

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

Legislative Record
House of Representatives
One Hundred and Twenty-Second Legislature
State of Maine

Volume II

First Special Session

May 26, 2005 – June 17, 2005

Second Special Session

July 29, 2005

Second Regular Session

January 4, 2006 - April 6, 2006

Pages 737-1487

REPORTS OF COMMITTEE

Divided Report

Majority Report of the Committee on **TAXATION** reporting **Ought to Pass as Amended by Committee Amendment "A" (H-698)** on Bill "An Act To Rebalance Maine's Tax Code" (H.P. 1131) (L.D. 1595)

Signed:

Senators:

PERRY of Penobscot
STRIMLING of Cumberland

Representatives:

CLARK of Millinocket
WOODBURY of Yarmouth
PINEAU of Jay
HUTTON of Bowdoinham
WATSON of Bath

Minority Report of the same Committee reporting **Ought Not to Pass** on same Bill.

Signed:

Senator:

COURTNEY of York

Representatives:

HANLEY of Paris
McCORMICK of West Gardiner
CLOUGH of Scarborough
BIERMAN of Sorrento
SEAVEY of Kennebunkport

READ.

Representative **WOODBURY** of Yarmouth moved that the House **ACCEPT** the Majority **Ought to Pass as Amended** Report.

The **SPEAKER**: The Chair recognizes the Representative from Yarmouth, Representative Woodbury.

Representative **WOODBURY**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. There are days I wonder whether we are really accomplishing anything up here. Days I wonder what I am doing here anyway. Today is not one of those days. For me this bill is what I came here to do. I know that many of you had tax reform as a major goal of what you wanted to accomplish too. Well, this is our chance. I believe that this vote is, at its core, a vote on whether you think we need a rebalancing of the tax system or not. It may be that the tweaking we do to our tax system every session has brought us to a tax structure that is, despite all of our complaining about it, exactly right. Maybe the tax system we have today is, in fact, a perfect blend of fairness, efficiency, stability, exportability and balance among income, sales and property taxes and if it is then let's please leave the system alone and continue to tweak it from year to year just as we always do.

If you think fundamental rebalancing is needed in our tax system then this bill is what tax reform has to look like. This plan reduced the relative burden of income and property taxes in Maine, which we know are high relative to other states. It increases the relative burden of sales taxes, but it is tax neutral overall and in the midst of this rebalancing the bill accomplishes so many things that make sense to me. First, the bill noticeably lowers income taxes for every single taxpayer in Maine period. It simplifies taxes by conforming to the federal tax code; it removes over 50,000 Maine households from owing any tax. It increases to almost \$31,000 the amount that can be earned by a family of four before they have to pay any tax at all in Maine. It also lowers the top income tax rate and, most importantly of all, it noticeably reduce the burden of income taxes at all incomes for all Maine taxpayers. Second, this bill fully funds the MMA School Funding Referendum now, on our watch, in our budget. It is

something we should do because the voters told us to do it. It's also something we should do because the relative weight of property taxes in Maine is too high. This will reduce property taxes not gradually over time, but now. Third, the bill fully reimburses municipalities for the Homestead Exemption in LD 1. This, I concede is the single biggest complaint we have heard about LD 1. This bill addresses the issue and, again, further reduces property taxes now. Fourth, the bill raises the maximum benefit in the Circuit Breaker Program to \$3,000, adding some additional relief to those whose property tax burden is most extreme. That too is important to the overall rebalancing we have achieved in this package.

Others will likely stand up after me and say how this bill raises taxes on all kinds of other things. It does. It expands the sales tax base to amusements and recreational services, certain personal services, snack foods, lawn and landscaping services, taxis, limousines and same day courier services, telephone directory services and packaging materials. It proposes a new excise tax on soft drinks. It increases the Meals and Lodging Tax from 7% to 8% and it increases taxes on beer and wine, auto rentals and some real estate transfers. It does all of those things. I don't love these taxes, but I also agree that we need to continue to work to reduce government spending and lower our overall tax burden in Maine, but that shouldn't stop us from voting to rebalance the tax burden that we have now. This plan is tax burden neutral. It just readjusts the burden to reduce income and property taxes. That is the rebalancing that I think we need in Maine, which brings me back to the core question you need to answer as you decide how to vote. Does the system need rebalancing or is the system right as it works now?

I would like to finish by commenting on the apparent partisanship in this committee report. While the Democrats and Republicans on our committee did come to a different decision on whether to advance the tax reform package now or to defer tax reform to another year, many components of the plan that we are putting forward are components that I believe all of us on the committee would view as positive reforms. Indeed, the reductions in income taxes, the conformity with federal tax laws, the lowering of the top income tax rate and the tax advantages for health savings accounts, I think it would be fair to say are a bipartisan product not a partisan one. The full funding of the MMA referendum and the full funding of the Homestead Exemption are similarly bipartisan objectives I believe. This is the only chance we are going to get to really make those things that we agree on happen this year. I hope you will not view this as the Democrat's plan, but rather as one that has emerged from the ideas of so many legislators, analysts, interest groups and commissions, both past and present, over many sessions of the Legislature and into the package that we have brought forward today. It accomplishes so much of what the people sent us here to do.

Tax reform is the proverbial course that we as candidates always say that we are going to accomplish when we are elected, but in the waning hours of every Legislative session, session after session, we somehow fall short of major change. Not this year, not this Legislature, not now. This is a good plan and I ask for your support. Thank you Mr. Speaker.

The **SPEAKER**: The Chair recognizes the Representative from Bath, Representative Watson.

Representative **WATSON**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I am excited about this plan for a number of reasons. First of all it broadens the tax base. That cannot be done without pain. But if you look carefully at what and how far and what items have been included in the sales tax base you will see that, for the most part, they are non-

necessity items. They are items that are considered luxuries by some. They are items that are regularly traded upon and purchased by people who, in fact, can afford them. On the other hand, several other adjustments in this package will undoubtedly benefit the people that you represent. We looked at the real estate transfer tax for instance. Right now buyer and seller pay \$2.20 per thousand on a real estate transfer. Under this plan that is lowered for people who are selling properties less than \$200,000. It starts to increase above that amount and it increases considerably for the properties that you have seen sold back and forth for \$700,000, \$800,000, \$900,000, and \$1,000,000. It is geared to help the people of Maine and that is only a start

My colleagues across the aisle suggested the income tax proposals within this plan. They are not favorites of democrats. Democrats historically, since the federal income tax reforms went into effect, have resisted federal tax conformity. This plan embraces federal tax conformity. Democrats and people on this side of the aisle have argued against health savings accounts. This plan provides for those health savings accounts, it provides for tax conformity with regard to the marriage penalty, with regard to the individual deductions. In other words it provides realistic tax relief for virtually every taxpayer in the state of Maine and as my colleague the Representative from Yarmouth pointed out, it drops nearly 50,000 people off of the income tax roles completely. It lowers the top rate in Maine by a quarter of a percent from 8.5% to 8.25%. That top rate as you well know, particularly my colleagues across the aisle know, is one of the highest in the country and that has not only hit us as middle and higher income earners, but in fact, in our situation today you could, as a family, earn \$18,000 of taxable income and you are already into the top rate. The top rate has to be lowered. It's an insistence from both sides of the aisle and my democratic colleagues have agreed that it has got to come down. In this plan it comes down.

