

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

OF THE

*One Hundred and Sixth
Legislature*

OF THE

STATE OF MAINE

Volume III

June 6, 1973 to July 3, 1973

Index

KENNEBEC JOURNAL
AUGUSTA, MAINE

Thereupon, the Joint Order was passed and sent up for concurrence.

By unanimous consent, ordered sent forthwith.

Mr. Talbot of Portland offered the following Joint Order and moved its passage:

WHEREAS, "A single man has not nearly the value he would have in a state of union. He is an incomplete animal. He resembles the odd half of a pair of scissors"; and

WHEREAS, inspired by such thoughts the Honorable Thomas J. Mulkern of Portland has made firm plans to leave the ranks of bachelorhood on June 30, 1973; and

WHEREAS, at that time, he will enter the solemn bonds of holy matrimony with none other than the attractive and personable Miss Judith Moseley of Portland; now, therefore, be it

ORDERED, the Senate concurring, that We, his friends and colleagues of the One Hundred and Sixth Legislature of the great and sovereign State of Maine extend to that courageous gentleman from Portland, Mr. Mulkern and his attractive bride-to-be, the most sincere best wishes of the Legislature for a long and happy life; and be it further

ORDERED, that a suitable copy of this Order be transmitted forthwith to the bride and groom in honor of this occasion. (H. P. 1624)

The Order was read and passed and sent up for concurrence.

Mr. McTeague of Brunswick was granted unanimous consent to address the House.

Mr. McTEAGUE: Mr. Speaker, Members of the House: For those of you who have been kind enough and I think responsive enough to the wishes of your constituents to express concern about the standing of the homestead bill, it is still on the calendar unassigned. The sponsor is still of good heart and is still firmly behind the bill, and I think the condolences that some may have expressed are a bit early. I am confident the legislature will act on tax reform. I favor the homestead approach. I am not against equality of educational funding, but there have been no deals to kill this bill. It is here,

it is alive, and I know you will keep an open mind on it.

(Off Record Remarks)

Passed to Be Engrossed

Bill "An Act Relating to the Terms of the Commissioners of the Departments of Health and Welfare and Mental Health and Corrections and the Constitution of those Departments" (H. P. 1621) (L. D. 2039)

Bill "An Act Exempting "Trade-in" Property from the Stock in Trade Tax" (H. P. 679) (L. D. 886)

Were reported by the Committee on Bills in the Second Reading, read the second time, passed to be engrossed and sent to the Senate.

Second Reader

Tabled and Assigned

Bill "An Act Reforming the Administration of the Property Tax and Replacing the Tax on Inventories with an Increased Corporate Income Tax" (H. P. 1384) (L. D. 1862) (C. "A" H-575)

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

The SPEAKER: The Chair recognizes the gentleman from Brewer Mr. Norris.

Mr. NORRIS: Mr. Speaker, Ladies and Gentlemen of the House: I have looked this bill over, and I agree with the concept, but in reading the committee amendment here, if I were to read the statement of fact, which I don't know if all of you have looked at it or not, but these amendments would increase the present real estate transfer tax from 11/100 of 1 percent to 1 percent. That means that anyone who transfers real property within the State of Maine will have to pay 1 percent, which would produce an estimated \$4 million. It would also increase the present individual income tax rates on taxable income in excess of \$15,000 as follows: on the formulas on that, if you have your amendments, from 15 to 20, it is from 4 percent to 5 percent; 20 to 25, 4 to 6 and so on up to 12 percent on 50.

Now this bill is building in an increase on your individual income tax. We had considerable talk this morning about property tax relief for individuals, and I think unequivocally, though all of us realize here that any one of these plans in the ensuing years is going to cost more money, and it is going to take a raise in the individual's income tax. Now, it does go on to say the amendments would increase the present corporate income tax by 1 percent from 4 percent to 5 percent.

In my opinion, with all of the things that are coming upon us, property tax relief or property tax reform, that certainly the Taxation Committee in their wisdom — and I am sure they had their reasons — but I certainly think that it has taken a good bite out of the individual to fund for these inventory taxes and this personal property, and I don't think it is right. I don't think it is fair. If you were using these measures in an honest manner on the property tax reform even or the property tax relief, I could understand it, but I can't understand the committee's idea of making the individual pay for this thing, the price tag on this bill.

As you read the title of the bill, anyone looks at it and you figure that the money is going to come from an increase in the corporate tax, which I think I would be very happy to go along with, but I am not going to jeopardize individual people.

So I move for the reconsideration of the adoption of Committee Amendment "A," Mr. Speaker, and when the vote is taken, I would ask that it be taken by the yeas and nays.

The SPEAKER: The Chair recognizes the gentleman from Perham, Mr. Bragdon.

Mr. BRAGDON: Mr. Speaker and Members of the House: I have presumably intended to go along with this bill, because it has been my understanding that it was something that everybody was in agreement with, and there was no opposition to it.

However, as I read this amendment, I share the same concern that the gentleman from Brewer does, and before I will go along

with the bill, at the present time I think I have got to have a lot of convincing. As of now, I completely concur with the remarks of the gentleman from Brewer, Mr. Norris, to postpone the amendment and when we get the proper explanation from the bill, I might go along with that, I am not sure.

The SPEAKER: The Chair recognizes the gentleman from Pittsfield, Mr. Susi.

Mr. SPEAKER: Mr. Speaker, Ladies and Gentlemen of the House: The previous two speakers, as far as I am concerned, have made completely valid observations concerning this bill. The financing for the bill does largely come from the general populace in support of a bill which would furnish tax relief largely to the business segment. This is an acceptable procedure to me as an individual, I am not attempting to speak for our entire committee. This is an acceptable procedure so far as I am concerned if we get substantial tax relief for the general population so that this becomes a minor consideration in the light of the extensive relief they will be getting under property tax relief or reform program that we enact.

