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STATE OF MAINE

ONE HUNDRED AND TWENTY-THIRD LEGISLATURE

COMMITTEE ON TAXATION

**DATE:** March 13, 2008

**TO:** Sen. Margaret Rotundo, Senate Chair  
Rep. Jeremy Fischer, House Chair  
Members, Joint Standing Committee on Appropriations and Financial Affairs

**FROM:** Sen. Joseph Perry, Senate Chair  
Rep. John Piotti, House Chair  
Members, Joint Standing Committee on Taxation

**RE:** Committee recommendations with regard to the Change Package to **LD 2173, An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2008 and June 30, 2009**

The Joint Standing Committee on Taxation has reviewed the taxation-related provisions of the change package to LD 2173, the supplemental FY 08-09 budget bill, and submits to you the Taxation Committee's comments on the items subject to our review.

Except for the items listed below, the Taxation Committee raises no concerns with regard to the change package.

**1. Closing of Houlton Office of Maine Revenue Services.** The Committee commented on this issue in our previous report to you. In an attempt to identify additional target cost savings in the budget, the Maine Revenue Services made recommendations to us relating to the closing of the Houlton Office, and the realignment of positions in the Augusta Office. The proposal made in the change package is somewhat different with regard to positions in Augusta; however, our Committee's recommendations in this regard remain the same as in our previous report to you

**2. Income Tax Conformity (Part CCC of the change package).** The Taxation Committee agrees with most of the conformity provisions with 3 exceptions:

A. The change package proposes that the State not conform to the federal extension of the itemized deduction for mortgage insurance premiums. The Committee disagrees. We believe that this provision which has a relatively low cost (\$41,510 in FY 2007-08 and \$140,026 in FY 2008-09) and is an important provision for taxpayers in the current housing economy show be included in Maine's income tax.

B. The change package proposes that the State not conform to the provisions of the recent federal economic stimulus package, specifically regarding changes related to bonus depreciation.

Some members do not oppose these provisions of the change package:  
(Perry, Piotti, Rand, Watson).....

Some members oppose the provisions of these change package and recommend that the state conform to the federal bonus depreciation changes:  
(Chase, Gould, Knight, Lansley, Nass, Pilon, Woodbury).....

C. The change package proposes that the State not conform to recently enacted federal changes to exclude from income certain benefits provided to volunteer firefighters and emergency medical responders.

Some members do not oppose the provisions of these change package:  
(Perry, Piotti, Rand, Watson)

Some members oppose the provisions of these change package and recommend that the state conform to these federal changes:  
(Chase, Gould, Knight, Lansley, Nass, Pilon, Woodbury)

A chart is attached that summarizes the cumulative fiscal impact of our recommendations. If we can be of further assistance as you proceed with your consideration of the supplemental budget, please do not hesitate to contact us.

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# Taxation Committee Budget Recommendations

## LD 2173

### Cost / (Savings)

	Supplemental Budget LD 2173		Governor's Change Package		Report 1		Report 2		Report 3	
	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09
<b>Administrative</b>										
-- Eliminate Staff Positions(1)	0	0	0	(671,240)	0	(431,000)	0	(431,000)	0	(431,000)
-- Eliminate 4 Positions	0	0	0	0	0	(240,240)	0	(240,240)	0	(240,240)
-- Other Administrative	(1,708,729)	(1,158,637)	(34,100)	(673,298)	(1,742,829)	(1,831,935)	(1,742,829)	(1,831,935)	(1,742,829)	(1,742,829)
	(1,708,729)	(1,158,637)	(34,100)	(1,344,538)	(1,742,829)	(2,503,175)	(1,742,829)	(2,503,175)	(1,742,829)	(2,414,069)
<b>Programmatic</b>										
-- Repeal Educational Attain./Recruit.	0	(275,162)	0	0	0	(275,162)	0	(275,162)	0	(275,162)
-- Lottery Setoff	0	(94,900)	0	0	0	(94,900)	0	(94,900)	0	(94,900)
-- Eliminate Circuitbreaker Indexing	0	0	0	0	0	(2,714,140)	0	(2,714,140)	0	(2,714,140)
-- Eliminate TIF/BETR Double Dip	0	0	0	0	0	(11,388,000)	0	0	0	(11,388,000)
	0	(370,062)	0	0	0	(14,472,202)	0	(3,084,202)	0	(14,472,202)
<b>Conformity</b>										
-- Conform to 2/13/08	0	0	(14,326)	(48,321)	0	0	0	0	0	0
-- Conform to Mortgage Insurance	0	0	0	0	41,510	140,026	41,510	140,026	41,510	140,026
-- Conform to Bonus Depreciation	0	0	0	0	0	0	2,500,000	20,000,000	2,500,000	20,000,000
-- Conform to Firefighters/EMS	0	0	0	0	0	0	24,057	81,152	24,057	81,152
	0	0	(14,326)	(48,321)	41,510	140,026	2,565,567	20,221,178	2,565,567	20,221,178
<b>Total</b>	<b>(1,708,729)</b>	<b>(1,528,699)</b>	<b>(48,426)</b>	<b>(1,392,859)</b>	<b>(1,701,319)</b>	<b>(16,835,351)</b>	<b>822,738</b>	<b>14,633,801</b>	<b>822,738</b>	<b>3,334,907</b>
Unknown:					<u>Report 1</u>		<u>Report 2</u>		<u>Report 3</u>	
Sen. Strimling					Rep. Piotti		Sen. Nass		Rep. Pilon	
Rep. Clark					Sen. Perry		Rep. Chase			
					Rep. Rand		Rep. Lansley			
					Rep. Watson		Rep. Gould			
					<i>Clark in Part</i>		Rep. Woodbury			
							Rep. Knight			

(1) Members were unanimous in the amount of savings; differed in approach regarding the Houlton facility as outlined in letters to AFA.