

MAINE STATE LEGISLATURE

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House of Representatives
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State of Maine

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Appendix
House Legislative Sentiments
Index

Pages 1488-2248

sending them a minus on our budget because of the things that we are going up here. Who doesn't support teachers, who in their right mind would want to vote against this and have to go back home and face it. It's been a difficult situation, but I have to think about everyone in my community, not everyone is a teacher, not everyone is a firefighter, not everyone has healthcare. It's whose the best organized; is this what it's coming down to; who has the most lobbyists in the hall. Who put me in this in this seat, who elected me, whose going to be struggling next year, how do we know what the oil is going to be like next year, what's that cost going to be. It's not the right time. It's not just beginning teachers it's a step-up increase for all teachers. So if it was just focused for the first new year teacher, the people just coming in I could see it and I think that should be negotiated with our local bargaining unit, this is taking this away.

The SPEAKER: The Chair recognizes the Representative from Newfield, Representative Campbell.

Representative CAMPBELL: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. You know when you listen to one superintendent you're going to get one vote and if you don't listen to all those school teachers you're not going to get those votes.

The SPEAKER: The Chair recognizes the Representative from Allagash, Representative Jackson.

Representative JACKSON: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. Try and be fairly brief, but you hear a lot discussion about rural schools being affected and all that. I pretty sure that I'll debate with anyone that I'm as rural as anyone in this chamber. Just in the town that I live in there are 200 people, 72,000 acres of land, that's 360 acres for each resident of the town of Allagash. The argument that this hurts rural schools, I don't agree with, you can argue why or anything like that I don't know a lot about the EPS, but we actually do well in the SAD 27 by it for whatever reason. This thing with teachers, in the early 1980s my mother graduated from college with a teaching degree, she was recently divorced from my father and times were tough. Her first year salary was \$14,600 and I never considered myself poor or underprivileged, but those were certainly the toughest times in our lives. She had a four year degree, she was what I would consider a professional and she should have been making more. Years later after I got out of high school and went into logging profession, no education, basically just had to pick up a chain saw and made more money in a short time of the year than she did in after having a four year college education and right up until now I do have college education, but I'm still working the logging field and I probably still make more money than she does after having close to 30 years of teaching in. I just feel that it's an underpaid professional position I don't agree with the arguments that it's going to cause less teachers, bigger classrooms. When I went to school, I make this argument a lot; I went to school at St. Francis and they had a parking spot for every teacher at the schools and there were probably 12 to 15 cars back when I went to school, now you go there and there are cars everywhere. I think now that there are more teachers than ever in our school systems; I don't think this is going to cut back on the amount of teachers. I think these people deserve a little more for a profession that I know personally, I would not be standing here today if it wasn't for a lot of good teachers in my life and I'm more than willing to take whatever consequences there are back home to support these people because I think they deserve it.

The SPEAKER: A roll call has been ordered. The pending question before the House is Passage to be Enacted. All those in favor will vote yes, those opposed will vote no.

ROLL CALL NO. 546

YEA - Adams, Babbidge, Barstow, Blanchard, Blanchette, Bliss, Brannigan, Brautigam, Bryant, Burns, Cain, Campbell, Canavan, Carr, Clark, Crosby, Cummings, Davis G, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Eberle, Eder, Faircloth, Farrington, Finch, Fischer, Fisher, Flood, Gerzofsky, Glynn, Goldman, Greeley, Hanley S, Harlow, Hogan, Hutton, Jackson, Koffman, Lerman, Marley, Marraché, Mazurek, McCormick, Miller, Mills, Moody, Moore G, Norton, O'Brien, Paradis, Patrick, Percy, Perry, Pilon, Pineau, Pingree, Piotti, Rines, Saviello, Simpson, Smith N, Smith W, Thompson, Trahan, Tuttle, Valentino, Walcott, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Annis, Ash, Austin, Beaudette, Bierman, Bishop, Bowen, Bowles, Brown R, Browne W, Bryant-Deschenes, Cebra, Churchill, Clough, Collins, Cressey, Crosthwaite, Curley, Curtis, Daigle, Davis K, Duprey, Edgcomb, Emery, Fitts, Fletcher, Hall, Hamper, Hanley B, Hotham, Jacobsen, Jodrey, Joy, Kaelin, Lansley, Lewin, Lindell, Lundeen, Marean, McFadden, McKane, McKenney, McLeod, Merrill, Millett, Moulton, Muse, Nass, Nutting, Pinkham, Plummer, Rector, Richardson D, Richardson E, Richardson M, Richardson W, Rosen, Sampson, Schatz, Seavey, Sherman, Shields, Stedman, Sykes, Tardy, Thomas, Twomey, Vaughan.

ABSENT - Berube, Craven, Grose, Jennings, Makas, Ott, Robinson.

Yes, 76; No, 68; Absent, 7; Excused, 0.

76 having voted in the affirmative and 68 voted in the negative, with 7 being absent, and accordingly the Bill was **PASSED TO BE ENACTED** signed by the Speaker and sent to the Senate.