If we should fail in enactment of that, then I, as an individual, would find this procedure outlined in this specific bill as unacceptable to me.

The SPEAKER: The Chair recognizes the gentleman from Perham, Mr. Bragdon.

Mr. BRAGDON: Mr. Speaker and Members of the House: I meant to mention one other matter when I was up which did concern the bill more than the amendment, and if you will permit me to go that distance now, I would mention since Mr. Susi did bring it up.

I am not completely satisfied, as I read the bill, with regard to the method, perhaps, I think, of reimbursing the municipalities, and before I will go with the bill, I would have to have that thoroughly explained.

The SPEAKER: The Chair recognizes the gentleman from Farmington, Mr. Morton.

Mr. MORTON: Mr. Speaker, Ladies and Gentlemen of the House: This amendment which Mr. Norris has properly questioned, which Mr. Susi has pointed out that his observations were correct, this amendment goes to the funding of the bill. The bill itself is, I would say, a relatively minor tax reform. It is a tax reform measure, very definitely. I don't think it has the impact of L. D. 1994 that we have discussed previously and are going to discuss in much more detail later on. But this is a tax reform measure.

I am sure you are familiar with the history of property taxation, and it has been on our books ever since the state was a state. In fact, it used to include such things as money and effects, obligations for money, money in interest, public stocks and securities, shares, and managing other corporations and so forth. After 1954, and I didn't look for the year, that particular portion of it was amended out, because it was difficult to come to and difficult to assess. So you do have a precedent for removing property taxes at the local level.

Had you been at the hearing in the Taxation Committee, I am sure you would have agreed that this was one of the best attended hearings and a hearing which received a great deal of support for a bill, and that hearing determined pretty much to my satisfaction that there is no question that the property tax on inventories and the other items which are covered in this bill, which are stock in trade of retail establishments, stock in industrial corporations, that is movable stock, wood, lumber and logs, livestock, these items are absolutely inadequately assessed in the various communities of the state.

I would like to read you just a paragraph from a letter that we received, and this gentleman also was at the committee hearing and did testify. This letter is from the George C. Shaw Company, and it reads as follows; "The company general position is that we strongly favor abolition of the personal property tax on inventories and are willing to replace that tax dollar loss with a reasonable increase

in the corporate income tax." It goes on to say; "I would like to list Shaw's reason for favoring elimination of the inventory tax. The inventory tax is both inequitable and corrupting. In most cases, assessors are unqualified to place valuation on inventory. In those cases where assessors accept values reported by the taxpayer, the tax is only as equitable as the taxpayer is honest." This is one area where you do run into corruption.

"Maine is also," it goes on to say, "at a competitive disadvantage with other states in attracting wholesaling, warehousing, and distribution businesses because of the existence of the inventory tax. For example, Shaw's will soon have seven supermarkets operating in New Hampshire. Within the next few years, we will need a warehouse of approximately 300,000 square feet to service our Maine and New Hampshire supermarkets. The inventory tax put Maine at a serious disadvantage as compared with New Hampshire. This is just one of many possible examples.

The inventory tax discriminates in favor of businesses that may do large volumes and make substantial profits in Maine but don't have inventories. For example, the mail order operations, and I am sure you know who those are. Here is a big substantial business in the State of Maine which is very much in favor of this and tells you why, tells you that the inventory tax is very improperly assessed.

I have got other letters here in the book and a great deal of testimony at the hearings. So, I don't think there is any question but what we have determined that the tax on inventories, while it is legal, it is a part of the taxing authority of the community tax assessors, it is not assessed evenly throughout the state. It is a regressive type of taxation, and it should be removed.

Now, one says couldn't we take it right away from the towns without reimbursing them? Well, it represents about 7 percent on the average of the assessments in the various towns. In my community it happens to be about 10

percent; and whereas I think it probably could be absorbed, I agree that it would be a tremendous burden on the communities. Therefore, the funding of it, the necessity to fund it, has to be at the state's responsibility. Here is where I come into agreement to what Mr. Susi said: Removal of this inventory tax will be such an improvement to the State of Maine, the business community will create jobs in warehouses, will create new real estate properties which can be taxed, that even though you spread the burden out over the whole state and the taxpayers of the state rather than the local community property taxpayers, I think it is a very fair thing to do.

Now, the bill calls for, as Mr. Norris pointed out, four ways of funding. One of them is an increase in the corporate tax, a 1 percent increase all the way from dollar 0 up through. It includes an increase in the personal income tax. One of the areas that we are talking about here is the fact that at that hearing, there was unanimous willingness on the part of the people who were there who wanted the tax removed, was unanimous willingness to pay the tax in some other form. Naturally, you think of the corporate income tax, but unfortunately, not all the businesses in the state are incorporated. So, if you raise the corporate income tax and only raise the corporate income tax, you do not hit all the people who are affected by this bill.

It was felt, therefore, that the high income tax payers, people who are in business for themselves as individuals, could afford to pay some of this, and so the personal income tax was put on this bill as part of the funding raises approximately \$4 million, and it affects those with a taxable income—I am talking about taxable income now after deductions are made—\$15,000 if they are individuals and \$30,000 if they are signing a joint return. Just as an example, if you go from 15 to 20 as a single individual in your income, the increased tax will be a \$50 bill. As a married couple,

if you go from \$30,000 to \$50,000, the increase in your tax will be \$300. There are other examples, obviously.

