



## *Joint Standing Committee on Taxation*

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERRY J	OTP-AM MAJ ONTP MIN	H-953 WOODBURY S-453

Public Law 2005, chapter 608 provides an alternative method of tax calculation for purposes of the franchise tax for financial institutions beginning with tax years beginning on or after January 1, 2006. A financial institution may elect either the current method of calculation based on Maine net income and Maine assets or the alternative method based on solely Maine assets. The election is irrevocable for the tax year for which it is chosen.

### **PUBLIC 609      An Act To Preserve Maine's Working Waterfront**

**LD 1972**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAMON PERCY	OTP-AM	S-602

Public Law 2005, chapter 609 implements an amendment to the Constitution of Maine adopted by the voters in November 2005 to permit the Legislature to provide for the current use valuation for property tax purposes of waterfront land used for or to support commercial fishing activities.

Chapter 609 provides for current use valuation of working waterfront land according to a process that is similar to the current use valuation of open space land. Working waterfront land is land used at least 50% to provide access to or support the conduct of commercial fishing activities. Current use value is the value of the land if it were required to remain in its current use as working waterfront land. Assessors are directed to determine current use value by eliminating valuation factors unrelated to working waterfront use and by comparison to similar types of uses. If there is insufficient data to support comparative valuation, the assessor may use a formula that reduces the valuation of the working waterfront land based on the percentage of use as working waterfront land and the existence of permanent restrictions on use.

A penalty is established for withdrawal of land from current use valuation as working waterfront land. The penalty is the same as for withdrawal from tree growth current use valuation and is equal to the higher of the difference in taxes that would have been paid over the previous 5 years and a percentage of the difference between the current use value and the just value on the date of withdrawal. The percentage is 30% for land that has been classified for 10 years or less and decreases one percentage point each year until it reaches 20% after the land has been classified for 20 years.

Chapter 609 also requires the State Tax Assessor, in conjunction with interested parties, to analyze and report on sales experience of working waterfront land every 2 years and to make recommendations to improve the effectiveness of working waterfront current use valuation.

### **PUBLIC 618      An Act Concerning Technical Changes to the Tax Laws**

**LD 1751**

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<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
PERRY J	OTP-AM A	S-571
WOODBURY	OTP-AM B	

Public Law 2005, chapter 618 is the annual bill presented by the Department of Administrative Services, Bureau of Revenue Services to make technical changes to the laws governing taxation. Chapter 618 makes the following changes.

It adds a definition of "manufactured housing" to the sales and use tax law. The definition is the one that has been applied administratively by the Department of Administrative and Financial Services, Bureau of Revenue Services.

It eliminates a sales tax exemption that is not currently being administered because the Office of the Attorney General has advised the Bureau of Revenue Services that it violates the commerce clause of the United States Constitution. The section also clarifies an ambiguous cross-reference.

It replaces the imprecise phrase "mobile and modular homes" with the defined term "manufactured housing."

It enacts various technical changes to clarify a statute enacted in 2005 that altered the Maine income tax calculation for multistate corporations.

It clarifies that the Pine Tree Development Zone tax credit cannot be carried forward indefinitely to offset future income in years beyond the Pine Tree Development Zone time period. This is the interpretation currently being applied administratively by the Bureau of Revenue Services.

It eliminates the solid waste reduction investment tax credit, which is no longer available.

It corrects the name of the state agency that certifies investments for the quality child care investment credit.

It clarifies that estates and trusts must file a Maine income tax return if they owe Maine income tax, even if their Maine taxable income is zero or less. This is the interpretation currently being applied administratively by the Bureau of Revenue Services.

It clarifies the definition of "income" for purposes of the Maine Residents Property Tax Program.

It clarifies the procedure for payment of claims under the Business Equipment Tax Reimbursement program.

It clarifies that Maine elective property owned by an estate of a nonresident is subject to Maine estate tax.

It authorizes the Maine Residents Property Tax Program to be referred to as "the Circuitbreaker Program."

It corrects punctuation errors, standardizes archaic language and corrects cross-references.

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Sponsor(s)  
WOODBURY  
PERRY J

Committee Report  
OTP-AM

Amendments Adopted  
H-974

Public Law 2005, chapter 622 is the annual bill submitted by the Department of Administrative and Financial Services to make minor substantive and technical changes to the laws governing taxation. Chapter 622 makes the following changes.

It allows a fuel tax registration violation to be prosecuted in Kennebec County or in the county where the violation occurred.

It authorizes the payment of fees imposed for recording a lien or lien discharge directly from the General Fund.

It authorizes the State Tax Assessor to establish procedures for payment of taxes by credit card and to contract with one or more entities for the purpose of accepting and processing credit card transactions.

It updates the property tax exemption for paraplegic veterans.

It reorganizes parallel exemption provisions in the sales and use tax and the service provider tax for greater clarity.