By unanimous consent, all matters having been acted upon were **ORDERED SENT FORTHWITH**.

The House recessed until 3:30 p.m.

(After Recess)

The House was called to order by the Speaker.

The following items were taken up out of order by unanimous consent:

**REPORTS OF COMMITTEE
Divided Report**

Majority Report of the Committee on **TAXATION** reporting **Ought to Pass as Amended by Committee Amendment "A" (H-1078)** on Bill "An Act To Replace Municipal Revenues Subject to Business Equipment Property Tax Exemption" (H.P. 1452) (L.D. 2056)

Signed:
Senators:
PERRY of Penobscot
COURTNEY of York
STRIMLING of Cumberland

Representatives:
HANLEY of Paris
CLARK of Millinocket
McCORMICK of West Gardiner
WOODBURY of Yarmouth

CLOUGH of Scarborough
 BIERMAN of Sorrento
 WATSON of Bath
 SEAVEY of Kennebunkport
 PINEAU of Jay

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

Signed:
 Representative:
 HUTTON of Bowdoinham

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, Women and Men of the House. Eliminating the tax on business equipment is a goal many in the legislature have had for a long time. Eliminating the tax is very important in providing stability and predictability and confidence to business in making decisions to invest and expand in Maine, that's why this bill is so important. What has made this unattainable in the past is the complication of how to adjust the financial systems of government to deal with the lost revenues that our cities and towns have come to depend on for the support of local services. This bill eliminates the tax on business equipment investment going forward and in addition puts in place a mechanism to assure that municipalities are well compensated for the elimination of that tax. Though the discussions around this bill have been going on for some time, I want to take a few minutes this afternoon to describe the details of the Committee Report. First I want to talk about the motivations for the bill, second I want to describe in some detail how the tax exemption applies to business property and third I want to discuss the impact on municipalities, as I know this was a particular concern in earlier versions of the bill. So first, motivations, States differ considerable in their tax treatment of business machinery and equipment. Our historical decision in Maine to fully tax business machinery and equipment is one of many factors influencing business location decisions, but it puts us at a competitive disadvantage relative to states that exempt business equipment from taxation. We are in affect discouraging the core business infrastructure that supports jobs, job growth and income to Maine residents. This bill makes us one of the exempt states instead and as a result gives us a better chance going forward in attracting the new business investment and new business expansion that is so important to Maine's economy. Let me now get into the details of the bill. The first thing to note is that this is a prospective change, all property that is currently in place in our cities and towns will continue to be taxed as it is now. The tax exemption only applies to new investments put in place in 2007 or later. I emphasis this because none of our towns will lose any of the existing tax base that we are currently taxing. It is only future investments that will be tax exempt. Also, property that is already in place and eligible for reimbursement in the business equipment tax reimbursement program will remain in the BETR Program with 100% reimbursement of taxes paid for the first 12 years in the program, just like it has now. In addition, the bill extends BETR reimbursement beyond the initial 12 year period with reimbursement rates of 75% in the 13th year, phasing down to 50% in the 18th year and thereafter. Personal property used in

a storefront retail business and used for retail activities will also continue to be in the BETR Program with the same extended reimbursement schedule. Both the prospective tax exemption and the extended BETR duration of the BETR Program for the existing property and for retail property will make the tax environment in Maine significantly more friendly for business operations and expansion going forward. Now let's turn to the impact on municipalities. As I emphasized before, property that is already being taxed because it is in place now will be continued to be taxed. So the issue of lost revenues and compensating for lost revenues relates to new equipment that is put in place in the future and this bill does the following things to mediate that impact. First, there is a baseline reimbursement rate that begins at 100% when the bill is first enacted and phases down to 50% over time. Second, there is a supplementary reimbursement for communities that rely a lot on personal property tax revenues. So for example, a community that currently depends on personal property taxes for 80% of its revenues, a lot, would be reimbursed at a rate of 90% for the new property rather than the baseline reimbursement. Third, the bill provides an additional allocation to the Revenue Sharing II Program which provides supplementary compensation to service center communities and other high mil rate communities. The additional allocation begins at \$2 million and phases up to \$4 million. A final component of the bill is that it eliminates the so-called double-dip where businesses can receive both TIF reimbursements from their municipalities and BETR reimbursements from the State. This bill has been a collaborative effort of leaders from both parties. I want to recognize particularly the leadership of the Representative from Sanford, Representative Bowles and the Representative from Brunswick, Speaker Richardson. This bill will remove an important disincentive to business investment and expansion in Maine and will promote the future growth of Maine's economy and I urge your support. Thank you, Mr. Speaker.