The ink was barely dry on LD 1 before we heard from our municipalities that fine, you have given property tax payers a doubled homestead exemption, but have then again laid it on us to pay for it, all 50% of it. We have listened to that and we have found in this package that we can accomplish that. It cost us \$36 million, but we are funding fully the homestead exemption for your towns and your municipalities. We are also increasing the Circuit Breaker, which as you know and will know, is the one lifeline that may prevent that family who has been in that home on the coast for generations from having to sell out and move out. It is real targeted property tax relief that goes to the people that you represent. Finally, I am enthusiastic about this plan because, although I have only been here for two terms, I know that virtually every legislature, since the sales tax was implemented many, many years ago, has paid lip service to tax reform in the late hours of the evening before we finally adjourn and has either taken a token vote or given up and walked home and said, "Well, we would have done it, but the Republicans voted against us." Or "We would have done it, but the Democrats voted against us." Or "We would have done it, but the body down the hall voted against us." There is always an excuse for not doing this. All it takes is guts; all it takes is a little bit of perseverance.

We are going to take heat for this. Many of us have already taken heat for even suggesting some of the things in this package, but the pain is spread. The pain spreads all over the sales tax base and the gains are also shared. The small business person that says, "Wow, if you start taxing my waterslide I am going to have to go out of business and I am going to have to lay off all of my employees." It is the same line

that we heard about smoking in bars and smoking in restaurants, it doesn't work. On the other hand that business owner, when he looks to see what this does on his income tax side, the business owner that files a Schedule C, as most small businesses in this state do, sees real tax relief here. Even though his customers will have to pay a little bit more. Eight dollars for a movie ticket is now \$8.40 for a movie ticket. Remember your constituents who can't afford to go to movie theatres rent home videos. They are already paying sales tax on home videos, but you are not paying sales tax when you go to a movie theatre or to a play or to a musical. It is a sense of fairness in expanding the sales tax base. We have looked at it very carefully with all of our colleagues on this committee, and with a lot of people off the committee, trying to make it fair. It just takes guts; it takes a willingness to take the heat and do what's right and frankly, Ladies and Gentlemen of this House and Mr. Speaker, this is an opportunity to make history. This is a historic vote, a truly historic vote. It is the first time we have ever made a meaningful attempt at reforming the sorely lopsided tax system in the State of Maine. It's not perfect. It needs help. It can be cleaned up, but if you have the guts to go with it on this, you will be able to go home and tell your constituents that you have brought them real and meaningful tax relief, both in income tax and property tax and I have done it in a way that exports as much of the tax as possible to other people, to out-of-state residents. Please, I urge you Men and Women of the House, to cinch it up, steel your girder, stay with this plan and vote it. Let's do it, let's do it for once in fifty years. Let's let the 122nd Legislature be known as the one that finally did it. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Scarborough, Representative Clough.

Representative CLOUGH: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. There are some items in this bill that would be pleasing to all of us - a reduction in our income tax, having the homestead fully funded and a number of things. However, I don't believe that the people in Maine are looking for us to increase their taxes to pay for minor tax resolutions without reducing them.

One of the things that we talked about ever since I have been here is getting control of the growth in spending so that we can fund these desirable tax changes through the growth and revenue that came as we reduced in time our growth over spending. Now I am going to tell you why this bill is not revenue neutral. When the state increases sales and real estate transfer taxes by more than \$247 million in the next two years - that is what this bill does - this bill only gives the taxpayers \$148 million in tax reductions over that period of time. The rest of the money goes, 90 million to the local governments to pay for additional school spending. Now LD 1 has already proved to us that there is no tax relief there. Also another \$8 million goes to the budget stabilization fund, money to be spent by the state at a later time. And a million goes to additional state spending and administrative expenses.

There is a net tax burden increase of about 100 million over the next two years and the fiscal note shows a similar tax burden expansion over the same period. Now here is the real catch here, after those two years are passed and we no longer have the need to spend this money on GPA, the taxing continues. We continue to raise the money. So, now we have increased taxes and enabled more spending at that state level. Some would tell you that the state needs a higher tax burden despite the fact that we are ranked number one nationally for state and local tax burden already and others think that we can't

cut spending in Maine so we have to raise taxes even more. Some think that rebalancing Maine's tax code will improve our state budget

prospects well I disagree. Raising Maine's tax burden today is unfair to the citizen who already pays too many taxes. We need to lower that tax burden not raise it. To do otherwise is unjust. To those who say that we can't cut spending in order to lower taxes, I would again say that you are wrong. The negotiations over the Part II budget show that more can be done to restrain state spending and only slower spending growth in Maine can truly open the door to lower state and local tax burdens.

While LD 1595 contains many ideas that present progress and in an environment where spending was under control the bill suggestions to exchange sales tax adjustments for lower income and property taxes might be welcome. They might even help reduce future budget shortfalls, but LD 1595 doesn't lower our tax burden, it doesn't control spending, it doesn't help our budget gaps, but it instead unfairly raises the total tax burden paid by Maine citizens. It invites new spending of new tax revenues and it offers no budget discipline to our existing budget process.

LD 1595 isn't rebalancing. It is a tax shift and a tax burden increase. It is not revenue neutral to tax payers. Only to state budget accountants and without spending controls, it is a small promise toward lower taxes. I would like to point out that some of the tax changes in this bill, for example the taxes on meals and lodging is a 5% increase, tax on auto rentals a 15% increase, tax on malt liquor 100% increase, tax on wine 250% increase and the tax on hard cider is a 300% increase. These tax increases may look appealing when you look at part of the bill, but when you find that all of your savings from income tax reductions are offset by increases in spending as you and the family go out to go skiing or other functions to enjoy yourself, I don't think is a fair trade. I would liken the passing of a bill like this to hatching an egg. When the hen lays the egg you take an egg and you put it in a candle test to make sure it is fertile and if it's fertile you put it in an incubator for a period of time and you care for it very tenderly. You keep the temperature right. You make sure that it is turned over and if you go through the incubation period. Taking care of it properly, you will hatch a chicken and if you have done your job right that chicken will probably live. In this case we took a short cut. We grabbed that egg as it was dropping from the chicken, cracked it open and said, "Gee, no chicken?" Well what did we expect? We need a new egg.

I ask you to please vote against the pending motion and we should be preparing to deal with tax reform at a time when we have ample time to listen to the arguments from those who are affected by it, rather than doing it in a period of roughly 30 minutes. Thank you.

The SPEAKER: The Chair recognizes the Representative from Falmouth, Representative Davis.

