

MAINE STATE LEGISLATURE

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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

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

Reported pursuant to Joint Order (H. P. 582) that the same Ought Not to Pass.

Signed:

Senators:

COX of Penobscot
WYMAN of Washington

Representatives:

MORTON of Farmington
MAXWELL of Jay
DOW of West Gardiner
DAM of Skowhegan
MERRILL of Bowdoinham
DRIGOTAS of Auburn
SUSI of Pittsfield

The Minority of the same Committee on the same subject matter reported that the same Ought to Pass.

Signed:

Representatives:

FINEMORE
of Bridgewater
COTTRELL of Portland
IMMONEN of West Paris

Comes from the House, the Minority report Read and Accepted and the Bill Passed to be Engrossed.

Which reports were Read and, on motion by Mr. Wyman of Washington, the Majority Ought Not to Pass Report of the Committee Accepted in non-concurrence.

Thereupon, under suspension of the rules, sent down forthwith for concurrence.

Divided Report

The Majority of the Committee on Taxation on, 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)

Reported that the same Ought to Pass as Amended by Committee Amendment "A" (H-575).

Signed:

Senators:

WYMAN of Washington
COX of Penobscot

Representatives:

MORTON of Farmington
FINEMORE
of Bridgewater
COTTRELL of Portland

DOW of West Gardiner
MERRILL of Bowdoinham
MAXWELL of Jay
DRIGOTAS of Auburn
SUSI of Pittsfield

The Minority of the Committee on the same subject matter reported that the same Ought Not to Pass.

Signed:

Senator:

FORTIER of Oxford

Representatives:

DAM of Skowhegan
IMMONEN of West Paris

Comes from the House, the Majority report Read and Accepted and the Bill Passed to be Engrossed.

Which reports were Read, the Majority Ought to Pass as a Amended Report of the Committee Accepted and the Bill Read Once.

The PRESIDENT: The Chair recognizes the Senator from Oxford, Senator Fortier.

Mr. FORTIER: Mr. President, I would like to ask the Chair: Is the bill before the Senate now with Committee Amendment "A", or is it in its original form?

The PRESIDENT: The Chair would inform the Senator that Committee Amendment "A" was not adopted by the House, and the Bill is in its original form.

Mr. FORTIER: Mr. President and Members of the Senate. I think this is a bill that should receive very serious consideration. There is one thing that the proponents and the opponents agree on in regard to this bill, and that is the fact that the purpose of the bill was to create a better business atmosphere in this state to attract business. This would automatically eliminate from our tax base \$450 million of taxable property.

Now, I have been told by one legislature is: Will the bill accomplish what we are trying to do, which is create a better business atmosphere and, if so, are we willing to pay the price for it? I would like to remind you that this involves a 2 percent increase on all corporate taxes. It also involves a 4 percent surcharge on any corporate income tax over \$25,000.

You will recall that we have on the Appropriations Table now another bill, just short of enactment, which added another 2 percent to corporate returns over \$25,000 for the exemption of sales taxes on machinery and equipment. Now, you add this all together, and for corporations making over \$25,000 it gives them a 12 percent corporate income tax, or three times what the tax is now, which would be the highest state corporation tax in the whole country. There are only two other states that have a similar tax: One is Pennsylvania and the other is Minnesota.

I have been told that there are very serious rumors in regard to one of the largest corporations in the country being on the verge of moving out of Minnesota for that very reason. This, Members of the Senate, is what we are getting into. Are we creating a better atmosphere for business?

I would like to cite more particular cases. For example, in the case of my own Town of Rumford, I have made these computations after the fifth year because there are gradual adjustments for a five-year period, but based on 1972 assessment figures, the Town of Rumford would lose \$226,313. After the fifth year, Rumford's share of revenue sharing, which is intended to replace this loss, would be \$120,750, or a loss for a municipality of less than 10,000 people of \$105,563 every year. But this is far from being the entire picture.

I have been told by the Oxford Paper Company that this bill means an increase in their overall tax of approximately half a million dollars a year. So one corporation loses half a million, and the town loses over \$100,000 every year.