Stock in trade tax, I agree; the real estate transfer tax, I agree bears little direct relationship to this type of a bill. However, surprisingly enough when it was suggested to the Taxation Committee, it was accepted as a ready means of acquiring approximately the last \$4 million that we were short to fund this bill.

To be sure it increases the real estate transfer tax nearly ten times, but I submit to you, ladies and gentlemen of the House, that this tax in the past has been not a revenue measure really but merely a nuisance tax. This time it does get to the point where it represents some reasonable revenue sources. It will generate a strong \$4 million. It was felt in the committee that this represented an opportunity to charge some of the people who are buying property, particularly those who are coming in from out of state, purchasing reasonably expensive resort properties, corporations that are buying Maine land and buildings for what purposes they desire, these people coming from out of state are used to transfer taxes, they have them in their own states, and some of them are at a higher level than this one. They are used to adding points for this, that, and the other thing when they come to financing property. So a transfer tax of 1 per cent would not be considered exorbitant by these people.

It will also hit people who speculate in land and make many transfers in their lifetimes. I submit to you that it will hit the average homeowner once or twice in his lifetime, and will not have a severe impact. This is the reason why the Taxation Committee felt strongly that this was a reasonable way to go.

I think I have explained the whole funding to you, the reasons why it was. The original funding was to place it all on the corporate income, and it was deemed neither equitable nor possible to pass it. For this reason, and be-

cause the bill itself, the removal of the inventory tax, the removal of this regressive type taxation and the transferring of it to more progressive type taxation, was so good for the State of Maine, this is why the Taxation Committee moved to this method of financing.

I hope I have answered your questions. I hope you consider it a good bill. I will listen to the debate and will try to answer any more that are raised,

The SPEAKER: The Chair recognizes the gentleman from Perham, Mr. Bragdon.

Mr. BRAGDON: Mr. Speaker and Members of the House: If I might, apparently we are discussing both bill and the amendment, and if I might, I failed to get the explanation I think that I was asking for, and I hope if I repeat it, I hope the gentleman, Mr. Morton, will answer my question.

My concern, I think, is more with on what basis will the municipalities who lose from the inventory tax, on what basis will they be reimbursed? Are they going to be reimbursed we will say, on the amount of tax they have lost because of the change, or who determines what the reimbursement is? I hope the gentleman will attempt to answer that question.

The SPEAKER: The gentleman from Perham, Mr. Bragdon poses a question through the Chair to the gentleman from Farmington, Mr. Morton, who may answer if he wishes.

The Chair recognizes the gentleman from Farmington, Mr. Morton.

Mr. MORTON: Mr. Speaker and Members of the House: Thank you, Mr. Bragdon, for making that clear, I should have picked that up the first time around.

In the bill you will note that the reimbursement to the towns is going back in two different ways, and the two ways are phased in over the five-year period. The first year, if the town gives up, let's give an example of \$100,000, it will be reimbursed by the state from these funds that we have talked about and how we have collected them \$80,000 directly. It gives up a hundred, it will be re-

imbursed eighty. The other \$20,000 will be reimbursed to the community on the basis of the present revenue sharing formula.

In the second year, the percentage of straight reimbursement will drop to 60 percent, and 40 percent will be reimbursed on the revenue sharing formula and so on for a five-year period when you will end up with all of the reimbursement based on the revenue sharing formula.

I am sure this raises questions in many people's minds, because they say how does my community — how is it affected by the revenue sharing formula? Well, I can't tell you how yours is, although I have the means here that you can have it computed rather quickly by your community if you would like to. I did compute it for my community. In the State of Maine, approximately 7 percent, as I said before, of the total tax commitment at the local level is from these inventory taxes that we propose by this bill to eliminate. My community happens to be a little over 10 percent, because we are a trading center and we have rather high inventories in the community. So I think when I apply it to my community, you are going to get a pretty conservative result. What happened was that I took the example of \$100,000 — and my community happens to be 107,000 — and I took the amount of the reimbursement that would be coming to us under the revenue sharing formula in the first year and also in the fifth year, and out of every million dollars — and I have got it here for every community and yours is here if you would like to have it — out of every million dollars that the town — that the State of Maine has to spend through revenue sharing, Farmington is going to get \$64,016.06. So what that meant was that at this \$107,000 figure of Farmington, which is 10 percent of our total commitment, at the end of the first year, we would receive back from the state about \$105,873 or \$2,000 short. And at the end of five years, we would come out about \$11,500 short.

Now, this represents the result in the town of Farmington, which is rather high, of 10.7 percent of inventory taxation, whereas the state is at 7 percent. I think in general it would come out pretty even, although I don't have any idea what revenue sharing formula does to your community for many of the reasons that it is in there. But the reimbursement is direct, 80 percent, 60 percent, 40 percent, and 20 percent over five years, at which time it becomes all on the revenue sharing fund.

I hope that answers your question, Mr. Bragdon.

The SPEAKER: The Chair recognizes the gentleman from Oakland, Mr. Brawn.

Mr. BRAWN: Mr. Speaker, Ladies and Gentlemen of the House: I happen to come from a town this is really going to affect, and we are going to get clobbered if this is ever taken off.

Let's take for instance the Central Maine Power Company, which started in the Town of Oakland. If they was to take off all their equipment that they have at the dam, at the Cascade, Rice's Rips, Red Owl Thru; look at the thousands of dollars that we would lose in revenue to the Town of Oakland. All we would have is a few little buildings to tax them on.

Now, let's go to the Androscoggin chipper mill. If we were to take off their stock in trade, their machinery, we would have no tax. Let's take the Cascade Woolen Mill, which is a large mill. If we were to take theirs all off, what would we have? Let's go to the Diamond National, which is also right in my town, and we take of all their machinery, all their stock in trade, all their finished, and their unfinished products, all their office equipment, all their machinery which is up in the woods and other places which is taxed in the town of where they reside, not where it is located, this would mean the Town of Oakland would lose all of this tax. We cannot stand this.