Representative DAVIS: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I thought of this argument as I read this this morning and I think of the most famous Chief Justice of the United States John Marshall and a famous case – *Maryland v. United States* – where a U.S. bank was being taxed by a state bank and a state institution and he said, "Truly the power to tax is the power to destroy." I can think of the businesses that my constituents, one of whom is my son and his wife, they have a new business and are licensed massage therapists and if they have to pay a tax, their business will be cut down and you may even strangle their business in its infancy.

I can think of another business in Falmouth called the Allagash Brewing Company. They have a little business in Portland and they are competing with all of the giant beer

companies. He called me personally and said that this is going to hurt me a great deal. People are not going to buy the Allagash beer when the big companies can afford this and I cannot. I can think of a third company called Horizon Landscaping, which perhaps some of you driving through Falmouth have seen. This gentleman was once on my baseball team and he pays \$80,000 dollars for eight workers for Workers Compensation. This may put him out of business alone and now if he has to pay a tax for his landscaping, his days in business may be numbered. To tax all these things – dance instruction, body piercing, pet grooming, diaper service (God help us if we have all these children I suppose), property cleaning and locksmithing. This reminds me of - pardon me for the historical analogy - when I was teaching English History and William the Conqueror came into England at the Battle of Hastings in 1066 he defeated the Anglo-Saxons with his Norman knights and he really got into taxing. He taxed every cow, every pig and every horse in the kingdom. I think this is a bad precedent because what you are doing to the miniscule businesses in Maine and there are many of them. West Falmouth is probably the center of small businesses in the country and to tax them is very unfair and it will put some of them out of business so I urge you, both Democrats, Republicans, Independents and Greens to think about this. Think of what you are doing. Thank you very much Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Bangor, Representative Faircloth.

Representative FAIRCLOTH: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. Your shelter, your home, that is a necessity and taxes on necessities are too high. Men and Women of the House, you're body piercing – yes I mean you Representative Gerzofsky – is not a necessity. Let's eliminate those unfair tax loopholes. A working person's livelihood, here income is a necessity. Your tattoo or mine – and I will let you guess – is not a necessity. Eliminate those unfair tax loopholes. Are beer and wine sins? No way. Taxing these items decreases consumption by our youth. But beer and wine are not sins, sometimes they are mistakes leading to other mistakes, tattoos for example, but they are not sins.

Taxing someone out of their modest home, now that is a sin. LD 1595 does something about the real sin with the homestead exemption reimbursement - the tax and rent program and the income tax cut. Are soda and snack food a sin? Overindulgence is a mistake, but snack food and soda are not a sin. Imposing an income tax on working family making \$25,000 a year, that is a sin.

LD 1595 takes on this real sin by eliminating low-income families from the income tax roles completely. Taxes in Maine are too high on working families. I sponsored LD 705, "An Act to Relieve the Income Tax Burden by Revenue Neutral Means" and you know what that tax committee did, they killed my bill. Imagine that, but actually I am grateful to the committee for doing that because they took LD 705's ideas and a lot of other people's excellent ideas and years of studies and crafted one of the best pieces of public policy that we have seen in this state and they deserve tremendous credit for what they did.

According to Maine Revenue Service, approximately 50,000 households - more than 10% of Maine households - who pay income taxes now won't need to pay one dime in income tax if you press green. Fifty thousand households – that means over 100,000 low-income people are relieved from paying any income tax. Eliminating income taxes for 100,000 people in Maine, that's just the beginning. Consider the typical Maine family. According to the Maine Revenue Services \$50,000 is the gross income for a family of four. Fifty grand for a family of four is the essence of middle class in Maine. These folks get a significant tax break

and Representative Woodbury listed six ways in which that happens so I won't repeat them, but it is more cash that is retained in the pocket of Maine people if you press green. If you go beyond that according to the Maine Revenue Service, approximately – this is their number - 453,147 families get a tax cut. If you want to cut taxes for 453,147 working families press green. If you oppose cutting taxes for almost all of the working people in Maine press red and these just aren't any tax cuts. These are tax cuts on necessities - your income and your shelter.

How does Maine pay for these tax cuts, by telling lobbyists that enough is enough? Year after year big money lobbyists swoop in representing special interests creating a Swiss cheese of unfair tax loopholes in our sales tax code. You know a loophole for you, but not for you, a loophole for you, but not for you. Take lodging. My sons and I went out of state and enjoyed a vacation. We considered whom we were visiting, we considered who we were going to see and I tell you we didn't consider the lodging tax and nobody does. Do out of staters analyze these things when they take a vacation, of course not. We are leaving out of state money on the table while we are taxing the diapers of our own kids. It's not fair to Maine people. Let's do something that benefits our people here in this State of Maine.

This bill does not propose a sales tax increase. It proposes a more fair application of existing sales tax. For decades experts have known that we must stabilize our tax code. The unstable way that we have been collecting taxes has set up a radically unstable way of creating budgets. It harms our people and it harms our civic process. The great legacy of a stable tax code is not immediate but it is the most important benefit of this package for the next generation. Property taxes and incomes affect necessities – our shelter and our livelihood.

If Martha Stewart buys a new place in Maine she might have to pay a little bit more in her real estate transfer tax, but for anybody buying a house under \$200,000 the real estate transfer tax is cut. Her bill for her gardener or for her interior decorator or for her limousine might go up for Martha, but for working people in Maine this is a tax cut.

I serve on Judiciary Committee and I have spent a lot of time talking about gay people. You know what I think about gay people. Gay people are just as boring as the rest of us and I am eager for the day when we have civil rights that are assured for all people and we can focus on basic issues. The average Maine family is struggling to make a better future for their children and do you think they lay awake at night wondering if government can get more involved in regulating the sex lives of their neighbors? No. But many do lay awake at night worrying about their property tax bill and their income tax bill and the future of their children. LD 1595 gets down to the real issues. This is big stuff. LD 1595 is real public policy and that is why we are here. There is a lot of power in those green and red buttons. You can put a little bit more money in the pockets of 453,000 Maine households – essentially all people in Maine – and stabilize our tax code at the same time just by pressing green. I thank the Men and Women of the House.

The SPEAKER: The Chair recognizes the Representative from Waldoboro, Representative Trahan.

Representative **TRAHAN**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I have a little confession to make. I must be the biggest sinner in here because I never voted for a tax increase, but I would just like to take a little bit of offense with that comment.

I define tax relief as the government reducing spending and returning money to the people that paid the taxes. I don't think

that spreading the taxes out and diverting them onto other people is a tax break because somebody has to pay the taxes. So, I just wanted to rise and say that I disagree with the concept that is before us. I think that instead of proposing this on the last day of the session perhaps we should propose it on the first day of the session and then try and find some money to pay for a tax relief program. I am going to be voting against this.

Under suspension of the rules, members were allowed to remove their jackets.

The SPEAKER: The Chair recognizes the Representative from Newport, Representative Tardy.

Representative **TARDY**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. First I would like to thank my good friend the Representative from Yarmouth for bringing this plan to the floor and thank you Mr. Speaker for allowing this report to come to the floor.