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

Representative HUTTON: Thank you Mr. Speaker. Mr. Speaker, Women and Men of the House. I know that as a 12 to 1 and me being the one, I don't stand much of a chance of actually convincing you to vote against this bill and it's not my intention necessarily to tell you to vote against it. The Committee Amendment to LD 2056 is the best compromise possible from the original bill. Within the time allowed, this compromise was all that could be achieved and some of the fears of the municipalities have been dealt with. Businesses are getting an extended tax break forever; manufacturing businesses in the future will no longer have to pay the personal property tax. It removes the double-dip from the mix relieving the towns of the burden of providing tax breaks for businesses and I want to say prospectively, the ones that are there are still going to be there. I would be remiss unless I took a bit of time to also point out to you that there has been a variety of things that passed through your desk. In one passed out at the request of the Speaker that puts forth something about MMA's support. I just want to read you an email that was sent out today to towns about where the MMA stands, so quote. "It is therefore more accurate to say that MMA believes that the Committee Amendment to LD 2056 represents the most that is possible to achieve with respect to property tax protections given this political environment. If the bill proponents want to characterize that as equivalent to supporting the bill they are overstating the case." So why do I stand here before you to speak against the bill? I wanted to read you something that was in the original statute and is in this bill as well on page 10, quote. "The legislature further finds that the programs set forth in this

chapter is a reasonable means of overcoming this disincentive and will encourage capital investment in this State." This is originally there, so we know that previous to this we thought that this was a good idea and that taking away this disincentive by having BETR would cause businesses to invest in our State. Well, 38 other states have the same tax that we have and the Committee really never addressed the issue at this time, we did no in-depth study of whether or not this is a true statement. We didn't examine for example, the way New Hampshire taxes business, we didn't consider that and they do a different tax. I'd quoted the wrong number in caucus the other day; they actually have a 9.25% collective tax on businesses but they tax on a different point in time than upfront. So to me the validity of that statement is still in question. To me this bill is a band aid and the problem of taxing business investments will not heal without real comprehensive tax reform. I asked to be on the Tax Committee to do tax reform and I was told that the possibility of reform was real and that we would continue the good work from LD 1. In my third term would think that I would have known better. The bill and/or the Committee Amendment is just that band aid for part of a much larger problem. Is the current tax system fair, does it distribute the burden fairly among Maine residents and businesses? Does it really promote investment in business? Can the lowest wage workers support themselves? Is there a way to get them more of a tax break? Is there a way to take the burden off of the property taxes, and many other questions come to mind? All of these questions are interconnected with our tax code and they all need to be balanced to create a fair tax system. I would have fully supported a Joint Select Committee to address these issues to take our time, review these and study these and come back in the next legislative session to create a real tax reform package. This issue needs our attention and this bill only patches up a problem that will resurface over and over again. All we're doing is shuffling tax payer dollars around to benefit the manufacturing businesses and trying to find the revenue to return to the towns to reimburse them for their losses, and they do have losses, they are never kept 100% whole. We're providing tax relief for businesses, not tax reform. So for those of you in your next term who are unlucky enough to serve on the Tax Committee, I employ you to look at all of the interconnected pieces and create that real comprehensive tax reform package for the people of Maine. Thank you.

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

Representative **TWOMEY**: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. As many of you having been trying to get rid of this, I've been trying to oppose getting rid of this because this is nothing more than a tax shift. This is nothing more than a shell game because no matter who reimburses at 50% that's still tax dollars. I have this book from corporations to individuals and its sources of who pays taxes and who doesn't pay taxes and in 2003 individuals taxes made up 90%, corporate taxes made up 7% and other made 3%. So who really pays the taxes? This is a shell game. I went to MMA and I scolded them, I said, how could you have jumped on this. They said to me, one gun or two guns, Joanne, which one do you take? So I asked them, because I wasn't satisfied with what I heard in caucus, some of the answers weren't clear, give us the line for our towns, well we can't. So I asked MMA to do it for me for Biddeford and they had to look at a variety of things, real estate, property, exempt property, loss revenue, reimbursement and they did. By the sixth year, we'll be losing a little over \$156,288, well that might be a drop in the bucket you say, but it isn't. On top of everything else we're sending home, where is that person whose struggling, when do they get their tax break?

If you don't like TABOR, then what's the answer? What is the answer to tax reform? We don't have the courage of our convictions in this House to pass progressive tax reform and I heard it for eight years, starting with Bonnie Green, I almost thought this morning when I heard her name, that I should send a little note, saying, Bonnie, its eight years later and we still don't have tax reform, when she promised it when I was a freshman. This is about an election, this is about a promise made to do away with this, hand shakes and a blink of an eye and we're going to do away with this. Let's find out whose really paying for this, it's the towns, it's the property tax payers, and it's shifting the burden without real tax reform for those people who work every single day, there's no help for them. Thank you.