Now, let's go over to the hardware store, which is a large hardware store. If we were to take his off, what would we have, just the

shell of a building. Let's take the gasoline stations; let's take the undertaking parlor. You say how can the undertaker pay, he has lot of caskets on hand. These are all taxable. Let's go to the antique shops in my town. Let's go to the lumber. Let's go up to the golf course, Waterville Country Club is all in the Town of Oakland. All that equipment is taxed in the Town of Oakland. Let's go to all the garages. Let's go to all the summer camps. Let's go to the bakeries that we have in the Town of Oakland. Let's go up to the grave stone place where they sell all these stones which we get a good revenue from.

Now, let's take the Superior Column which is also located in my town, which is a large wholesale place. Do you realize all the lumber, all the equipment all the plumbing fixtures we would lose.

All they have these people is shells of buildings. Let's go to the restaurants, and I could go on and on. If this were to happen here it would bankrupt my town. We would have to pick up the tab, and gentlemen, I hope you never go along with it.

The SPEAKER: The Chair recognizes the gentleman from South Berwick, Mr. Goodwin.

Mr. GOODWIN: Mr. Speaker, Ladies and Gentlemen of the House: I would like to call attention to the gentleman from Oakland the bill 1862 and look at section 2, reimbursement for revenue loss, first statement. The treasurer of the state shall reimburse each municipality on or before December 15 annually for any revenue loss due to personal property exempted under this bill.

We need this bill, for too long our state has been at a disadvantage in attempting to induce industry in Maine for many reasons. One of the major reasons has been our inventory tax. My area, southern York County, has felt this disadvantage tremendously. We constantly compete with New Hampshire areas for new industries that we have not won. All up and down the Maine border new industry has located in the past ten years. Many Maine residents in our area, almost everybody

who doesn't work at the Navy Yard works in these industries, and pays New Hampshire income tax.

Simplex Wire and Cable is a good example of how this tax can hurt an industry. Although Simplex did not close just because of the inventory tax, it was one of the major factors and Simplex high costs of operation. Now we have a chance for a new operation to go in there. However, if we do not pass this bill, that operation may consider going elsewhere where taxes are more favorable.

Ladies and gentlemen of the House, I urge you to support this measure to help bring new industry into the State of Maine, and I don't feel, at least according to this bill, as carried out under section 5056, the towns will lose any revenue.

The SPEAKER: The Chair recognizes the gentleman from Kennebunk, Mr. McMahon.

Mr. McMAHON: Mr. Speaker, Ladies and Gentlemen of the House: I rise to support Mr. Norris in the indefinite postponement of the amendment. I feel the aims of the bill are good, but I am reminded of the fact that sometimes the cures are possibly more dangerous than the disease.

I spoke to my assessor in the town I represent to find out what effect this bill would have on our town. Our total assessed valuation is \$52 million. Of that, personal property accounts for 10.237 percent. Now of course not all of this is stock in trade, but most of it is because we have several small manufacturing plants in our town.

As I said, I feel the aims of the bill are good, but I don't feel that the remedy that is going to be offered to business should be offered at the expense of the individual. We have already had discussion on the increase in individual income tax, that would be increased. It would increase the real estate transfer tax to one percent.

Now, consider for a minute if a person bought a house for \$20,000, if my arithmetic is correct, they would have to pay a \$200 transfer tax. I would suggest this would be very difficult on the con-

sumer, especially on the young people starting out.

The third point that I object to is in the bill itself. Mr. Morton has attempted to answer the question, and in doing so I think showed the problem.

On page two of the bill under "A" in listing the repayment to the municipality, it says, "In 1974 each municipality shall be paid 80 percent of its revenue loss directly, and 20 percent of the aggregate loss to a municipality shall be added to and redistributed in accordance with Section 5055 providing for revenue sharing.

I would suggest that certain towns would probably receive added benefits and other towns would receive a loss under this. I don't think this is worked out well enough yet that we should pass it.

So I hope you will vote to indefinitely postpone the amendment and then take a serious look at the bill.

The SPEAKER: The Chair recognizes the gentleman from Standish, Mr. Simpson.

Mr. SIMPSON: Mr. Speaker, Ladies and Gentlemen of the House: I am going to vote to reconsider the amendment. I can see some real danger in here and I pointed out one thing to you yesterday and I know the gentleman from Eagle Lake is probably going to get up and say if I haven't got a conflict of interest here. Well, I probably have and I will take and put it right on and tell you about it. Because I listened to the gentleman from Farmington, Mr. Morton, and one statement he made that when we start taking the real estate transfer tax and we make in nine times what it is right now, people are going to pay, and they are not just going to pay once or twice in a lifetime or when they sell, they are going to pay when they buy. Because if you are going to kid yourself and say that a builder or a developer or anybody else is not going to take that \$200 on a \$20,000 house and add it into the cost of the house, you are wrong.

Now we were talking the other day in here at great length about low income housing. Right now some of the limitations on — we'll

take the farm home program, which still is in existence. We will say that twenty-two or twenty-three thousand is the top limit on a house. Buildings today are getting right down to the real nitty gritty, and many of them are refusing to build this type of house because there is no margin of profit in it. With the rise of building costs and everything else, the margin is very slim. When you start to add as much as \$200 onto the cost of that house, you are going to take houses off the market for the low income people.

Now I as a realtor I am not going to pay to this thing one way or another, it is not going to affect my business one way or another or anything else.