I oppose this motion. This is a broad based tax increase. This plan, in the best case, guarantees only modest and targeted tax relief at best and a broad based tax increase and additional tax burden to all Mainers at its worst. It targets small business. It targets our border towns. It fails the test of exportability and it opens the floodgates for revenue grabs in the future.

I agree with some of the goals that the report sets out to achieve. We would be well served in this Legislature if we accomplished tax reform and tax relief in a bipartisan manner. I would suggest that a Majority Report that has no Republicans signed on isn't the vehicle. A tax increase isn't the vehicle and I question whether this is consistent with any small business or big business initiative. I am going to vote against this. I am doing it with respect to the Republicans, Democrats and Independents that are in my district who are sick of taxes and tax increases.

You look at the fact that some of this money is going to general-purpose aid and we can see that that isn't going to guarantee us the tax relief that it is supposed to guarantee us. It isn't a tax relief plan and I respectfully request a roll call Mr. Speaker.

Representative **TARDY** of Newport **REQUESTED** a roll call on the motion to **ACCEPT** the Majority **Ought to Pass as Amended** Report.

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

The SPEAKER: The Chair recognizes the Representative from Winterport, Representative Kaelin.

Representative **KAELIN**: Mr. Speaker, may I pose a question through the Chair?

The SPEAKER: The Representative may pose his question.

Representative **KAELIN**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I also rise to oppose the motion that is on the floor. Is the tax loophole on law practices in Maine remaining in place in the bill that is before us today?

The SPEAKER: The Representative from Winterport, Representative Kaelin has posed a question through the Chair to anyone who may care to respond. The Chair recognizes the Representative from Biddeford, Representative Twomey.

Representative **TWOMEY**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I rise in celebration after sitting here for seven years and never seeing tax reform like this. It is time.

I sat here as a freshman and listened to Representative Bonnie Green at the end of session say, "We need tax reform, but we don't have time. We are going to have to come back and really sit down and try to get something done." This happened the second year and the third year and the fourth year and we have tried and we have worked and we've listened to people. Who I am listening to are my Democrats, my Republicans and my Independents who said, "Joanne we need tax relief and not at the expense of cutting education and not at the expense of cutting our environment and not at the expense of cutting programs that we believe in.

This is bold. This is just a beginning of what needs to be done in this state and as a Democrat I am proud. I am proud of taxation in order to bring something forward that we can take home and say to the people who voted in the referendum that they wanted tax reform. Well, this is the first step. We still have a long way to go so that we can have fair taxation in this state and so that people with an income of over \$100,000 can start paying their fair share because it has been the little people that have been carrying the burden in the State of Maine. I am proud to be a Democrat today. I am proud to vote green today and if I was the only green light up there I would be proud. Taxation did a great job and I have to say that this is the beginning of something that is going to give tax relief to the very needy and to the people that have been waiting for this tax reform for a very long time. For once this caucus is standing up and being bold. Thank you.

The SPEAKER: The Chair recognizes the Representative from North Haven, Representative Pingree.

Representative PINGREE: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I just wanted to briefly comment on something that has been mentioned several times by folks about how we get tax relief without raising revenues and that we should cut state government. I just want to remind us all that later today we are going to vote on a budget, which I know the work was brutally painful to members on both sides of the aisle. Not just staying here till midnight or three o'clock in the morning night after night, but attempting to find the money to repeal the borrowing package. I know from meetings that I sat in with members on the other side of the aisle on Appropriations, reasonable and compassionate people that coming up with \$50,000,000 in a two-year biennial budget is difficult work. It is not easy. It is not pretty and what we are going to vote on later today makes significant cuts to people in need, cuts to revenue sharing cuts to school construction and with the Minority Budget, the proposal that was put in place had to do to balance the budget was even more significant and I know that that work was not easy for them. They had to push things into the next biennium. They had to cut healthcare for people in need. So, I would question whether or not we would ever get to a place where we can come up with the kind of real property tax reform, real income tax reform and federal tax conformity that people on both sides of the aisle say that they want and need.

I feel very strongly about this package for a number of reasons and, most of those reasons have been mentioned by others, but I just want to remind people on both sides of the aisle that LD 1595 doubles the impact of LD 1. I know that a lot of us, in a bipartisan fashion, supported LD 1. We were happy to double the Circuit Breaker, put more money into schools, and change the homestead exemption, but I know that all of us went home and people felt as though we did an okay job. But, they didn't feel like we did a great job.

What this bill that we are about to vote on does is double the impact for senior citizens living on the coast of Maine who literally cannot afford their homes anymore. We bring the Circuit

Breaker up to \$3,000 to where it was in the early 1990s. I think that on both sides of the aisle we could feel very proud of delivering that kind of relief to Mainers that need it the most. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from West Gardiner, Representative McCormick.

Representative MCCORMICK: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I rise in opposition to the pending motion. I have been on the Taxation Committee for the last three years and no one here would like to go home more than I and say that we have done something with tax reform or tax relief. But, looking at our record so far, I am going to have a little trouble doing that. With LD 1, we expected that to translate into property tax relief. I can't speak for your district, but I know that in my school budget passed this week three of the four towns in the MSAD increased the taxes and their was no tax relief. This bill tries to fix that part of LD 1 and increase the funding up to 55%. Do we really feel that with the history of the last five months that that will translate into equitable relief? I don't think that it will.

With the Part I Budget there were millions of dollars of increased fees. We have got part three coming later today. Another \$143 million of proposed tax burden on the people of Maine and this bill is certainly not revenue neutral and so it again increases the tax burden on the people of Maine.

We could pick any number of things in here and say that it isn't good, but let's look at a couple of things. We have heard about the real estate transfer tax a number of times and how the rate will be lower for those homes under \$200,000. As you know those homes are rapidly disappearing and it won't be long before everyone will be over the \$200,000 home value. What we are telling the people on the coast that are finally getting taxed out of their homes – the ones we have been trying to help for years – who finally do get taxed out and have to sell that valuable piece of property, we are saying that we will charge them 3 times the real estate transfer tax. Now we have increased it to \$7 per \$1,000 on the buyer and \$7 on the seller.

We have heard about exporting some of this tax burden. A laudable thing if we could do it would be raising the Meals and Lodging Tax. Figures show that 60% of the Meals and Lodging Tax is paid by Mainers themselves. So, raising this tax simply adds more burdens to the people of Maine and does not significantly export the burden. We could go on and on and I certainly won't draw this out, but this bill, coming up in the last day of the session sounds good and makes you feel like we should do it. They tried the same thing last year on the very last day. They tried to say that we wouldn't go home without this. People want it, but I think that people want relief and not additional taxes. We are putting not only a tax burden on the small businesses, but we are forcing many people to add an additional burden of accounting and filing and being sales tax collectors. I don't think that that is right. I am going to vote against the pending motion. There is a parody on an old ad that used to be out there, "When I go home people will be asking where is the relief?" There is no relief in this package. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Scarborough, Representative Clough.

Representative CLOUGH: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. We have two industries in Maine that are doing reasonably well today, real estate and tourism. We are trying to make sure that they get on a par with some of the other industries that are being forced to downsize.