It clarifies that a sales and use tax exemption provided to a person based upon its charitable, nonprofit or other public purposes applies only if the property or service purchased is intended to be used by the person primarily in the activity identified by the particular exemption.

It clarifies that a service provider tax exemption provided to a person based upon its charitable, nonprofit or other public purposes applies only if the service purchased is intended to be used by the person primarily in the activity identified by the particular exemption.

It allows a dyed fuel violation to be prosecuted in Kennebec County or in the county where the violation occurred.

It enacts a definition of "value" in Maine estate tax law and repeals language elsewhere in the law that effectively defines "value."

It permits the State Tax Assessor to allow a licensed cigarette distributor up to 30 days to pay for cigarette tax stamps if the distributor has posted a bond of 50% of the amount of the cigarette stamp purchases.

It allows bonus depreciation, Section 179 expense and net operating loss addition modifications claimed by a C corporation to be recaptured by individual shareholders of the corporation if it elects to be treated as an S corporation in a subsequent year.

It excludes from the Maine estate tax real and tangible personal property owned by a resident of the State that is not located in the State.

It allows a taxpayer to qualify for the 80% employment tax increment financing benefit for employment inside a Pine Tree Development Zone even if it also claims a jobs and investment tax credit for qualified investment outside a Pine Tree Development Zone.

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**PUBLIC 623      An Act To Replace Municipal Revenues Subject to Business  
Equipment Property Tax Exemption**

**LD 2056**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
BOWLES	OTP-AM    MAJ	H-1078
MARTIN	ONTP      MIN	

Public Law 2005, chapter 623 establishes a property tax exemption for eligible business equipment that is first subject to property tax assessment on or after April 1, 2008 in the absence of the exemption. Certain property located at a retail sales facility and used for a retail sales activity remains taxable but eligible for reimbursement under the business equipment tax reimbursement (BETR) program. Property currently in the BETR program will remain eligible after 12 years; however, reimbursement for property taxes paid will decline gradually to 50%. Property that was placed in service on or before April 1, 1995 remains fully taxable.

Public Law 2005, chapter 623 requires the State to reimburse municipalities for the lost property tax revenue associated with the exemption, as required by the Constitution of Maine. Reimbursement is for 100% of lost revenue in the first year the exemption is in effect and declines 10% per year until it reaches the constitutional minimum of 50% for the 2013 tax year. Municipalities with more than 5% of their valuation in exempt property may choose alternative reimbursement. Alternative reimbursement is 50% plus 1/2 of the percentage that business personal property represents of the total taxable value plus exempt business personal property value in the municipality.

Additional funds are provided for the Disproportionate Tax Burden Fund beginning at \$2,000,000 in fiscal year 2009-10 and increasing \$500,000 each year until funding reaches \$4,000,000.

Reimbursements received by taxpayers under the BETR program for property first subject to assessment on or after April 1, 2008 and for property still qualifying for BETR after the first 12 years of reimbursement are reduced by the amount of taxes reimbursed under a tax increment financing district to avoid a taxpayer's receiving reimbursement for more than 100% of property taxes paid.

**PUBLIC 624      An Act To Establish Municipal Cost Components for Unorganized  
EMERGENCY    Territory Services To Be Rendered in Fiscal Year 2006-07**

**LD 2039**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
	OTP-AM	H-952
		S-630    MARTIN

Public Law 2005, chapter 624 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.

Chapter 624 also includes statutory changes to apply growth limitations to spending and taxes under the municipal cost component that parallel state and local limitations and directs the Commission to Study the Cost of Providing Certain Services in the Unorganized Territories to review the new growth limitations and make recommendations for retaining, amending or repealing those limitations to the joint standing committee of the Legislature having jurisdiction over taxation matters as part of its reporting responsibilities under Resolve 2005, chapter 125. The commission is also directed to develop a new budget funding mechanism for the office of the

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fiscal administrator of the unorganized territory that promotes budget transparency and provides better fiscal accountability.

Public Law 2005, chapter 624 was enacted as an emergency measure effective May 4, 2006.

**PUBLIC 627      An Act To Strengthen the Collection of the Tax on Tobacco Products      LD 2093**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CUMMINGS	OTP-AM    MAJ ONTP      MIN	H-1009 H-1022 BIERMAN H-1042 WOODBURY

Public Law 2005, chapter 627 strengthens the ability of the State to enforce the collection of the tax on tobacco products. The bill also permits the seizure and forfeiture of contraband tobacco products within the State. The bill also strengthens and clarifies the penalties for distributing or selling tobacco products in contravention of the law.

**PUBLIC 644      An Act To Encourage the Preservation of Affordable Housing      LD 1165**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
GLYNN	OTP-AM    MAJ ONTP      MIN	H-634 S-664 ROTUNDO

Public Law 2005, chapter 644 provides an income tax deduction for capital gains or depreciation recapture associated with the sale of a multifamily affordable housing property. This chapter also decreases the Maine State Housing Authority's share of real estate transfer tax revenue by \$187,067 in fiscal year 2006-07 to cover the revenue loss associated with the new deduction.