I am just pointing this thing out to you, that when you start to add that tax you are not adding it just to the person who is selling the house once or twice in a lifetime you are adding it onto every single house that is being built today, and you are going to add it into peoples rent also when they start paying, because somebody has got to pay and the guy that is building is just not going to pay that kind of money out of his pocketbook.

I happen to subscribe to the theory of this thing of doing away with the inventory tax. I think it is wonderful and I think we should do it. But I really am not too enthused about the amendment. I believe that it is dangerous, and I think we should really take a good strong look at it and reconsider it.

The SPEAKER: The Chair recognizes the gentleman from Eagle Lake, Mr. Martin.

Mr. MARTIN: Mr. Speaker, Ladies and Gentlemen of the House: The gentleman from Standish, Mr. Simpson, has said it, I am not going to repeat it. But I do want to make the point that the bill as it came out of committee does carry an amendment with it which was not on the bill when it went in. That is the provision that there be a tax based on the transfer of property. That is an issue which I think we have to fight and basically I suppose the issue of whether

or not we accept Committee Amendment "A" and the vote on reconsideration is how we are going to determine and in what direction we want to go.

The feeling of the Taxation Committee, as I understand it, part of the cost of changing over could be borne by this tax. I agree with the gentleman that in the long run the individual who has got the home is probably going to pay it. I do think though that the individuals who are going to pay it are those people who have the funds, and as I understand it, as I recall it, \$30,000 transfers and below are exempted from this thing. There are better ways of helping the poor people than trying to reconsider this amendment, in my mind, and I am sure the gentleman from Standish will have that opportunity to vote on a couple of issues where he can demonstrate his willingness to vote in that affirmative manner, and we will all be better off.

I do think though, if you take a look at what we are concerned with here, that even if you do vote to reconsider the amendment and that were to be killed, I certainly hope this would not influence how the House wants to go on the total package. I feel very, very strongly about the issue of inventories being removed, because they are a very, very unfair method of trying to determine taxation. Because what you have on hand may not be necessarily what you are going to be able to sell, and it certainly doesn't demonstrate the profit that you are making.

Now, you take a paper mill, for example, or a lumbering yard that has an awful lot of material on hand. If nothing is sold, they are not going to be able to make any money. And if they make no money, then they still have to pay the tax, which is really unfair if we believe that when you make money you ought to pay taxation on it.

Now in reference to the fears from the gentleman from Oakland, and I share his concern. The bill does provide for repayment to the municipalities so they do not get hit all at once. And as a matter of fact, what would happen is

that the revenue sharing money would take over the problem in five years and solve the fear that he has.

I do think that the issue before us is the issue of the committee amendment and how you vote on it I certainly hope will not influence your feelings of the whole bill. The Taxation Committee made some attempt to try to share and to spread the burden of how you are going to pay for the costs of changing over from the inventory tax to another approach. That is the decision which they made by, as I recall, a 10 to 3 report. And that, I think, demonstrates their willingness to go in that direction, and I suspect that demonstrates what they could arrive at in terms of a compromise.

I do know that the people who deal in real estate are going to be very concerned and very upset about it, but over the years I have found that many times they get upset for nothing, and this may be one of them, I am not sure.

The SPEAKER: The Chair recognizes the gentleman from Oakland, Mr. Brawn.

Mr. BRAUN: Mr. Speaker, Ladies and Gentlemen of the House: The gentleman just said a few minutes ago that Mr. Brawn doesn't have to be very much worried because the State of Maine will reimburse him. I would like to ask that gentleman where he thinks the State of Maine gets their money from. I will tell him where they get it from, they get it from your county tax, so you have got to get it.

In response to the other gentleman here who said if they don't sell anything it is too bad to charge them. Well, listen, I have homes. If I don't let those homes and I don't make a dollar, they don't reduce my taxes, I have to pay those just the same, because if you don't feed a horse, that horse is not going to work for you.

The SPEAKER: The Chair recognizes the gentleman from Kennebunk, Mr. McMahon.

Mr. McMAHON: Mr. Speaker and Members of the House: I wish to pose a question through the

Chair. I may be missing something and the gentleman from Eagle Lake said that he thought that homes of \$30,000 or less value were exempted, now I don't see that on the amendment. I would like to ask if that is a fact or if it was a supposition, untrue.

The SPEAKER: The gentleman from Kennebunk Mr. McMahon, poses a question through the Chair to anyone who may answer if he or she wishes.

The Chair recognizes the gentleman from Eagle Lake, Mr. Martin.

Mr. MARTIN: Mr. Speaker and Members of the House: I retract that. I was told by a member of the committee that it was. The committee member just informed me that the amendment does not carry that exemption.

I would be more than happy to put the exemption on. I am not sure whether the gentleman from Standish will be willing to buy the amendment once you put the amendment on, but that would be, I think a valid approach if he wishes to go along with me. Maybe we could all waltz down the aisle together on that one.

The SPEAKER: The Chair recognizes the gentleman from Lewiston, Mr. Jalbert.

Mr. JALBERT: Mr. Speaker and Members of the House: Would some member of the Taxation Committee kindly explain exactly how this measure is going to be financed?

The SPEAKER: The gentleman from Lewiston, Mr. Jalbert, poses a question through the Chair to anyone who may answer if he or she wishes.

The Chair recognizes the gentleman Bridgewater, Mr. Finemore.

Mr. FINEMORE: Mr. Speaker, Ladies and Gentlemen of the House: If the amendment is killed, it isn't going to be financed, it is going to be left right up in the air. But our method of finance, if I am incorrect some member of the Taxation will stop me, it costs \$14,970,000 and it will be financed by \$4 million from the General Fund, \$4 million from this transfer of real estate tax we are talking about now, \$2 million from one percent on the corporation

tax, and another four to five million from the personal income tax beginning at \$15,000 on people filing single, and on \$30,000 on one percent on the first step, on \$30,000 on people filing jointly.