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. I'd like to bring the focus back on to what this bill is designed to do, why we're doing this today. Back in 1995 when we passed the original business equipment tax reimbursement program it was to provide a climate in the State of Maine where businesses would feel that they had an even playing field with other states. Where they could come into the State of Maine and not pay a tax that was either higher or even non-existent in other states, that they could make an investment in Maine that would enable them to provide growth for their own company and of course at the same time employment for our Maine people and better jobs. Over the years there have been so many attempts to weaken and dilute that effort, even last year we reduced the payout from 100% reimbursement to 90% and as you know, several other attempts were made to make major changes to it. That we were losing the confidence of the business community and especially those companies that had out-of-state management. It was very difficult for the people representing them in the State of Maine to convince those parent companies that it was a safe place to invest anymore. We needed to overcome that because it's very important that we attract investment in this State. Without investment, you don't stand still, you're not going to just continue on with the same businesses you have, you're either going to get new investment and new businesses or you're going to lose investment and lose businesses that you already have. It's very important that we stabilize this and we stabilize it now and LD 2056 will do that. I hope you can look forward to keeping this program in effect over a long period of time because businesses, when they make an investment they do their performers out over period of years, some 10, 15, 25 years to see how they're going to fair with that investment and what kind of a return they can get. If you can't get a return on an investment you don't make it. If you don't get investment in high technology equipment today you don't remain in business, you don't remain competitive. Again, it's very important. On the question of MMA, I have a copy of the memo from MMA on MMA's position that was distributed by Speaker Richardson and I'd like to read this to you, and it says. "MMA is not opposed to LD 2056 in its final form, it is not 100% of what the municipalities wanted," as I'm sure you know and I would add it's not 100% of what any of us that were at the table wanted. It is difficult, as I am sure you can understand to get everyone a 100% on board, however, I feel a good faith effort has been put forward by all parties involved. I appreciate all the work that MMA's staff, you and the legislature have done to compromise and I hope LD 2056 can be passed so that we can move forward." This was signed by Ryan Pelletier town manager, St. Agatha, President of the MMA. So, MMA is not opposed to this legislation, they support this legislation and ladies and gentlemen of the House, I hope you will vote with me in

support of the pending motion. Mr. Speaker when the vote is taken, could we have a roll call?

Representative CLOUGH of Scarborough **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 Millinocket, Representative Clark.

Representative **CLARK**: Thank you Mr. Speaker. Mr. Speaker, Women and Men of the House. I think it's no secret to the members of this body where I live; I live in a paper mill town. I represent three towns that live off a paper mill; I work in a paper mill. I can tell you I also was a town father; I know what the towns are going through. The original bill, I think it's no secret here, I had a lot of heartburns with, had a lot of problems with it because my towns are going to lose a lot of revenue coming off the BETR Program. I can tell you being part of a rebuild on a paint machine in Millinocket, knowing how competitive the paper industry is, if you don't stay within the market, if you don't stay competitive you end up belly-up. I can tell you what that's like too, been going through that, but thank god that we do have a new machine in Millinocket or Millinocket would not be up and running today. A lot of effort went to put this bill together and make it a Majority Report. I don't think that any of us really like the entire bill, the whole bill, but there are pieces in there to help everybody, it helps my town, it helps my mills, it helps us stay running if they ever want to do any modernization later on down the road. It's been no secret I've been part of the BETR Program since 1995 when it was first created as well as a few other members in this body. None of us ever thought it was going to live as long as it has, but it really blossomed to the point that it exceeds probably around \$80 million if not more and climbing. I think it's time now that we take a strong look at it. A lot of my concerns have been ironed out, taken care of, not at 100%, but something I can live with, something my towns can live with. That's one reason why, Mr. Speaker, women and men of the House that I'm on the Majority Report. I hope when the vote is taken that you'll support the Committee and move on with the work and make sure that these people move on with doing business in the State of Maine. Thank you, Mr. Speaker.

The **SPEAKER**: The Chair recognizes the Representative from Van Buren, Representative Smith.

Representative **SMITH**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. We're looking at this bill, at a certain concept in tax policy. I think we need to take a look at, are we going to look at tax policy until the next election or are we going to be looking at tax policy for the future? Now one of the principles, of course, of taxation at the municipal level is that the various persons and entities share the responsibility for the services rendered by that municipal government. We do know that those companies that pay tax on business equipment are the beneficiaries, probably the primary beneficiaries of municipal spending on education, law enforcement, fire protection and many other such things. So they're the users of the municipal tax dollar as well as the homeowners and such. So as a matter of tax policy it makes me hesitate to all of a sudden give a subsidy or blank check to a business simply because they're a business in a town and say, you don't have to pay for your part of the services. Now there's another aspect of this bill that troubles me, when the BETR Program was passed back in 1995 or thereabouts the BETR Program was going to encourage investment and the way it did that is it gave a subsidy or payback on the taxes paid for a 12 year period and you can see the logic in that, it is presumed that equipment is going to be depreciated