Tourism is Maine's largest industry and the largest employer. In 2003 the economic impact of tourism spending by residents and non-residents, according to Longwood's International, a research firm contracted by DECD was as follows, total sales of \$13.4 billion, \$549 million in taxes, created only 173 jobs with a payroll of \$3.8 billion. Maine's tourism industry continues to do more than its share to return money for the benefit of sectors in Maine. Because we are Maine's largest industry and we are healthy and growing, many groups look to this industry for funding by either by raising the Meals and Lodging Tax statewide or by taking money for the dedicated tourism fund.

An increase in the Meals and Lodging Tax will cost Maine people. A high percentage of the hotel guests are Mainers. An even higher percentage of restaurant patrons are Maine people. In fact, if you look at the total sales and use tax, 8% of that is paid by non-residents. The remainder is paid by Maine residents and Maine businesses. Mainers pay a high percentage of the state's Meals and Lodging Tax and not all of the customers are out of state tourists. Mainers attend weddings, reunions, funerals, meetings, conferences and conventions. Students, parents, athletic teams and others who visit our colleges and universities use their services and shoppers from Aroostook County and Downeast come to Bangor and Bangor people go to Portland for the weekend and thousands of Maine people will visit Acadia National Park, Baxter State Park and other Maine attractions. Maine people will pay the tax on rooms and meals if it is increased.

Maine's tourism industry is comprised of thousands of small businesses. They are the backbone of our economy. These are the same people that already struggle with the worst tax burden in the nation and Maine's tourism businesses are paying some of the highest property taxes in the state. The high cost of doing business in Maine is reflected in the prices charged to customers, thus making it more and more difficult to be competitive in an environment where customers have now come to expect price cuts and deals.

A recent story on the front page of one of the sections in the Portland Sunday Telegram told of how the tourism industry, while it has increased in dollars and cents the past couple of years, the number of tourists traveling has dwindled. This is partly because they are shopping harder for places to go where their dollar will go further. Maine is no longer a bargain for those travelers. New Hampshire recently refused to raise their lodging tax because it would send the wrong message to the very people that they are trying to affect and attract. Maine is working hard to bring visitors here and we should adopt the same philosophy and support for our largest industry.

I want to respond to Representative Twomey's remarks. Representative Twomey was correct. She said that when she talks to her Republicans, her Democrats, her Independents and her Greens that they are asking for tax relief. She is right. I get the same message when I talk to the people in my district. Unfortunately though, this is not tax relief. This is a tax increase. Representative Pingree said that we do not suggest cutting state government, meaning that her party does not suggest cutting state government. Representative Pingree I would respond by saying that we don't suggest cutting spending to achieve tax fairness. What we suggest is cutting the growth in spending. There will always be increases in spending, but we want to cut the growth to an amount that would be more compatible with our income growth and our ability to pay. I still think that that is a good idea. I still think that it is very important that we have a meaningful cap on the growth in spending before we start to make changes in the tax code. It's already been acknowledged

by Maine Revenue Services that they cannot give us a number on how much new money will be raised by the new taxes that are in this tax proposal today and the reason is that we don't track sales in those segments. We don't have any idea what the income will be from those changes and additions to the tax code. Again I would ask you to oppose the pending motion. Thank you.

The SPEAKER: The Chair recognizes the Representative from Millinocket, Representative Clark.

Representative CLARK: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I kind of resent some of the remarks that are being made because coming down here as a freshman and serving on the Taxation Committee and having very little knowledge of some of the taxation issues I put my heart and soul in the committee because I had a lot to learn.

I think what the good Representative was talking about a little earlier was the original bill. The amended version is tax neutral. I would appreciate it if you would take some time to look at the amended version and not at the bill. I see this bill as a giant step taken by the Taxation Committee and a giant step for the people of the State of Maine and I can tell you right now that the Taxation Committee started thinking outside of the box and that is what we have here today.

I can assure you that the week that some of you took off for vacation I stayed here and did some research with the revenue service for a whole week finding out what the exemptions were and how they worked. I can tell you that what we have in front of us today did not come easy. We put a lot of time and effort into this and we have been over five months putting this package together. It didn't happen overnight. It just happens that this is the end of the session. The bill is here today, but I can assure you that the full Taxation Committee worked endless hours trying to put something together. Tax reform is something that I have heard ever since I have been here. This is a good compromise. It is a good suggestion. It is a good plan, and it is good for the people of the State of Maine and it is really good for rural Maine. How can any of you go home and tell your constituents that this is not a good package. Look what it does for you. It removes over 50,000 people off of the role. They are not going to be paying any taxes at all.

One of the biggest concerns we heard back home was full fund revenue sharing. We are doing everything that the taxpayers wanted us to do. The people that we left behind on LD 1 are being picked up now. How can you go home and tell them that you are not going to be voting for this bill. Where is your compromise? Where are your suggestions? Come on board with us and vote green.

The SPEAKER: The Chair recognizes the Representative from York, Representative Moulton.

Representative MOULTON: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. There are a great many people down in my neck of the woods that are hearing a great sucking sound right now. Like a number of other coastal legislators, I represent a large number of businesses, literally hundreds, who hear the sound of the state wanting more tax revenues out of them. This bill affects pockets both within the business and residential communities because not only are a great number of those businesses adversely affected by the proposed increase in the Meals and Lodging Tax but there would also be a great number of people within my district that would love to be able to purchase a home for less than \$200,000 and enjoy the benefit of the real estate transfer tax decrease. But, unfortunately or alas, most of them are above and they will end up paying more so a great many people in my neck of the woods have been sending in their emails and pink slips to let me know just how adversely this proposed bill would affect them. I rise in

opposition to the legislation and regret only that I cannot give a stronger voice or a vote as I push the red button. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Jay, Representative Pineau.

Representative PINEAU: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. This legislation will actually help the businessman. This legislation will give him income tax relief. This legislation will give him property tax relief and this legislation will give the communities the fulfillment and the promise that the state had of 55% funding of the EPS, which they asked for in the people's referendum. I urge you to support this legislation. Help the working people of the State of Maine get some of their income tax money back.

The SPEAKER: The Chair recognizes the Representative from Bowdoinham, Representative Hutton.

Representative HUTTON: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. It has been a straight learning curve. Straight up in the air for me this session on Taxation, and like Representative Clark, I have learned a lot. I think that the process we went through to get to this bill was a very solid process and I would like to answer the question about lawyers because I think that it shows one example of how intense and how thorough the process was.

We discussed in committee how to tax CPAs, lawyers, accountants, and architects because we felt it was only fair to have everything on the table and to discuss every possibility of how we could look at this tax system and how to make it a fairer system. Some of the lawyers who were there insisted that we should tax lawyers, and I some what agree with them that lawyers need to have some restraint on them sometimes, but the exportability of their service was in question and the question was, if they live in Maine and have a client in Massachusetts and they are flying to Massachusetts where do you tax them? How do you tax them? In the end we couldn't come to a conclusion and we felt that we didn't want to put those professions at a disadvantage with our neighbors and would therefore, cause them to loose any income.