The SPEAKER: The Chair recognizes the gentleman from Lewiston, Mr. Jalbert.

Mr. JALBERT: Mr. Speaker and Members of the House: I have long bled for the Taxation Committee. I think it is a committee that does its work very well, and frankly I think if there is a committee that is ignored in this house and has been over the years, it has been the Taxation Committee. Somewhere along the line there is some conversation about overpowering within the committee. But the answer that the gentleman from Bridgewater, Mr. Finemore gave me is absolute proof that what needs to be done by the Taxation Committee is a full and thorough and absolute study of our entire tax structure in Maine. He just gave me the answer just now.

The SPEAKER: The Chair recognizes the gentleman from Bridgewater, Mr. Finemore.

Mr. FINEMORE: Mr. Speaker and Members of the House: May I answer Mr. Jalbert to some extent on the remarks he just made? We had a tax study last summer, the Tax Structure Study Committee, and there was also an ESCO study, Doctor Waters made a study, and as far as I can see, ladies and gentlemen of this House, it was just a waste of money, because none of them—we had this bill in our committee, we had the education bill in our committee, we had tax relief to the communities in our committee, we made recommendations, ESCO made recommendations, Doctor Waters made recommendations on the Governor's report and they were never used. It was just a waste of time to have this done. And I am telling you, there was no committees, those four committees worked in the heat upstairs in these rooms where the sun was shining in and we thought we did a wonderful job. We were very pleased.

We had the gentleman from Bath, Mr. Ross, the gentleman from Portland, Mr. Cottrell, and myself, together with five or six people representing different groups, and we did a swell job, but they weren't used, they were just forgotten about, laid right out to one side. So I don't know what good a study committee does.

The SPEAKER: The Chair recognizes the gentleman from Strong, Mr. Dyar.

Mr. DYAR: Mr. Speaker and Members of the House: I spoke briefly on this amendment yesterday morning, I guess on deaf ears, and I haven't changed my opinion too much since.

I don't think any member of the Taxation Committee has been across the border to New Hampshire to talk to New Hampshire businessmen. I feel that possibly the inventory tax is a bad tax, it is not handled properly. I think the question here, and it is the definition again of tax relief and tax reform.

Now we are giving tax relief to the business and tax reform to the people. Now revenue sharing is going to take up to 20 percent in the first year, 40 in the second, 60, 80, and the fifth year takes up about 100 percent. My question is, what is revenue sharing, where does this come from? It comes out of the pockets of the people here in the State of Maine. If we don't have the money in the Treasurer's office to pay the bills, we are going to have to increase tax revenues from these people to pay the money back to the towns.

I feel for the grocery concern that was going to build a warehouse, was going to go to New Hampshire if they can't get their way here in Maine. We are going to take the tax off the inventory and increase their corporate tax. Well I submit that the building they build, the 300,000 foot building that has been mentioned here this morning will certainly be a deduction in their corporate tax. When they buy vehicles, when they hire people to work, these are all going to be deductions.

Nobody has answered my question that I asked yesterday,

how are we going to pay for this? I don't believe the setup that is in this amendment at the present time will raise revenue from the sources they say it will raise it to fund this tax relief.

If I am going to vote for a bill like this, and I say tax relief for business and tax reform for the people of the State of Maine, I want to know how much is going to come out of the people's pockets, because revenue sharing in my mind can be a farce. We have the federal government at the present time, but there is no guarantee that we will have it in the future. We have it in the state at the present time, we have got a surplus this session, well what happens in the 107th and the 108th if we don't have a surplus? I maintain, and I am probably wrong, that the people who work for a living in this state are going to be paying the bill.

Now it has been said this morning that if a man can increase his salary from thirty to fifty thousand dollars, he is going to pay \$500 more in taxes. If I could increase my salary from thirty to fifty thousand dollars, I would be willing to pay \$5,000.

The SPEAKER: The Chair recognizes the gentleman from Standish, Mr. Simpson.

Mr. SIMPSON: Mr. Speaker, Ladies and Gentlemen of the House: I would like to pose a question through the Chair to any member of the Taxation Committee. It seems to me that when we first started in to discuss the removal of the inventory tax, the business community seemed to favor a gross profit tax to pay for it in lieu of the inventory tax. Could I have an explanation maybe as to why this approach wasn't used?

The SPEAKER: The Chair recognizes the gentleman from Farmington, Mr. Morton.

Mr. MORTON: Mr. Speaker, Ladies and Gentlemen of the House: I think I can answer the majority floor leader's question and some of the comments that Mr. Dyar raised at the same time. You are very correct, Mr. Simpson, that was mentioned. I think what you are referring to is what

New Hampshire presently does, what they call a business profit tax. We looked at that particular phase, and I am addressing these remarks also to Mr. Dyar because he brought in the State of New Hampshire and the problems they have had. We examined what they had been doing and our own Taxation Department worked that over very carefully.

It is very apparent that the State of New Hampshire is having problems with that so-called business profit tax. The reason they are having them is because it is impossible to put a salary on people who are in proprietorships and partnerships as you do in corporations. Corporations, it is a clean-cut operation, but in proprietorships and in partnerships, the salary is almost impossible to determine. The Federal IRS also agrees with this. Therefore, what is happening in New Hampshire is that the lawyer is saying his salary is \$95,000 out of \$100,000 that he makes and therefore it is all going into the business. So he is paying no individual income tax or else he is saying his salary is only \$50,000 when it should be nearer \$100,000. It has to be left up to them because there is no way the State of New Hampshire can assess these salaries. IRS again agrees with it.

