

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

The Chair laid before the House the eighth item of Unfinished Business:

Bill "An Act to Increase Benefits and Reduce Waiting Period Under Workmen's Compensation" (H. P. 618) (L. D. 816) (C. "A" H-463).

Tabled — June 19, by Mr. McTeague of Brunswick.

Pending — Passage to be engrossed.

Thereupon, the Bill was passed to be engrossed as amended by Committee Amendment "A" and sent to the Senate.

The Chair laid before the House the first tabled and today assigned matter:

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).

Tabled — June 19, by Mr. Simpson of Standish.

Pending — Passage to be engrossed.

Mr. Simpson of Standish offered House Amendment "A" and moved its adoption.

House Amendment "A" (H-588) was read by the Clerk.

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

Mr. SIMPSON: Mr. Speaker and Members of the House: As you remember yesterday, we debated this and we killed the Committee Amendment and we discussed at that time that originally the business community in this state felt that the inventory tax was an unfair tax and so forth and a burden on the business in the state and on growth of business in the state, and I felt that if it was removed they would be willing to pay a tax based on their net profits to reimburse the fund. The amendment that you have before you at the present time does just exactly that.

I know there are going to be some arguments and there are going to be some statement to the point that the New Hampshire law is unworkable and therefore and so forth, so we shouldn't get in-

volved in it. Well I don't believe that we should do everything that the New Hampshire law says or do everything New Hampshire does, I think we should do it the way Maine people want it done and we would have a good workable law.

In this particular proposal, under the business profits tax, it is very simple down here, about half way down where it says any resident, individual, proprietor or partnership filing schedules C, D, E and F — now that is where the key is, right there, which would be under your 1040 — for federal income tax purposes will be required to pay a business profits tax amounting to 3 percent of the total net profit line shown on such schedules of each taxable year. That would mean that in our state income tax we would have to provide the same line on our income tax so that we would then take it off.

In New Hampshire, when they tried to get the bill through, the professional people in the state rose up and put a block to it and therefore it was amended to take them out of it. The argument has been, how do we determine this and what constitutes salaries for lawyers, doctors and this type of thing? By putting it right into the form under the 1040 and putting it under the schedules C, D, E and F, what you would have, you would definitely have your net income right in there, and that is what your 3 percent would be applied to. Those businesses that would have losses would not have to pay. Some people would say, well this is going to start a big push for corporations to be formed in the State of Maine. I would certainly doubt this for the simple reason that if they are going to have their corporate tax increased as well as pay another 3 percent, that is only going to increase their taxes rather than decrease them.

I believe that we have got the vehicle here to pay for it the way the business community wanted to pay for it. The figure that we have is based on a good study of figures on net profits which are easily attainable and workable,

and from there we can put this thing through and I believe that if there should be a weakness in it — I don't believe there is, but if there should be, we have the special sessions or another session to do it. I think this is the way the business community wanted to pay for it and I believe that we ought to do it.

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

Mr. FINEMORD: Mr. Speaker, I would like to pose a question through the Chair to the gentleman from Standish, Mr. Simpson. Is this 3 percent he is talking about going on the corporation tax too or just on the business tax or the ones who are acting as independents?

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

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

Mr. SIMPSON: Mr. Speaker and Members of the House: This is a straight 3 percent across the board tax on corporations, individuals, businesses and so forth based on their net income, net profits.

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

Mr. FINEMORE: Mr. Speaker, Ladies and Gentlemen of the House: It seems to me as if this is quite a rugged tax on the corporations, not speaking for myself, but we have already got a tax on them above \$25,000 for 7 percent. You add three more and that is going to be 10 percent. You are going to have that 3 percent right across the board from the beginning of one percent. In checking this over it looks to me as if this will bring in more money than \$14,972, not to question the Taxation Department, but we figured that 2 percent on the corporation tax beginning at zero and going up, that 2 percent on that is 2 percent above \$25,000 would bring in \$4 million.

It doesn't look fair to me to put another 3 percent on the corporation tax because we are burdening them to death. We don't want to

drive the corporations, the industry out of the State of Maine. That is one thing in the first place in our committee — I hope that the gentleman from Farmington, Mr. Morton, will mention it too — the fact that we didn't want to tax the corporations any more. I think 3 percent is a little too much.

I am not going to make a motion on this amendment, but I hope somebody will.