**PUBLIC 645      An Act Concerning the Taxation of Property Owned by Certain Veterans' Organizations      LD 791**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
MARTIN PINEAU	OTP-AM	S-299 S-663 ROTUNDO

Public Law 2005, chapter 645 expands the property tax exemption for veterans' organizations to include property owned, occupied and used by those organizations to further charitable purposes. If a portion of the property is used solely for purposes not related to the veterans' organization, that portion is subject to property tax.

**PUBLIC 647      An Act To Make Owners of Cooperative Housing Eligible for the Homestead Exemption      LD 1552**

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<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
CROSBY MAYO	OTP-AM	H-584 S-668 ROTUNDO

Public Law 2005, chapter 647 allows residents of a residential cooperative who are shareholders in that cooperative to benefit from the Maine resident homestead property tax exemption by providing a property tax exemption to the owner of the cooperative property equal to the amount of the standard homestead exemption multiplied by the number of units in the cooperative occupied by persons who would otherwise qualify for the homestead property tax exemption if they owned property currently qualifying as a homestead. The benefit must be passed on to the owners of the cooperative share.

**PUBLIC 652      An Act To Exempt Trail-grooming Equipment from the Personal Property Tax      LD 1799**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
DAVIS P	OTP-AM    MAJ ONTP      MIN	S-452 S-685 ROTUNDO

Public Law 2005, chapter 652 provides a property tax exemption beginning April 1, 2006 for snowmobile trail-grooming equipment registered with the Department of Conservation.

Public Law 2005, chapter 652 was enacted as an emergency measure effective May 30, 2006.

**PUBLIC 675      An Act To Clarify the Taxable Status of Processing Fees Charged in Connection with Cancelled Lodging Reservations      LD 1749**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
COWGER KOFFMAN	OTP-AM	S-530

Public Law 2005, chapter 675 clarifies the taxable status under the sales tax laws of forfeited deposits and cancellation fees for rental of living quarters by providing that those deposits or fees are not subject to sales tax if the rental is cancelled on or before the scheduled date of arrival. The clarification is retroactive to January 1, 2001 and provides that a person who has paid or collected sales tax on forfeited deposits or cancellation fees is not entitled to a refund.

**RESOLVE 134      Resolve, Directing the State Board of Property Tax Review To Accept and Review the Appeal Filed by the Town of Palermo      LD 1989**  
**EMERGENCY**

<u>Sponsor(s)</u>	<u>Committee Report</u>	<u>Amendments Adopted</u>
WESTON PIOTTI	OTP-AM	S-464

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Resolve 2005, chapter 134 requires the State Board of Property Tax Review to consider the appeal filed by the Town of Palermo on December 8, 2005 regarding the 2006 valuation of the town as determined by Maine Revenue Services and requires a decision to be rendered no later than 30 days after the effective date of the Resolve.

Resolve 2005, chapter 134 was finally passed as an emergency measure effective March 13, 2006.

**RESOLVE 135**      **Resolve, Authorizing the State Tax Assessor To Convey the Interest of the State in Certain Real Estate in the Unorganized Territory**      **LD 1710**

<u>Sponsor(s)</u> WOODBURY PERRY J	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> H-756
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Resolve 2005, chapter 135 authorizes the State Tax Assessor to convey the interest of the State in several parcels of real estate in the Unorganized Territory that were acquired by the State for nonpayment of property taxes.

**RESOLVE 170**      **Resolve, Concerning the Assessment of Property Subject to Affordable Housing Limitations and Benefits**      **LD 1796**

<u>Sponsor(s)</u> PERRY J CLOUGH	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-531
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Resolve 2005, chapter 170 directs the Department of Administrative and Financial Services, Bureau of Revenue Services to review factors affecting the assessment of affordable housing property for property tax purposes. The resolve also directs the bureau to provide an informational program and materials for municipal assessors and requires a report to the joint standing committee of the Legislature having jurisdiction over taxation matters.

**RESOLVE 202**      **Resolve, To Reduce State Valuation as a Result of the Closure of Georgia-Pacific Facilities**      **LD 2096**  
**EMERGENCY**

<u>Sponsor(s)</u> SCHNEIDER BLANCHARD	<u>Committee Report</u> OTP-AM	<u>Amendments Adopted</u> S-590
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Resolve 2005, chapter 202 authorizes the City of Old Town to request a reduction in its state valuation as a result of a reduction in value of the Georgia-Pacific Corporation facility notwithstanding statutory filing deadlines, and provides that the payments for general purpose aid for local schools to the city be adjusted to reflect such an adjustment in state valuation.

Resolve 2005, chapter 202 was passed as an emergency measure effective April 28, 2006.