We stayed away from that. We have got a very viable personal income tax law, a very viable corporate tax law. The administration for these is set up. The administration will not require any more money in this bill. The figures are all in the computer, and I would assure the gentleman from Strong, Mr. Dyar, that these figures and these estimates were not manufactured by me or by the Taxation Committee. They were passed through the Department of Taxation and these are in their estimates. I think you agree with me that their estimates are usually on the conservative side.

I hope I have answered your question, Mr. Simpson.

The SPEAKER: The Chair recognizes the gentleman from Lubec, Mr. Donaghy.

Mr. DONAGHY: Mr. Speaker, Ladies and Gentlemen of the

House: I don't know who they were manufactured by, but one of the estimates given was way, way off. Actually, when you say that the out-of-staters are going to pay for this real estate part of it, this is entirely wrong. The actual figures from a recent study show that 85 percent of the real estate transfers in the State of Maine are intra-state, they are with Maine people, not out-of-staters. So the Maine taxpayers will be paying this transfer tax.

I don't disagree with the point that perhaps we do need something to replace the property tax, but I think the approach that has been taken is off base, and I think we had better step back a couple of paces and have a conference on this and perhaps try to come up with something more equitable as far as the taxpayers of the State of Maine are concerned.

I don't like to see any young family or elderly person either where one of the main factors in their life today, their home, is being burdened by this real estate transfer tax.

The SPEAKER: The Chair recognizes the gentlewoman from Old Orchard Beach, Mrs. Morin.

Mrs. MORIN: Mr. Speaker and Members of the House: It was my understanding that the businesses were just asking for transfer in the method of taxation. They are willing to have fairer gross profit or higher corporate taxes. Now we find that they want both ends and the middle. They get tax relief and the middle income worker again gets it in the neck as usual. There is no reason why the corporate tax should not be increased to take care of the full cost, not put it onto the workingman in addition to what we already pay. We are trying to give these people tax relief, not more taxes.

The SPEAKER: The Chair recognizes the gentleman from Bangor, Mr. Soulas.

Mr. SOULAS: Mr. Speaker, Ladies and Gentlemen of the House: I approve the concept of the bill, 575. However, after hearing all this debate, I think I feel this is what happened. When the bill was first introduced it was

intended to pick up \$14 million. However, after the Bureau of Taxation figured it all out, they came out \$4 million short.

Now, being so late in the session, I just assumed that the Taxation Committee took the easy way out and decided to move this tax through an amendment to another source. So I feel today our best avenue is to first reconsider, indefinitely postpone that bill and then come up with another amendment that will increase the corporate income tax to take care of this bill and enact it.

The SPEAKER: The Chair recognizes the gentleman from Auburn, Mr. Drigotas.

Mr. DRIGOTAS: Mr. Speaker and Members of the House: I will just address myself to one phase of this package, and that is the real estate transfer tax. And it is because that within just six months or so there have been such transfers in my immediate family. I am sure that my son didn't go out and pay the \$50,000 that was asked for — sixty or forty or whatever it was — for that piece of property that he bought, no more than he got the full price for the piece of property that he sold his former home for. There is an area there where there is a meeting of the minds, and if there is a difference of three or four thousand dollars, I am sure that one didn't miss a sale one way or another.

This difference in the real estate tax will generate probably — or rather it will cost a buyer or a seller two to three hundred dollars. I am sure that these transactions would certainly have been not cast aside because of the increase in the tax.

Then again, the fact is that in most cases these things are amortized over a period of 30 years by a mortgage. So I don't think that would be a tremendous deterrent to real estate transfers.

The SPEAKER: The Chair recognizes the gentleman from Eagle Lake, Mr. Martin.

Mr. MARTIN: Mr. Speaker and Members of the House: The gentlewoman from Old Orchard and the gentleman from Bangor have both

raised the issue in terms of this amendment. The original bill, 1862, carries with it that provision. If the inventory tax, et cetera is removed, the cost of that will be borne entirely by the individuals who would benefit, basically the corporations. The bill does call for a 2 percent increase on the corporate income tax.

The amendment that the committee put on was an attempt to change the method of funding that proposal, of funding 1862. And as I said earlier, they felt that they, by a 10 to 3 vote, I guess, had reached a consensus that they felt it ought to be funded in this fashion rather than the way that the original bill is funded. But the original bill itself is funded as it was presented by me by a 2 percent tax increase on the Maine corporate income tax.

Mr. BRAGDON of Perham was granted permission to speak a third time.

Mr. BRAGDON: Mr. Speaker and Members of the House: I wanted to comment that I thought that finally after all this debate that we have gone through, the lady from Old Orchard Beach hit the nail right on the head. The later remarks by the gentleman from Eagle Lake bore that out. I have come to the conclusion — I guess I said before that I assumed when we began to talk about this transfer, it was the corporate tax and the people who paid it were agreeable to trade the stock in trade tax for the corporate tax. Now this is not what has happened, obviously. We are financing this by the income tax and by other methods, and I think that the lady from Old Orchard Beach said it much better than I could. She certainly brought the matter out as it appears to be at the present time. I, as of now, feel that I shall vote against this amendment and not attempt to correct it, continue and vote against the bill.

The SPEAKER: The Chair recognizes the gentleman from Lewiston, Mr. Jalberty.

Mr. JALBERT: Mr. Speaker and Members of the House: From the very first time that I came into

this House until just a few minutes ago, it was my understanding, up until yesterday, I mean, it was my understanding that this measure here of the replacing of the inventory tax was going to be financed by a hike of two points in the corporate income tax. Now I have got 15 different ways of financing it. That was my understanding when I first landed here.