after 12 years and you want to encourage the businesses to renew equipment after that 12 years, to make further investments. Now what do we have here? I'm going to address this basically to paper companies because I think that this is a paper company bill and they've been the primary sponsors and demanders of this bill. Now having made their deal in 1995 while it gives us a bye of 12 years and we'll pay property taxes after. Now they've come back and found a way to engineer a tax break, well now after the 12 years it's going to continue onward. Now stop and think tax policy wise, what's going to happen if there's an incentive to keep that same 12, 13, 14, 15, maybe 20, 25 year old equipment. There's no longer the incentive to renew it, there's an incentive to keep it and not renew it. This gives me particular trouble when I think of the paper mill industry. We've all heard about the paper mill industry selling off their forestland, millions of acres have been sold off by the paper companies and we're not dealing with State of Maine companies, we're dealing with international companies who don't have a stake in the State of Maine, they're looking at the bottom line for their stockholders. They sold off their timber resources. That means, 15, 20 years from now they won't have it anymore. Stop and think, look back over the years, do you think subsidies would have kept the shoe industry in Maine? Do you think that subsidies would have kept the canneries? Do you think that subsidies would have kept the woolen mills? We're looking, we're talking about an industry that's already looked into the future and seen their obsolescence and they're asking us to continue subsidizing them. If the State of Maine is going to have a realistic tax policy it's got to put its money where it's going to grow industries of the future and companies of the future, not put it into an industry that's already decided it's dying. We've already been left with the residues of these international companies that leave us with their waste that the State has already picked up on. It's not time to continue subsidizing an industry that has decided that it's going to be gone in 15 to 20 years. I'm going to vote against this.

The **SPEAKER**: The Chair recognizes the Representative from Lincoln, Representative Carr.

Representative **CARR**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I like one of the previous speakers, the Representative from Millinocket, Representative Clark, I live in a mill town as well. I know that at least many on this side of the aisle knows that I had a great deal of heartburn on this bill when it first came out and had to endure some discussions between myself our leader Representative Bowles. I do want to make sure that everybody knows that in some of those discussions that I have read the latest version, I've also spoken with MMA representatives. I've read all the material that has been sent out and I plan on voting for this. I think it's a good bill for the future, I think it also protects the towns. It's an opportunity for us to perhaps have some development in places that hasn't had it before. So I would urge you to vote for this. Thank you, Mr. Speaker.

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

Representative **HUTTON**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I just wanted to clarify two things that came across your desk. One is a piece of paper that at the top says, distributed at the request of Speaker John Richardson, the other one is distributed at the request of Representative Deborah Hutton, one is from Ryan Pelletier who says, in no where in this email does it say MMA supports, it says MMA is not opposed to LD 2056 in its final form and that's the one from Speaker John Richardson. It says that we hope that it can be passed so that we can move forward, it does not say, we fully support this. Again I would read that quote from MMA, I

hope that you would take the time to look at the full email that came from MMA and their position on LD 2056. Again the last line says, "If the bill's proponents want to characterize those, equivalent to supporting the bill they are overstating the case." So please take a look at those two just so you are clear on where MMA stands.

The SPEAKER: The Chair recognizes the Representative from Monmouth, Representative Smith.

Representative SMITH: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. As a survivor of the Joint Select Committee on Property Tax Relief with more than one after midnight negotiation session, I respect the Committees hard work on this issue. As the owner of a land and equipment intensive business, I acknowledge the significances of this issue, we pay this tax. I also understand the delicate balance of a hard earned compromise. I will vote for this bill and I encourage you to do the same, however, there's a glaring oversight, a missed opportunity to correct current Maine revenue services rules. In the flyers that were distributed by the Speaker and the Republican Leader, they state that new equipment will be exempt from personal property tax. That isn't quite the way the program works. The issue is in the current rules. Maine Revenue Services outlines that business equipment does not qualify for the tax exemption if it is purchased to be used from an in-state vendor. It's considered to be already in service in the State. So frugal business owners who purchase equipment, say from Uncle Henry's, as I have several times, will continue to pay personal property tax on that equipment, which if it had been purchased new or used from away would be exempt now and under the pending legislation, that's just plain wrong. The rationale for the rule, I am told, is that business owners would basically trade equipment, selling or swapping to avoid the tax or even manage somehow to sell it to themselves. The answer, of course, is to forbid this sort of gaming without penalizing all business owners who shop around for the best deal on needed equipment. The Committee has done good work on this bill and I support it. I will also continue to work to improve on its intent. This morning I submitted my first bill for the next term. If any of you are interested in cosponsoring, it's going to deal with exactly that issue of equipment that is purchased used from in-state sources to make them eligible for the exemption as well. In closing I want to read a paragraph from the pending legislation, on page 9 section 699, paragraph 1, legislative findings, "The legislature finds that encouragement of the growth of capitol investment in this State is in the public interest and promotes the general welfare of the people of the State. The legislature further finds that the high cost of owning qualified business property in the State is a disincentive to the growth of capitol investment in this State. The legislature further finds that the tax exemption set forth in this subchapter is a reasonable means of overcoming this disincentive and will encourage capitol investment in this State." My concern is that frugal business owners who invest in used equipment that's purchased from in-state sources should be acknowledged in this finding. Thank you.

Representative HUTTON of Bowdoinham **REQUESTED** unanimous consent to address the House a third time.