Now, I have been told by one individual, when I cited these figures, that I was rather parochial, that I was thinking only of my little nucleus. Well, I don't know just exactly what dictionary that gentleman went to to interpret the word "parochial", but I would like to state some of the places which would be affected. Off-hand, we can say every paper mill town in the state. But beyond that, it

would affect every municipality in the state that has a shopping center of any size. It would affect towns like Sanford, Biddeford, Portland, South Portland, Brunswick, Bath, Rumford, Augusta, Bangor, Old Town, Presque Isle, Madawaska, and a lot of others. I don't believe that this is very parochial.

These losses could not possibly be recuperated except at the expense of a lot of people who would get no help at all from the relief of the inventory tax. I believe that we are getting into a can of worms. How can we possibly say that we are creating a better aroma for business when we are going to triple their corporate income tax? We might as well put up an iron fence and put a big sign on it saying "Keep Out".

So, for these reasons, I hope that you will support my motion of indefinite postponement of this bill.

The PRESIDENT: The Chair recognizes the Senator from Kennebec, Senator Katz.

Mr. KATZ: Mr. President and Members of the Senate: I have always felt that it was worth the price of admission for me to have the opportunity to sit and listen to my favorite tax expert, the Senator from Oxford, Senator Fortier, and I can't find any fault with the criticisms that he raises.

On the other hand, I would like to talk to you about my view of what has been going on here this session in this question of what are we going to do about inventory taxes, and what are we going to do about building a better climate. Well, the first thing that happened this session was that we got a bill — it is on the Appropriations Table — to which some of us objected all by itself, which would give exemptions for sales taxes paid on machinery installed for manufacturing. Not that we objected to it, but we felt there were other problems in the state and that, if the problem was the improving of the business climate in the state, to look at the whole problem altogether.

I have never seen such milling around, such confusion, such indecision, by a group of men of

good faith who really want to do something, and who have been unable to come up with an answer.

Well, the Senator from Oxford, Senator Fortier, I think put things in context insofar as manufacturing and shopping centers are concerned. But let me tell you a little something about the "mama and papa" businesses of this state because it is they who are involved too. And when you think about Maine business you think about small business. Think about the variety store that you use on a Sunday to stop in to pick up potato chips and things that you forgot during the week at the supermarket. These stores pay property taxes on their inventory. And if it were an equitable tax, or if it bore any relationship at all to their ability to pay, or the amount of profit they are making, it would be a good tax, but there is no relationship at all between the size of a business's inventory and the profitability of the business.

Now, it is not generally known, but aside from being in the retail business I am also in the liquidation business, and over the past 20 years my brother-in-law, who is associated with me, and I have liquidated about eighty retail businesses in New England, and a good many of them were in Maine. When you go into somebody else's business and you sit down and talk to them about the prospects of translating their assets into cash, you also look at their expenses. And the opportunity for me to look at the personal property taxes that small business in Maine in different communities pay on their inventories, it is a traumatic experience. There is no relationship between what a business pays in Town A and Town B. As a matter of fact, if there is one tax in the state which actually penalizes the honest person, it is a tax on inventory. There may be some communities where this is professionally arrived at, but most of the time it is a negotiated figure or, if you will excuse the expression, very frequently it is a fictitious figure, and the more honest a retailer is the more he gets

penalized. There is no way to cure this except getting rid of the tax.

I shall oppose the motion to indefinitely postpone, not because I disagree at all with what the Senator from Oxford says, but in the last few remaining days perhaps, just perhaps, there is enough wisdom within this legislature to straighten out something that should have been straightened out a long time ago. I call to your attention that it is a serious problem and it is an inequitable problem. We have done some good things establishing equity in the State of Maine, and I just don't want to throw up the sponge this quickly and say that we cannot do it with respect to inventories.

The PRESIDENT: The Chair would inform the Senate that there is no motion before the Senate to indefinitely postpone the bill. It has been given its first reading, and the next order of business would be to read Committee Amendment "A".