As Representative Pineau said, it is business friendly. We took the time to look at all of the issues. As far as the tax burden, we are concentrating on the negative here, but I just want to address some of the things that Representative Clough mentioned and that is that New Hampshire did look at raising their Meals and Lodging Tax and yes they said no, but Men and Women of the House, we are just raising ours 1% to meet New Hampshire's. I don't think that it is going to cause the tourists to flock back to New Hampshire if the tax is exactly the same.

The other thing that I wanted to point out and you earlier got a letter from Senator Perry who did his biweekly trip to get diapers. You look at it and he has paid \$5.64 in tax on things that he considers a necessity and I would consider them a necessity too, having had young children. Now, at the same time we have tourists coming into the state who go and ski and use all sorts of things and go to our amusement parks and we don't charge them tax. What we are trying to do here and we tried to do in our consideration of taxes, is try to find the balance, to try to find a balance for both business and people.

There are parts of this bill that I absolutely hate and there are parts that I absolutely love. But, that is the ability of a committee and a group of people with very diverse ideas to come to a compromise and that is what this bill is, a compromise and a great package to move forward with to start our tax reform. I urge you to vote green and start this process and I thank you.

The SPEAKER: The Chair recognizes the Representative from Lewiston, Representative Walcott.

Representative WALCOTT: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I rise today as one of the low-income people in the State of Maine. As a matter of fact, I think that since joining the Legislature my income is even lower. I find it interesting that we are talking a lot about the Meals and Lodging Tax. I have been lucky enough to have enough disposable income in my adult life to take two vacations outside of the State of Maine and I promise you that I never, as a low - income person even, called those states and asked them what their Meals and Lodging Tax was. I decided where I wanted to go - one to California and one to Missouri - and I went there. I don't believe that raising the Meals and Lodging Tax by 1% to equal New Hampshire, which is still less than the rest of New England, is going to cause people not to come to the State of Maine. That is all I wanted to say. Thank you Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Holden, Representative Hall.

Representative HALL: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I have a very, very quick point that I would like to make here. I sit here and I am really just baffled by what is going on. We are promising people tax relief. We have heard that it is going to raise \$100 million in taxes or it is going to raise nothing or somewhere in between there. It is not going to cut taxes, but it is tax relief. Can somebody please explain to me how we are going to sit here and debate this for an hour now, maybe longer and it is not cutting a single penny in taxes. Perhaps it is going to raise taxes and yet we are going to tell people that it is tax relief. We are going to stop taking money out of your left pocket and we are going to reach in your right pocket and take a little bit more. So your left pocket is going to be fine but we are taking it out of your right pocket. Come on; let's be perfectly honest. This is nothing more than smoke and mirrors to distract people and let them try to take the focus of the fact that this state is \$6 billion in debt - \$6 billion dollars - and we are going to take taxes from one thing and we are going to put it someplace else and we are not going to do anything to fix the problem, which is that we are spending more money than we can afford.

Let's look at where we can make cuts and make them instead of playing games. Now, we are going to vote on this and it is going to be 76-74 and it is going to pass so can we just go ahead and do that?

The SPEAKER: The Chair recognizes the Representative from Bar Harbor, Representative Koffman.

Representative KOFFMAN: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. Any legislator who has the good fortune of being reelected to this great institution will, over time, get an education in tax policy and tax reform strategies, the basic elements of reform. Eventually, in your third or fourth term you will come to see that all the various proposed plans that you have seen over your years in the Legislature resemble one another because the mosaic of good tax reform looks pretty much the same, not only in the State of Maine as we have tried to craft reform and have failed over these years, but look at other states. They are doing the same thing.

We brought experts to Maine, nonpartisan experts, for years to tell us what a good balanced tax system looked like. We asked them how to remove the volatility in our system and bring more stability to it. How can we get our income tax rates down? What does it mean to broaden the sales tax and what is its impact? There is no rocket science here. We are finally getting to do the job or at least get a start on the job.

I got involved in this quite extensively with now Senator Peter Mills and then Representative Peter Mills. Representative Mills and thirty of us worked for eighteen months to put together a

tax reform package. Coincidentally it looks a lot like this. I remember that Senator Mills commented that Alaska had its oil wells and Maine has its coastal properties and its coastal tourism industry and we needed to be more creative at tapping into those resources and exporting more taxes through that resource.

Living in Bar Harbor as I do, I am pretty conversant with the real estate market and have participated in the market. I think it is on the borderline of absurd to suggest that the real estate market is going to be hurt, curtailed or diminished by the proposals for the transfer tax. Far from it, and I am very pleased to see that the earnings from that tax are going to be dedicated to lower income tax payers through the Circuit Breaker Program. We have a number of them in our region who are on the edge and they can use the tax relief.

I spoke with a constituent the last two terms about tax reform. I said that we were going to get some tax reform going and he is the largest hotelier on Mt. Desert Island and owns a number of other establishments here and in New Hampshire. His comments to me – he is a good Republican – was, "Ted, make sure that you time the tax so that I can properly bill all of my respective customers in the next season." When I asked him about this he said, "Make sure you implement the tax so that I can get it in for my reservations for 2006. Don't time it so that I have already made half of my reservations and now I have got to tell them or take the hit." Did he say, "don't do it. It's going to put me out of business in Bar Harbor,?" He is a smart man he knows better than that. We are not having a hard time attracting tourists to bar Harbor. I don't know about the rest of the coast.

In reviewing the comparative tax on hotels in the New England states and down to New Jersey it is pretty clear that we are tied with New Hampshire for the lowest. I think that we unfortunately sell ourselves short in Maine. We are behaving a little bit like a colonial country. We are worth more than that and we should charge a tax that is at least equivalent to the median for our region. Not the lowest because we have the nicest place to visit in the region as far as I am concerned.

Finally, Mr. Speaker and Ladies and Gentlemen of the House, I have been thinking about that children's story that I used to read to my kids about the little hen who wants to bake bread. "Well, I can't grind the flour I'm too busy." You have got to cut the wheat and you have got to grind the flour and you have got to make the dough, but they all want to eat the bread and I bet you that there are 151 legislators here who really want to see tax reform. They want that sweet smelling bread to come out of the oven. Now it is time to help bake the bread.

The SPEAKER: The Chair recognizes the Representative from Blue Hill, Representative Schatz.

Representative **SCHATZ**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I am an innkeeper. I have owned an inn business for over 20 years now and I can assure you that adding this 1% will not inhibit people from coming up here to enjoy themselves and from spending money whether it's wine, beer or the other things that we listed that might be taxed a little higher. That is not the case. On the other hand I have a work force that will definitely benefit from some of the other tax issues that are in this package. They will be able to better afford living in a coastal rural community and in a rural area and they will be very grateful to all of us for passing this. I will be very grateful to have them stay as my employees and I hope that we pass LD 1595. Thank you.