The SPEAKER: The Chair recognizes the gentleman from Bangor, Mr. Kelleher.

Mr. KELLEHER: Mr. Speaker, I would like to pose a question to the original sponsor of the bill or any member of the Taxation Committee. On your original bill, Mr. Martin, was there sufficient money on the 2 percent increase in the corporate tax to cover this trade in.

The SPEAKER: The gentleman from Bangor, Mr. Kelleher, poses a question through the Chair to anyone who may answer if he or she wishes.

The Chair recognizes the gentleman from Eagle Lake, Mr. Martin.

Mr. MARTIN: Mr. Speaker and Members of the House: I am told that there was, as a matter of fact, there was some left over.

The SPEAKER: The Chair recognizes the gentleman from Bangor, Mr. Kelleher.

Mr. KELLEHER: Mr. Speaker and Members of the House: In the answer that Mr. Martin gave this House, I can see no reason why the House wouldn't reconsider, kill the amendment, go back to the original bill, if that is what the House wants. I think it would be ridiculous not to vote for reconsideration and put this bill back in the proper position.

The SPEAKER: A roll call has been requested. For the Chair to order a roll call, it must have the expressed desire of one fifth of the members present and voting. All those desiring a roll call vote will vote yes; those opposed will vote no.

A vote of the House was taken, and more than one fifth of the members present having expressed a desire for a roll call, a roll call was ordered.

The **SPEAKER**: The pending question is on the motion of the gentleman from Brewer, Mr. Norris, that the House reconsider its action whereby Committee Amendment "A" (H-575) to L. D. 1862 was adopted. All in favor of reconsideration will vote yes; those opposed will vote no.

ROLL CALL

YEAS: Albert, Ault, Baker, Berry, G.W.; Berry, P.P.; Berube, Binnette, Birt, Bither, Boudreau, Bragdon, Brawn, Brown, Bunker, Bustin, Cameron, Carey, Carrier, Carter, Chick, Chonko, Churchill, Clark, Connolly, Cooney, Crommett, Curtis, T.S., Jr.; Dam, Davis, Donaghy, Dow, Dunleavy, Dyar, Emery, D. F.; Evans, Farnham, Farrington, Faucher, Fecteau, Ferris, Flynn, Fraser, Gahagan, Garsoe, Gauthier, Genest, Good, Goodwin, H.; Goodwin, K.; Greenlaw, Hamblen, Hancock, Haskell, Henley, Hobbins, Hoffses, Huber, Hunter, Immonen, Jackson, Jacques, Jalbert, Kauffman, Kelleher, Kelley, Kelley, R.P.; Keyte, Kilroy, Knight, LaCharite, Lawry, LeBlanc, Lewis, E.; Lewis, J.; Lynch, MacLeod, Maddox, Mahany, McCormick, McHenry, McKernan, McMahon, McNally, McTeague, Mills, Morin, L.; Morin, V.; Mulkern, Murchison, Murray, Najarian, Norris, Palmer, Parks, Perkins, Peterson, Pontbriand, Pratt, Rolde, Rollins, Ross, Shaw, Shute, Silverman, Simpson, L.E.; Snowe, Soulas, Sproul, Stillings, Talbot, Theriault, Trask, Tyndale, Walker, Webber, Wheeler, White, Whitzell, Willard, The Speaker.

NAYS: Cote, Cottrell, Drigotas, Dunn, Finemore, Martin, Maxwell, Merrill, Morton, Smith, D.M.; Smith, S.; Susi, Wood, M.E.

ABSENT: Briggs, Conley, Cressey, Curran, Deshaies, Dudley, Farley, Herrick, LaPointe, Littlefield, O'Brien, Ricker, Santoro, Sheltra, Strout, Tanguay, Tierney, Trumbull.

Yes, 120; No, 13; Absent, 18.

The **SPEAKER**: One hundred twenty having voted in the affirmative and thirteen in the negative, with eighteen being absent, the motion to reconsider does prevail.

Thereupon, on motion of Mr. Norris of Brewer, Committee

Amendment "A" was indefinitely postponed.

The **SPEAKER**: The Chair recognizes the gentleman from Pittsfield, Mr. Susi.

Mr. **SUSI**: Mr. Speaker, Ladies and Gentlemen of the House: This bill is now without funding, and I don't believe it is the intent of this body that we should grant some \$15 million a year in property tax exemptions and have the communities bear this. So I think it would be proper now, if you are still interested in pursuing this matter of inventory exemptions, to table this either until later in today's sessions or until tomorrow to review the matter and come to a decision whether you want to pursue it further and if so, how to finance it.

Thereupon, on motion of Mr. Simpson of Standish, tabled pending passage to be engrossed and tomorrow assigned.

Second Reader

Later Today Assigned

Bill "An Act to Provide Property Tax Reduction, Rent Relief and Equalization of Municipal Revenues" (H. P. 1620) (L. D. 2038)

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

(On motion of Mr. Martin of Eagle Lake, tabled pending passage to be engrossed and later today assigned.)

Second Reader

Later Today Assigned

Resolution, Proposing Amendments to the Constitution to Provide for Annual Sessions of the Legislature and to Limit the Matters Which May be Considered in the Second Regular Session; to Provide for Single Member Districts in the House of Representatives; to Provide for Reduction of the Number of Representatives and Reapportionment of the House of Representatives and the Senate in 1983; to Establish an Apportionment Commission to Plan for all Reapportionments of the House of Representatives and Senate; to Abolish the Executive Council and Reassign Certain Constitutional Powers to a Legislative Council; and to Provide that