The Chair recognizes the Senator from Cumberland, Senator Berry.

Mr. BERRY: Mr. President, I hope that the Senate would go along with passing this bill up to engrossment, and then it would be my intention of putting it on the table. I call your attention to the fact that there are on the unassigned table two items dealing with taxation, and it would be our hope that consideration may be given to all forms of tax relief which are before it in the forms mentioned by the two previous speakers.

None of us want to end up enacting legislation which is going to put onerous taxes on industry. These mean jobs if we can keep them going. We don't want new industries to not come into this state, and we don't want existing industries which carry large inventories moving to New Hampshire to build their warehouses. So I would suggest that this item go along, and that we would table it just prior to engrossment to see if we can come up with something progressive, productive, and helpful in all these measures.

The PRESIDENT: The Chair recognizes the Senator from Washington, Senator Wyman.

Mr. WYMAN: Mr. President I am very much in favor of this bill as it came from the Committee. As I understand it, we will have to pass the bill first and then pass the amendment, or at least vote on the amendment. Otherwise, we don't get a chance to vote on it as it came from the committee. Is this correct?

The PRESIDENT: The Senator is correct.

Mr. WYMAN: Mr. President, I would oppose any motion to indefinitely postpone it.

The PRESIDENT: There is no motion to indefinitely postpone.

The Secretary will read Committee Amendment "A".

Committee Amendment "A" was Read and Adopted in non-concurrence.

Threupon, on motion by Mr. Berry of Cumberland, tabled, pending assignment for Second Reading.

Committee of Conference Report

The Committee of Conference on the disagreeing action of the two branches of the Legislature, on, Bill, "An Act to Insure Permanent Funding of the Maine Law Enforcement and Criminal Justice Academy." (H. P. 1575) (L. D. 2004) ask leave to report: that the House recede and concur with the Senate in Indefinite Postponement of the Bill.

On the part of the House:

CAREY of Waterville
CARRIER of Westbrook
BIRT of East Millinocket

On the part of the Senate:

BERRY of Cumberland
CLIFFORD
of Androscoggin
JOLY of Kennebec

Comes from the House, the report Read and Accepted.

Which report was Read and Accepted in concurrence.

Enactors

The Committee on Engrossed Bills reported as truly and strictly engrossed the following:

An Act to Correct Errors and Inconsistencies in the Fish and Game Laws. (S. P. 645) (L. D. 1980)

Which was Passed to be Enacted and, having been signed by the President, was by the Secretary presented to the Governor for his approval.

An Act to Create the Maine Guarantee Authority and to Amend the Maine Industrial Building Authority and Maine Recreational Authority Statutes. (S. P. 667) (L. D. 2033)

(On motion by Mr. Sewall of Penobscot, placed on the Special Appropriations Table.)

An Act to Provide for the Reduction of Speed Limits to Conserve Fuel during Energy Crisis. (H. P. 1627) (L. D. 2043)

The PRESIDENT: The Chair recognizes the Senator from Aroostook, Senator Cyr.

Mr. CYR: Mr. President and Members of the Senate: I move the indefinite postponement of this bill, and my reason is this: First of all, I don't think that the shortage of fuel has been proven to anybody. I think it is an item that has been blown sky high by those who want to increase the price of gas, and that is just about it.

Last week I watched a TV program in Nebraska, where there was a shortage of diesel fuel and the farmers had to go to the black market to be able to get their diesel fuel and pay 10 cents a gallon more than they normally did. Some farmers brought up the question of where do the black marketers get the fuel. If there is a shortage, why should the black market have fuel to sell? I think it is a very good question.

Right next to my motel, for instance, in the past three weeks I have seen the price of gas go from 33.9 cents a gallon for regular gas to 38.9 cents. Now, if there is a shortage, why did they increase it by five cents? I think the same thing applies here, and I don't think that this should go on the statute books at all.

If there is a shortage, then it is up to the Governor and the Civil Defense, the department that I understand is in charge of fuel, to