The SPEAKER: The Chair recognizes the Representative from Biddeford, Representative Beaudette.

Representative **BEAUDETTE**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I have heard tax relief said many times. This is tax reform. There may be some

elements of relief that reside within this tax reform, but it is a tax reform package. It is a balancing act with the idea being that we make our revenues less volatile by expanding the base of our sales tax. There are a lot of people that will benefit from this. We have had a debate recently about the woes of Washington County. Well, Ladies and Gentlemen I will bet you that in Washington County aren't worth over \$200,000 nor are they probably so in Somerset or Aroostook. Those are folks that could use a break and would get the break. If they had to sell their house when their property tax goes down.

We talk about the possible effect on tourism. Ladies and Gentlemen I would submit to you that if Sam and Martha from Teaneck, New Jersey were sitting down at their table tonight and they were deciding whether they should go back to that same hotel room that they enjoyed so much in Maine and spent that four day long weekend are sitting at their table and Sam, looking at Martha is saying, "My God Martha, we can't go back to Maine. That Legislature up there raised the lodging tax 1%. That \$100.00 a night room that we were staying in will now cost us four dollars more than it did last year. How could we possibly go up to Maine with such a radical increase?"

Ladies and Gentleman this is tax reform. As I said it is a balancing act. You have to look at all of the elements of it. For example, one question that came up is that people were worried about microbrewers and how they might be negatively affected by the excise tax. Well, those same microbrewers in this state are either sole proprietorships or family businesses. They will realize a benefit from the decrease in the income tax as well as the property tax on their homes and their businesses.

Ladies and Gentlemen, we also talked about the fact that Mainers will be hurt and I heard a percentage of 60% versus 40% on sales tax. Well, that is also the argument or the observation of whether the glass is half full or the glass is half empty. Sixty Percent of Mainers will pay that extra \$1 a night in that hotel room and that is absolutely true, but 40% from someplace else outside of the state of Maine who uses the resources of this state and drives on our roads and has the marvelous opportunity to spend time in the beautiful state that is ours will help pay for it and they will help to take care of it and they will help to finance the programs that we run here.

I agree that we should not spend more than we take in and I absolutely agree that I would like to reduce spending. I have said that many times within our caucus and I have said that in private many times to my friends on the other side of the aisle, but this is not what we are talking about here. We are talking about tax reform, not spending. Please vote for this bill. Thank you.

The SPEAKER: The Chair recognizes the Representative from Woolwich, Representative Grose.

Representative **GROSE**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. This bill is important. It is fair and it is timely and it also finishes what the citizens asked us for. It finishes what LD 1 started. We can't have tax reform without balancing our over reliance on property tax with our under reliance on sales taxes. Please vote for this. Thank you.

The SPEAKER: The Chair recognizes the Representative from Portland, Representative Harlow.

Representative **HARLOW**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. This is, I think, a very good attempt at solving our taxation problems given that our largest population in the State of Maine is retired people. Our population is one of the oldest in the country and here we are saying that if they make 45,000, one-third from Social Security, then they will not be taxed. I think that that is real tax reform. This taxation also reminds me of the old story of how you eat an

elephant, one bite at a time. I think they have eaten a whole elephant one bite at a time and I would like to thank the taxation committee. Thank you.

The SPEAKER: The Chair recognizes the Representative from Hartland, Representative Stedman.

Representative **STEDMAN**: Mr. Speaker, May I pose a question through the Chair?

The SPEAKER: The Representative may pose his question.

Representative **STEDMAN**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. First of all I would like to make comment. Many of the people in my town right now are not paying any income tax because their income is so low. What does this bill do for them? Their break comes through buying a bottle of coke and a pizza and going home and having a party.

The SPEAKER: The Representative from Hartland, Representative Stedman has posed a question through the Chair to anyone who may care to respond. The Chair recognizes the Representative from Bowdoinham, Representative Hutton.

Representative **HUTTON**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I think that as we were discussing this in the Taxation Committee I was pretty insistent that one of the balances had to be the increase in the circuit breaker program and I am very happy to say that that is in there so one of the things that we have done for that family is to try and increase the amount of circuit breaker from \$2,000 to \$3,000 so that they can get a bigger tax break. Thank you.

The SPEAKER: The Chair recognizes the Representative from North Haven, Representative Pingree.

Representative **PINGREE**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I am not a member of the tax committee and I very much appreciate their efforts and they can correct me if I am wrong but I believe that the low income tax credit being increased from \$2,000 to \$4,000 for single individuals and \$8,000 for married couples is directing money into the pockets of people who are poor.

The SPEAKER: The Chair recognizes the Representative from Brunswick, Representative Gerzofsky.

Representative **GERZOFSKY**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. Last year we discussed tax reform and I rose late in the evening and gave a rather loud speech. I tried to explain to my party that had they gone along with that tax increase at the time that we would probably be sitting in the minority. Well we didn't and here we are still in the majority and I would like to remind them that that is a good place to be. It allows us to fight for our cause and to be a louder voice for our people. If some would like not to support this bill and stay in the majority that is perfectly alright with me. Excuse me, if some would like to not vote for this bill and stay in the minority that is perfectly alright with me. I choose to stay in the majority and support this bill tonight.

This bill is common sense to the folks back home where I come from. I was in Brunswick this morning and I took the time to go around to Grand City, Dunkin Donuts, the local tobacco shop – who had me on the phone at 7:00 this morning talking about raising the cigarette taxes – and I explained to them what we were doing here. The comments I had was that it makes sense to them once we explained it to them. They could see that this was tax reform. They could see the benefit that they would get from this. I am quite happy and proud to be able to support this. I am quite happy and proud to know that I will stay in the Majority by doing that.

Last time I spoke it was rather loud and it was rather late and some people really enjoyed my speech. I think that those

people, tonight, probably won't enjoy my speech as much, but it is just as heart felt as it was last year.

We have an opportunity to do some true tax reform and go home and brag about it and I certainly plan to go home and brag about it. I bragged about it this morning at Grand City to my seniors to tell them just where they were going to get benefits from this and they were tickled to death. They loved it because we weren't balancing the budget on their back. We weren't borrowing money. We weren't doing a lot of things that they thought we were going to do tonight we are not going to do them.

We get to go home and say we did something positive. As a businessman – I have been one for most of my life – I never met a tax that I liked a lot, but I knew that I had to pay them. I know that it was part of doing business. I knew I was paying my taxes because I was making a profit and I was doing okay.

I am going to Vermont this weekend for a 40th year reunion at my high school and I know that when I rent the motel room there that the meals and rooms tax is far higher than it is here. I know that they get a better deal when they come here than I get when I go home. I know that when I go shopping over there it is going to cost me a bit more to buy things than it is going to cost me here and I certainly know that when I was a cigarette smoker and I bought my cigarettes over there it cost me more to buy them. The tax might be a little bit higher here, but the cost was a lot higher there.