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

Mr. SUSI: Mr. Speaker, Ladies and Gentlemen of the House: I would like to give you a little more background on this inventory tax bill. It came before the Taxation Committee, obviously, and as I read the attitude of the members of the Taxation Committee, there was widespread support for the concept of reducing taxes on inventory, hoping to improve the business climate in Maine, and through this hopefully creating more jobs and better paying jobs for Maine people. So in starting, you have a prejudice in favor of an inventory tax, as I read the committee. And as a means of financing this exemption of the inventory tax, which incurred around a \$15 million dollar loss of revenue to the communities, which was unacceptable to the committee, the committee unanimously felt that we couldn't take this amount of money away from our communities, we had to reimburse it, and as a means to make up for this loss of revenue there was offered to us a business profits tax which I believe this is, this amendment has the same content that that proposal made to us.

I believe that the committee reacted just as favorably as you probably are right now to it. I believe that almost unanimously we felt that this was great. Business leaders around the state were at the meeting and they did indicate, as the gentleman from Standish has told you, that they were willing to pick up the load in a different form of tax and that this was acceptable to them. It was almost too good to be true. Here we had something that we wanted to do and a way to finance it. The peo-

ple who were going to be picking up the tab were saying, "Okay, we will do it." So we really felt great about this inventory tax after the hearing.

We referred this to the Taxation Division and asked them to check it out and report back to us. They did this and they came back with a negative report on it. After having worked with our Taxation Division, I for one, have come to respect it very highly. I find experienced people, they are very objective in their presentation on these items.

So I am expressing to you what my experience and the experience of the Taxation Division has been with this. And as one who is thoroughly committed to the idea of an exemption on inventory tax as a means of improving the business climate in Maine if it were possible and this does accomplish something else that the committee wanted. They wanted to put this load on the people who were going to be receiving the benefits, the business community, something that the other means that we finally came up with certainly didn't do. It put it onto the general public to the benefit of the business community.

So I am all prejudiced in favor of this and we came to the conclusion that if it wasn't a workable answer and if you would like to have me document this better by getting evidence from the Taxation Division as to what the problems are, I would be happy to do this if you want to table it until later in today's session or until tomorrow.

Thereupon, on motion of Mr. Cottrell of Portland, tabled pending the adoption of House Amendment "A" and tomorrow assigned.

The Chair laid before the House the second tabled and today assigned matter:

Bill "An Act Increasing the Gasoline Tax" (H. P. 647) (L. D. 863) (C. "A" H-540) Emergency.

Tabled — June 19, by Mr. Simpson of Standish.

Pending — Passage to be enacted.

The SPEAKER: The Chair recognizes the gentleman from Solon, Mr. Faucher.

Mr. FAUCHER: Mr. Speaker, Ladies and Gentlemen of the House: I hope that today we give a decent burial to this bill; there is no need for it. I have heard the proponents of this bill every session that I have been here and it is like a broken record. The road builders and the contractors of this state are having hands out again. I don't believe the people in the State of Maine want the highest gasoline tax in the nation.

So, Mr. Speaker, I move for indefinite postponement of this bill and all its accompanying papers, and I would request a roll call.

The SPEAKER: The gentleman from Solon, Mr. Faucher, moves the indefinite postponement of this bill and all accompanying papers, and requests a roll call.

The Chair recognizes the gentleman from East Corinth, Mr. Strout.

Mr. STROUT: Mr. Speaker, Ladies and Gentlemen of the House: Last week when this bill was before us we heard a lot of comments about the Highway Department. Since that time I have had a piece of paper delivered to me and I would like to pass on a little information, I am not going to try to influence anyone here to vote for it or against it.

The legislation as proposed provides for only a one cent increase in tax rate. This very small increase would help to move the highway program toward a pay as you go basis, and would really create only a very small annual cost for each motorist.

Based upon statistics published by the U.S. Department of Transportation in 1972, a motorist operating a three-year-old standard size passenger car drives an estimated 11,500 miles, using approximately 846 gallons of fuel at an assumed consumption rate of 13.6 miles per gallon. The total state and federal gas tax in Maine currently amounts to 13 cents per gallon. The one cent increase as proposed in this legislation would only cost an additional \$8.46 for an entire year for this same motorist. That is only 16 cents per week, not really very much of a burden.