

LD 1496 An Act To Modernize and Simplify the Tax Code
5/10/13

	Item	Current law	LD 1496 - Concept draft	NOTES
	PROPERTY TAX			
1	Homestead exemption	\$10,000 Municipal reimbursement – 50%	50% of value of property up to \$50,000 Municipal reimbursement – 50%	
2	Revenue sharing	5% sales and income tax revenue Rev1 – 80% of total Rev2 – 20% of total (7/1/14) Rev 1 – all municipalities in proportion to population and tax burden Rev 2 – municipalities with higher mill rate in proportion to population and portion of mill rate exceeding 10 mills (10 mills threshold increases annually if RevSharing fully funded.)	1.5% of sales and income tax revenue All distributed according to Rev2 formula	
3	Property tax exempts: nonprofit “institutions and organizations”	Houses of worship – 100% just value Parsonages --\$20,000 Personal property -- \$6,000	No change	
4	PT exemptions Other nonprofit “institutions and organizations	All others 100% just value	full just value up to \$250,000 per taxpayer per municipality 75% portion of value over \$250,000	
5	Telcom excise tax	State collects tax on telecommunications business computed by applying the mill rate of the municipality or UT where the property is located to the just value of telecommunications equipment	State level tax repealed Taxation of telcom equipment returned to regular municipal/UT property	

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6	BETR	Reimbursement to business Year 1 to 12 100% taxes Year 13 to 18 declines to 50% Year 18+ 50%	Reimbursement to business Year 1 to 12 100% taxes -- no reimbursement after 12 th year	
7	Government efficiency grants (Fund for the Efficient Delivery of Local and Regional Services) administered by DAFS	Not currently funded	\$1,000,000 annually	
8	Circuit breaker		Repealed Replaced by property tax fairness credit (described under income tax)	
INCOME TAX				
9	Rate	2013 RATES (marginal) <u>Single:</u> <\$5,000 0% \$5,000 to \$19,950 6.5% \$19,950 + 7.95% <u>Joint:</u> <\$10,000 0% \$10,000 to \$39,900 6.5% \$39,950 + 7.95% <u>Head of household:</u> <7,500 0% \$7,500 to \$29,900 6.5% \$29,900 + 7.95%	4% MAGI* reduced by property tax fairness credit and sales tax fairness credit * <i>MAGI = Maine adjusted gross income</i> = <i>Federal adjusted gross income with Maine modifications</i>	

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10	Deductions/exemptions	2013 Standard deduction: (same as federal) Single \$6,100 Joint \$12,200 Head of household \$8,950 Itemized deductions: individual Personal exemptions: (same as federal) \$3,900	No standard or itemized deductions No personal exemptions	
11	Subtraction modifications	Many	Retain only those that are federally required or have administrative purpose Needs further detail	
12	Addition modifications	Many	Retain only those that are federally required or have administrative purpose Needs further detail	
13	Property tax fairness credit	NA	Refundable credit administered through income tax <u>Calculation of credit:</u> 50% of amount by which PT on primary residence (up to \$250,000 just value) exceeds 6% of MAGI up to a maximum refund of \$1,000 Maximum refund -- \$1,000 Renters use 15% of rent as substitute for property tax Amount of any tax abatement is subtracted from property tax Fully refundable	

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ESTATE TAX				
19		Exclusion amount: \$2,000,000 Tax rate (marginal) \$2 mil to \$5 mil 8% \$5 mil to \$8 mil 10% \$8 mil + 12%	State estate tax repealed No application to deaths on or after 1/1/14	
SALES TAX				
20	Rates	General 5% Service provider 5% Prepared food 7%* Lodging 7%* Auto rentals 10% *5% of 7% goes to tourism promotion fund	General 6% Service provider 6% Prepared food 8% Lodging 8% +2%(tourism) Auto rentals 15%	
21	Service provider tax rate	5% (majority of revenue dedicated to MaineCare)	6% (no change in disposition of revenue)	
22	Base:	Sales of : Tangible personal property Lodging Transmission and distribution of electricity Rental or lease of certain vehicles Certain auto extended service contract Prepaid calling service	Add additional services: Amusement, entertainment and recreation personal care services personal property services real property services elective cosmetic services cleaning storage and repair of clothing and shoes business and legal services purchased by consumers transportation and storage services installation, repair , maintenance and other labor services telecommunications services Needs further detail	

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23	Sales tax expenditures	Many exemptions, exclusions, refunds	Most exemptions repealed or modified Retain exemptions for education and health care Needs further detail	
24	Leasing and renters		Revision of taxation of leasing and rentals to be more consistent with other states	
25	Tourism promotion		2% tax on lodging dedicated to tourism promotion	
26	Collection fee for retailers	Retailers permitted to retain "breakage" <i>(very small extra amount collected because of rate charts and that are not required to be sent to State)</i>	Permit retailers to retain 0.5% of sales tax revenue collected.	
OTHER CONSUMPTION TAXES				
27	Beer	Excise tax 25¢/gal Premium tax 10¢/gal	Excise tax 50¢/gal Premium tax 20¢/gal	
28	Wine	Excise tax 30¢/gal Premium tax 30¢/gal <i>(various rates for small volume products like sparkling wine, fortified wine, low alcohol spirits, hard cider)</i>	Excise tax 60¢/gal Premium tax 60¢/gal	
29	Cigarettes	\$2.00/pack	\$3.50/pack	
30	Other tobacco	Smokeless tobacco \$2.20/oz Cigars, smoking tobacco 20% wholesale price	equalize with cigarettes Needs further detail	
REAL ESTATE TRANSFER TAX				
31	Residential	0.44% of the value of property or controlling interest in property transferred	Value <\$250,000 0.6% Value \$250,000-\$500,000 0.8% Value \$500,000-\$1,000,000 1.0% Value >\$1,000,000 1.5%	
32	Other property	0.44% of the value of property or controlling interest in property transferred	1.0%	