The SPEAKER: The Chair recognizes the Representative from Bowdoinham, Representative Hutton. Having spoken twice now requests unanimous consent to address the House a third time. Is there objection? Chair hears an objection.

Representative HAMPER of Oxford **OBJECTED** to Representative HUTTON of Bowdoinham speaking a third time on the pending question.

The SPEAKER: The Chair recognizes the Representative from Manchester, Representative Moody.

Representative MOODY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. Sorry to have to follow that incident.

The SPEAKER: Would the Representative defer?

The Chair recognizes the Representative from Biddeford, Representative Twomey.

Representative TWOMEY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. Point of order, could I appeal your decision or that decision?

The SPEAKER: You can ask that the matter be put to a vote.

The Chair recognizes the Representative from Biddeford, Representative Twomey.

Representative TWOMEY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. I'd like to have that matter put to a vote.

Representative TWOMEY of Biddeford **REQUESTED** a division on the **OBJECTION** of Representative HAMPER of Oxford, to Representative HUTTON of Bowdoinham speaking a third time on the pending question.

The SPEAKER: The Chair recognizes the Representative from Oxford, Representative Hamper.

Representative HAMPER: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I withdraw my objection.

Subsequently, Representative HAMPER of Oxford **WITHDREW** his **OBJECTION** to Representative HUTTON of Bowdoinham speaking a third time on the pending question.

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. I want to say thank you to Representative Smith for her observation that we miss things in this. I just want to point out, when you rush legislation you do lose in the process, you lose on opportunities that you could have taken advantage of had you had the time. I wanted also to point out that the legislative findings that she quoted from were not legislative findings from this work that we did this session, it was from the original bill when it was put into place 12 years ago. Thank you.

The SPEAKER: The Chair recognizes the Representative from Manchester, Representative Moody.

Representative MOODY: Thank you Mr. Speaker. Mr. Speaker, Men and Women of the House. There are obviously two issues at stake here; one of them is that of the levying of personal property in the first place and the other is the reimbursement of the levy. As many of you know, I've been a strong advocate of a growth from within economic development philosophy for Maine and what that means to me is an entrepreneurship endeavor. So that we'll build our own businesses from within and any kind of a personal property tax is onerous to those who are borrowing money, raising what private capitol they can and having to pay taxes before they go through the first, 2 or 3 or 4 or 5 years before they break even. So I don't know if this, the BETR Program, is being exempt from it will encourage growth in our State other than for that from within. I don't know if being exempt will keep our businesses here. I think there are a lot of reasons that businesses leave that has nothing to do with whether or not they're viable it may have something to do with how many golf courses they have, I have no idea. What I do know is that the BETR reimbursement program is a classic example of inefficiency in government. It discourages small businesses start-ups and here's how it works. The municipalities levies the tax and they inform the business owner you pay this tax and we have a staff here who will go through all that and help you develop an application to file for reimbursement and then

they have a staff down in Augusta who will evaluate your application and they will send you back a notice that says that they either honor that application or they will suggest how you might amend it, or they might tell you that we are not refunding this year. That is something that happened to me a couple of years ago. So the conclusion that I came to, therefore, is that the BETR Program is something of a money-laundering scheme that should be lifted because it's a burden on business. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Wilton, Representative Saviello.

Representative **SAVIELLO**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I'm sure you already know who I work for, but this bill to me is not about the paper companies, it's about Jardine Industries, it's about Nichols Welding, its Likeable Recyclables, it's about the logger in Phillips, Maine. Let me explain, Jardine Industries located in Wilton, makes plastic spoons, probably the plastic spoons that you may have used today at lunch, were made by Jardine Industries. They have to replace that spoon maker in the next year or so. Their direct competition is New York State, not Asia, New York State. New York State does not have a business equipment tax. Nichols Welding some of you have just heard about Nichols Welding in the news, they got a big contract from the Federal government to build trailers. Their other goal in that building is to bring 700 new jobs into our community; they want to have light manufacturing in there. They need to be able to go out as a sales tool to say we don't tax your equipment that makes this product, whatever that product may be. Likeable Recyclables; new company about to open in Avon, Maine, that company is going to recycle computers, it will be the first one in Maine, but as they go and grow, hopefully 60 jobs, they're going to need specialized equipment to do this, their competition is Asia. Finally it's the logger who stopped me in the store and he does take his equipment and he does apply for BETR and goes through the paperwork that my good friend Representative Moody just described. He does that, but he has to compete against others that bring logging equipment in here that don't pay business equipment tax. This bill is so much more than big companies. Thank you, Mr. Speaker.

The SPEAKER: The Chair recognizes the Representative from Sanford, Representative Bowles.

