state income tax return form for the purpose of providing grants to free public libraries to be used in providing services identified as priority services by the State Librarian and to fund administrative costs. The bill also allows the Comprehensive Cancer Screening, Detection and Prevention Fund to receive funding from a voluntary checkoff on the state income tax return form to fund the cancer prevention and control program.

Taxation Committee Carryover Bills

Status as of: 11/16/2011

Attachment B

LD	Title	Sponsor	PH	Last WS	Issues/Analysis/ Comments	Who/Cmt Lead Follow up needed/taken	Work Sessions/ Action/Vote
52	An Act To Dedicate a Percentage of the Sales and Use Tax on Motor Vehicles and Motor Vehicle Parts to the Highway Fund	CEBRA	2/15	3/14	Majority voted CO; goal to identify additional/alternative funding sources for HF	Further discussion with sponsor needed	11/9/11 Table
234	An Act To Provide a Sales Tax Exemption to Commercial Horticulturists	HARVELL	3/25	4/14	Unanimous OTP; Recommitted to Taxation Committee from the Appropriations Committee; may need to consider alternative funding sources or ways to make revenue neutral	Will review using evaluation criteria	11/9/11 Table
305	RESOLUTION, Proposing an Amendment to the Constitution of Maine To Allow Land and Buildings To Be Assessed Differently	CHIPMAN	4/29	5/11	Constitutional issues related to property tax policy in the assessment of land and buildings; need to examine issues re: Art IX, Sec 8 and 9.	No further action needed	11/9/11 ONTP
590	An Act To Require Review of Certain Changes to Sales Tax Policy Application or Practice prior to Implementation	CHASE	3/11	5/11	A workgroup met during Session to work this bill. Committee voted to CO bill on 5/4 and then reconsidered on 5/9 and tabled. Voted a majority and minority report of OTPA/OTPA on 5/11. The majority report was amended in the House and sent to Appropriations Table in the Senate. AFA recommitted to Taxation Committee to be carried over; may need to consider alternative funding sources or ways to reduce or offset revenue impact.	Rep Bennett discussed with sponsor	11/9/11 Table
835	An Act To Strengthen Maine's Economy through Improvements to the Educational Opportunity Tax Credit	KNIGHT	4/6	4/15	Originally voted out of Committee OTPA/ONTP. Went to floor and committed back to Committee 5/26. Issues raised related to the promotion of this tax credit on school campuses as well as issues related funding. There is a report dated 2/16/11 submitted pursuant to PL 2009, c 533, Sec A-18.	Sen Woodbury and Rep Knight (sponsor) indicated work with interested parties is needed.	11/9/11 Table
849	An Act To Provide Tax Relief for Maine's Citizens	TRAHAN	3/31	5/4	This bill proposes using revenue exceeding the GF appropriation limitation and unappropriated surplus be used to increase by 20% the income bracket thresholds and to reduce the highest income tax rates. Originally voted OTPA/ONTP/OTPA. Majority report	Committee agreed to keep bill for possible vehicle for tax reform legislation	11/9/11 Table
876	An Act To Convert Vacant Commercial Property to Occupied Commercial Property	BENNETT	4/25	5/2	Unanimous vote to carry over. Sponsor needs more time to develop concept draft regarding tax policy impact on real estate decisions related to commercial properties.	No further action needed	9/7/11 ONTP
1138	An Act To Prevent Unnecessary Expulsion of Landowners from the Maine Tree Growth Tax Law Program	KNIGHT	4/29	5/5	This bill changes the penalty in the Maine Tree Growth Tax Law program for failure to file a forest mgnt/harvest plan by the end of the 10-year period/120-day notification and repeals the 15,000-acre cap on land in FOS allow easier transfer of property between that program and tree growth. Committee voted to carryover this bill in order to more thoroughly review the Tree Growth Tax Law policy and issues that have been raised related to the bill. There have been reports and past changes in legislation that the Committee may want to review in working this bill.	Rep Harmon assigned as lead. Should work with other Tree Growth bill.	11/9/11 Table

LD	Title	Sponsor	PH	Last WS	Issues/Analysis/ Comments	Who/Cmt Lead Follow up needed/taken	Work Sessions/ Action/Vote
1164	An Act To Support Maine Farms and Alleviate Hunger	DION	4/25	5/6	This bill proposes an income tax credit up to \$5,000 to for farmers who donate food to nonprofits organizations that feed low-income people. The Committee originally voted ONTP/OTPA on 5/3 and reconsidered on 5/6 voting to carry over. There was discussion of how this might dovetail with an effort to provide incentives to farmers to refrain from shooting deer that damage crops.	Rep Berry and Rep Harmon continue to work on options including a smaller credit.	11/9/11 Table
1225	An Act To Create an Income Tax Return Check-off To Fund Cancer Screening, Detection and Prevention	STRANG BURGESS	4/27	5/4	This bill creates a checkoff on the income tax form to allow tax filers to donate to the Comprehensive Cancer Screening, Detection and Prevention Fund for funding the cancer prevention and control program. Committee voted to carryover this bill in order to develop a standardized process for evaluating income tax return checkoff requests. There was discussion during a separate work session on a library check off bill (ONTP) about developing standard criteria rather than the "first come first serve" or evaluation on a case by case basis.	Originally voted ONTP/OTPA on 9/7/11, the bill was tabled on 10/12 to allow a full Committee review of the proposed minority amendment and possible alternatives. As proposed at Sept 7th meeting, the minority amendment would remove political parties; beginning 2015 and every 10 years thereafter review check offs and drop the 3 that have the smallest number of donations (not dollar amount) to make room for new ones proposed by legislation. The check off for cancer prevention and libraries should be added in 2015 within extra space created by removal of political parties	11/9/11 Table
1470	An Act To Ensure Harvesting of Timber on Land Taxed under the Maine Tree Growth Tax Law	RAYE	---	---	This bill is a concept draft and proposes to ensure that future applicants for Tree Growth classification are eligible only if they actually harvest timber. A public hearing has not been held. The Committee wants to review issues that have been raised regarding Tree Growth Tax Law policy and proper use of the program. There are reports available from previous Legislatures that the Committee may want to review that address a wide range of issues including timber harvesting.	Rep Harmon recommended no action until bill has PH	11/9/11 Table
1535	An Act Relating to Fiscal Notes on Proposed Legislation	KNIGHT	5/9	5/11	This bill requires a dynamic fiscal note process for any legislation that involves a tax expenditure or an increase or decrease in tax revenue resulting in a projected direct annual revenue impact of more than \$1,000,000. Unanimous vote to carry over in order to provide legislative and executive branch staff time to identify appropriate methodologies and resources for developing dynamic fiscal notes.	Rep Knight meeting with staff from OFPR, MRS and State Planning office to review how this can be implemented and will report back with any changes that may be needed to legislation.	11/9/11 Table