This tax bill, Mr. Speaker, this tax reform, is far superior to the one that we talked about last year and I am far, far happier to see that we are going to vote on it. I am going to make a suggestion to my democrats, the people I advised last year, not to vote for this because they might come back in the minority. Support it this year and you will come back in two years in the majority and it's a lot nicer to sit here in the majority, doing the right things than to sit here in the minority saying no to everything. Thank you very much Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Augusta, Representative Davis.

Representative **DAVIS**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I wasn't here a week and I stood up to speak and I stood up a couple of times since and I understand that this will be my last time. I want to make a couple of comments to comments that were made previously. Indeed, this is a historical vote. Today we either choose to continue the philosophical ideas that have followed us over these past thirty years, we choose to change what we have encouraged, which is dependency on social programs. We have taken the pride from being a working, contributing citizen and we have created a population that is focused on how much they can get instead of how much they can give.

I would like to speak to the sins that people spoke about. As a tax preparer for twelve years I have seen a lot of sins. I have seen people who received up to \$4,000 in earned income tax credit. They don't use that necessarily, and I am certainly not referring to everyone, but I have seen people who receive earned income credit – this is not a return in the tax dollars they have paid, this is a credit that those of us who have paid income taxes are giving to them – take that earned income credit and go on cruises and have tattoos. I have seen them take that earned income credit and buy fancy new toys. I have seen this over and over and over again. We have encouraged and created an abuse in this society of a system that has been way too generous. It doesn't necessarily mean that these are bad people, but it is because they can. I have seen people, I think we all have, that know exactly how to play the system. They know how to play their cards right. They know how to avoid getting married so that they can maximize their benefits to have the state pay for

their education, their dental care, their medical care, their food stamps, their childcare and their rent. This is an epidemic and I don't think that there is anything honorable in taking people off the tax roles. If they don't invest in their own life they will lose their pride. They will lose what Maine has always been about and that's working hard and contributing to their families and to our state. I ask you not to vote for this amendment this keeps us on the continuing path of tax and spend. The same tax and spend that has driven our businesses from our state and provides fewer and fewer jobs for those people who want to stay and work. Thank you.

The SPEAKER: The Chair recognizes the Representative from Waterville, Representative Canavan.

Representative **CANAVAN**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. On this bill, as with most bills that come before this body, I have been lobbied to some extent and on this bill as with the others the criteria that I plan to use in deciding how to vote, are the viewpoints of the people I represent. The young mothers and fathers, the teachers, the truck drivers, secretaries, the healthcare workers, the retirees the waitresses and the store clerks to name just a few.

My sense is that there is unanimous support out there for the concepts in this bill and so I will cast my vote accordingly. Just last week we talked about the need to support the institution of marriage. Well, in a day and age in which young families are struggling to keep their heads above water financially, I can't think of a better way to lend them support than by providing this kind of help the very kind of reform they tell me is fair and equitable.

In closing I can't resist alluding to the remarks made here today about diaper service. My husband and I raised five children and it was before pampers came out. Trust me I washed a lot of diapers. That is because I couldn't afford diaper service. I washed those little guys myself and in my view those who can afford diaper service can afford to pay a slight tax on that service. Thank you.

On motion of Representative **CUMMINGS** of Portland, **TABLED** pending the motion of Representative **WOODBURY** of Yarmouth to **ACCEPT** the Majority Ought to Pass as Amended Report and later today assigned. (Roll Call Ordered)

BILLS IN THE SECOND READING

House

Bill "An Act To Eliminate Pension Cost Reduction Bonding and Provide Replacement Budgeting Measures"

(H.P. 1199) (L.D. 1691)

Was reported by the Committee on **Bills in the Second Reading** and **READ** the second time.

On motion of Representative **MILLETT** of Waterford, was **SET ASIDE**.

The same Representative **REQUESTED** a roll call on **PASSAGE TO BE ENGROSSED as Amended**.

More than one-fifth of the members present expressed a desire for a roll call which was ordered.

On further motion of the same Representative, **TABLED** pending **PASSAGE TO BE ENGROSSED as Amended** and later today assigned.

Representative **MILLETT** of Waterford **PRESENTED** House Amendment "A" (H-700), which was **READ** by the Clerk.

The SPEAKER: The Chair recognizes the Representative from Waterford, Representative Millett.

Representative **MILLETT**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. The amendment

that I am presenting here this evening is the product of the work of the Republican members of the Appropriations and Financial Affairs Committee. We offer it as our alternative to the bill itself. We offer it in the spirit of working together. The work that followed in the committee has led us to this point where I would like to share with you some of the differences that led us to divide.

First, the similarities, we both agree – I think this is the paramount issue before us this evening – on the need to replace the pension borrowing program included in the Part I budget enacted at the end of March. That is Part A in the bill and this amendment repeals everything thereafter leaving Part A intact. We differ in several areas and I will just touch upon the high points and not get into great detail within the content areas.

We differ first and foremost in the fact that we offer this bill as an alternative to the borrowing and we fill the \$250 million gap without raising new taxes. Our philosophy, our focus, our goal was to live within our means and try to bring our budget within the limits of our revenues going forward. Thirdly, we tried desperately to honor our commitments. Particularly in the area of paying our bills and staying on message and staying true to the property tax relief issues that were committed to in LD 1, now Chapter 2. However, we differ in this area in that we do not prorate the better payments to those corporations who made investments based on one set of conditions in fiscal year '07. We honor those commitments; we pay our bills. We do not reduce revenue sharing payments in fiscal year '07 by \$5 million; we honor those payments and we propose a new method of preparing for budgeting revenue sharing. I would like to take a minute and explain that because I think there is some confusion about the approach taken that led us to book some savings in the revenue sharing field.

As many of you know state municipal revenue sharing dates back to the early seventies. One of the centerpiece agendas of the Maine Municipal Association I had the privilege of voting for it in 1973. It is a concept that I do not wish to back away from. It is a concept that says municipal government has a right to a share in the state revenues because they perform many state required, state mandated functions. They system that is set up has stayed pretty much in tact with some minor changes along the way. It draws revenue from sales and income taxes in one month, transfers them at the end of the month into a local government fund and pays them out to municipalities in the following month on a formula that is the product of population times tax burden. This stays consistent with the philosophy and the amount to be paid, but moves it starting in fiscal year '07, in July of 2006, to an appropriation program honoring the estimates of obligation for both revenue sharing 1 and 2 and paying it in accordance with twelve equal payments throughout '07 and thereafter.

The opportunity to achieve savings is a byproduct of the fact that there is always that one month time lag where revenues come out in one month and get paid out in the following month, thus the savings, by actually utilizing the revenues that would be achieved over a 25 month period and appropriating payments over a 24 month period.

Fourthly, we take a different approach in terms of government's size and growth. We look to try to deal with expansions in government services by suspending expansions promised and not yet delivered and, in my view, not currently affordable. I offer as two examples the two MaineCare expansions that were referred to in the Dirigo Legislation of two years previous. We offer to delay expansions in the cost of government in one area that I found particularly troubling and that is to delay the collective bargaining contract entered into by management and labor back in March and included in the Part I