Representative **BOWLES**: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. My primary purpose for rising is to thank the many individuals who were involved in what I hope is going to be shortly the successful resolution of a very difficult problem. Change is difficult and profound change is profoundly difficult and this is a profound change. People have a right to be concerned and worried. One of the really positive things that came from all the time, and it was a lot of time, that was expended on crafting, listening to concerns, trying to make changes, trying to affect compromise. One of the wonderful things that came of that is that I can stand here and tell you that today we have a better product, that's better with two Ts, we have a better BETR bill than we would have had. Some of the people who were most opposed originally and even unfortunately a couple of people remain opposed today, made significant contributions towards the improvement of this product and I thank them whether they support this or not because their input was valuable and it led to a better product, a better resolution and something which I hope the vast majority of you are going to be able to support. The good Representative from Bowdoinham, talked about the need for comprehensive tax reform and she's clearly not wrong. This State needs comprehensive tax reform, I know that that was the goal of the

Tax Committee; I know that is still their goal. I had this conversation with the good Chair from Yarmouth, Representative Woodbury not 15 or 20 minutes ago, the need for comprehensive tax reform and I hope that that can be accomplished. This bill was not the vehicle to do that, this bill was specific in its intent, but that should remain a clear goal for all of us. I'd like to thank the Representative from Monmouth, Representative Smith for calling our attention to a very valid point in the tax laws, it probably should be considered. I would dispute the assertion that had there been more time given to this bill that point would have every been addressed, I don't think it would have ever come up, frankly because it's a little bit different from this, but none the less it's a legitimate issue and I hope the Tax Committee does take a look at it. I would just offer to the good Representative from Van Buren, Representative Smith that in addition to the business personal property tax, businesses pay real estate property tax, they pay sales and use tax, they pay corporate income tax, and a whole host of local fees. I think it would be wrong to suggest that they are not going to continue to be huge contributors to the local tax base and continue to be good corporate citizens. I want to thank the members of the Tax Committee particularly. Although this bill was worked on by an awful lot of people ultimately it was the Tax Committee that kept the bill alive and every single member and I mean that sincerely, every member of the Tax Committee made some contribution to this product, it was almost an extraordinary effort. Mr. Speaker, I thank you. I appreciate your diligence in this matter, your support and the hard work that you've put into this legislation. I want to particularly thank Martha Freeman from the State Planning Office; she provided us with insight and analysts and was helpful at every step of the way. Commissioner Cashman and T J Tavares from the DECD worked with us through every step of this bill. This was truly a collaborative effort and it was truly a bipartisan effort. So Mr. Speaker, I'm looking forward to a strong vote and I appreciate again the help that everyone gave to this, I think you can all be proud of the result.

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

Representative **WATSON**: Thank you Mr. Speaker. Mr. Speaker, Women and Men of the House. This has been an extraordinary debate in one respect, everyone who has risen has been absolutely right, whether they are on one side of the issue or the other, everything that has been said, with the exception of a couple of phrases has been absolutely right. My good friend the Representative from Bowdoinham, Representative Hutton points out that the basis of this problem is not business equipment tax, its not reimbursements to municipalities, its not trying to figure out to make this work, it's just simply bad tax policy, to tax investment. A business is just getting started up, buying its capital equipment and we, the State or the municipality, steps in and taxes it. Instead of allowing that business equipment to be installed, the business to get up to speed, production start and employees be hired, things being worked out, 4 or 5 years down the run when you're showing a profit that's the time to come in and tax perhaps to get the fair share of businesses contribution to the society. That's better tax policy. Unfortunately, that's not within our grasp this afternoon. The personal property tax has its roots in 1066, William the Conqueror came to England, the first thing he did after he put the bows and arrows away was send out his sheriffs with the doomsday book, taking stock and inventory of everything, every inhabitant of the island of Great Britain, England then, owned, in order to place a tax on it. It was still that system when we were part of Massachusetts colony; it was still a tax on wealth, rather than a tax on work. It eventually came to Maine unchanged and

as a tax, as you well know on real estate property, our homes, our businesses, our commercial buildings and almost by happenstance our business equipment. It's a bad idea, but there's no way that we can do away with the personal property tax on business equipment in one session. So instead, in 1995, the legislature determined the best thing to do would be simply pay the businesses back for what they pay in tax and thereby give them some incentive to invest. They chose a period of 12 years, those 12 years starts surprisingly next year. That property starts coming out of BETR, presumably without the action we are taking today would go back on the tax rolls. Now let me correct one thing that my distinguished friend the Representative from Van Buren, Representative Smith, said. He pointed out that the incentives are gone, well this bill replaces them, they are there. A new business installing new business equipment after April of '07, when this bill takes effect, that property is exempt from taxation. That's the incentive, it is exempt from taxation. Instead of the State having to pay the business back the taxes as paid, we simply exempted that property. So there is an incentive a significant incentive for new investment going forward, for replacement of old worn out machines and new investment presumably new jobs and business prosperity. I encourage you to support this bill and that's very difficult for me to say because I was one of the first and earliest critics of it. I have worked with Representative Bowles, the Speaker and others to try and fashion this better to make it fairer to places like the city I come from and represent the City of Bath whose budget runs between 20 and 26% depending on personal property tax and on top of this is also a service center. The City of Bath, as all other cities in the State, is being treated as fairly as possible by this bill. The important thing to do would be to abolish the tax entirely, that's not within our means right now, that is the significant sweeping tax reform that Representative Hutton calls for, we all call for, but at this case that's simply can not happen. Instead we have a better bill which is the best it can be, it's a good product of compromise, of communication, of consensus and I fully support it and I encourage you to do so. Thank you, Mr. Speaker.

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

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

The SPEAKER: The Representative may pose her question.

Representative TWOMEY: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. For anyone who'd like to answer. I'd like to know if those businesses do they get something back on their Federal Income Tax? Can they write that equipment off on their Federal Income Tax?

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

Representative WOODBURY: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. I believe for income tax purposes business, machinery is depreciated over time, and that depreciation is considered an expense that is written off on their business income tax return.

The SPEAKER: The Chair recognizes the Representative from Topsham, Representative Crosby.

Representative CROSBY: Thank you Mr. Speaker. Mr. Speaker, Ladies and Gentlemen of the House. Just a short footnote to kind of give a little bit more credence to what Representative Watson from Bath was saying. That city is living under a 1% cap in their municipal government, so what he's saying when he is able to support this better bill today is very significant. If he can support it a lot of us sure can. Thank you.

The SPEAKER: A roll call has been ordered. The pending question before the House is acceptance of the Majority Ought to Pass as Amended Report. All those in favor will vote yes, those opposed will vote no.

ROLL CALL NO. 547

YEA - Annis, Austin, Babbidge, Barstow, Beaudette, Bierman, Bishop, Blanchard, Bliss, Bowen, Bowles, Brannigan, Brautigam, Browne W, Bryant-Deschenes, Cain, Carr, Cebra, Churchill, Clark, Clough, Collins, Craven, Cressey, Crosby, Crosthwaite, Cummings, Curley, Curtis, Daigle, Davis G, Davis K, Driscoll, Duchesne, Dudley, Dugay, Dunn, Duplessie, Duprey, Eberle, Edgecomb, Emery, Faircloth, Farrington, Fischer, Fisher, Fitts, Flood, Gerzofsky, Glynn, Goldman, Hall, Hamper, Hanley B, Hanley S, Harlow, Hogan, Hotham, Jacobsen, Jodrey, Joy, Koffman, Lansley, Lewin, Lindell, Marley, Marraché, Mazurek, McCormick, McFadden, McKane, McKenney, McLeod, Merrill, Miller, Millett, Mills, Moody, Moulton, Muse, Nass, Nutting, O'Brien, Paradis, Percy, Perry, Pilon, Pingree, Piotti, Plummer, Rector, Richardson D, Richardson M, Richardson W, Rines, Rosen, Sampson, Saviello, Schatz, Seavey, Sherman, Shields, Smith N, Stedman, Sykes, Tardy, Thomas, Thompson, Trahan, Tuttle, Valentino, Vaughan, Watson, Webster, Wheeler, Woodbury, Mr. Speaker.

NAY - Adams, Ash, Blanchette, Bryant, Burns, Campbell, Canavan, Eder, Finch, Fletcher, Hutton, Jackson, Lundeen, Marean, Norton, Patrick, Pinkham, Richardson E, Smith W, Twomey, Walcott.

ABSENT - Berube, Brown R, Greeley, Grose, Jennings, Kaelin, Lerman, Makas, Moore G, Ott, Pineau, Robinson, Simpson.

Yes, 117; No, 21; Absent, 13; Excused, 0.

117 having voted in the affirmative and 21 voted in the negative, with 13 being absent, and accordingly the Majority Ought to Pass as Amended Report was **ACCEPTED**.

The Bill was **READ ONCE**. **Committee Amendment "A" (H-1078)** was **READ** by the Clerk and **ADOPTED**.

Under suspension of the rules, the Bill was given its **SECOND READING WITHOUT REFERENCE** to the Committee on **Bills in the Second Reading**.

Under further suspension of the rules, the Bill was **PASSED TO BE ENGROSSED as Amended by Committee Amendment "A" (H-1078)** and sent for concurrence. **ORDERED SENT FORTHWITH**.

UNFINISHED BUSINESS

The following matters, in the consideration of which the House was engaged at the time of adjournment yesterday, had preference in the Orders of the Day and continued with such preference until disposed of as provided by House Rule 502.

HOUSE DIVIDED REPORT - Majority (6) **Ought to Pass as Amended by Committee Amendment "C" (H-1014)** - Minority (5) **Ought to Pass as Amended by Committee Amendment "D" (H-1015)** - Committee on **TAXATION** on **RESOLUTION**, Proposing an Amendment to the Constitution of Maine To Limit the Rate of Change in Taxable Value of Homestead Land

(H.P. 7) (L.D. 2)

TABLED - April 14, 2006 (Till Later Today) by Representative WOODBURY of Yarmouth.

PENDING - Motion of same Representative to **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, Women and Men of the House. The two biggest