

# 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

14 Senators having voted in the affirmative, and 17 Senators having voted in the negative, with two Senators being absent, the motion did not prevail.

Thereupon, on motion by Mr. Berry of Cumberland, tabled until later in today's session, pending the motion by Mr. Speers of Kennebec to Reconsider Passage to be Engrossed.

The President laid before the Senate the matter tabled earlier in today's session by Mr. Brennan of Cumberland:

An Act Appropriating Funds for Public Housing Authorities for Operating Subsidies. (L. D. 1821)

Pending — Enactment.

Thereupon, on motion by Mr. Sewall of Penobscot, retabled until later in today's session, pending Enactment.

The President laid before the Senate the matter tabled earlier in today's session by Mr. Sewall of Penobscot:

An Act Appropriating Funds to Expand Post-Secondary Educational Opportunities in Maine's Mid-coast, York County and Lewiston-Auburn Areas. (L. D. 1691)

Pending — Enactment.

Mr. Sewall of Penobscot moved that the Bill and Accompanying Papers be Indefinitely Postponed.

On motion by Mr. Clifford of Androscoggin, a division was had. 20 Senators having voted in the affirmative, and 10 Senators having voted in the negative, the Bill was Indefinitely Postponed in non-concurrence.

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

On motion by Mr. Sewall of Penobscot,  
recessed pending the sound of the bell.

#### After Recess

Called to order by the President.

#### Papers from the House

Out of order and under suspension of the rules, the Senate voted to take up the following:

#### Enactors

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

An Act to Organize the Unorganized and Deorganized Territories of the State and to Provide for Management of the Public Reserved Lands. (H. P. 1382) (L. D. 1812)

(On motion by Mr. Richardson of Cumberland, tabled until later in today's session, pending Enactment.)

An Act Revising the Rate Tables of Tax Imposed on the Income of Individuals. (H. P. 835) (L. D. 1105)

(On motion by Mr. Berry of Cumberland, tabled, pending Enactment.)

On motion by Mr. Berry of Cumberland, the Senate voted to take from the table the third unassigned 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 26, 1973 by Senator Berry of Cumberland.

Pending — Assignment for Second Reading.

The Bill was then given its Second Reading.

On motion by Mr. Tanous of Penobscot, and under suspension of the rules, the Senate voted to reconsider its prior action whereby Committee Amendment "A" was Adopted and, on subsequent motion by the same Senator, Committee Amendment "A" was Indefinitely Postponed in concurrence.

The same Senator then presented Senate Amendment "B" and moved its Adoption.

Senate Amendment "B", Filing No. S-279 was Read.

The PRESIDENT: The Senator has the floor.

Mr. TANOUS: Mr. President and Members of the Senate: There was an error in Senate Amendment "B" and, rather than doing it over again, it was easier to prepare Senate Amendment "C", which I will offer if we adopt Senate Amendment "B", and I would like to read a statement which I have

prepared relative to the amendments on this bill. I also have made arrangements with my good friend, Senator Cox from Penobscot, in the event that my voice doesn't hold up to the end of this reading he will pick it up for me. It isn't a gravel voice that I have today. It is the result of water skiing over the weekend, and I picked up a slight case of laryngitis.

This amendment will achieve the intention of this bill to exempt inventories from municipal property tax. All segments of the business community will benefit from this change over a period of years: the retailers, the wholesalers, the manufacturers, the farmers, and the forest products industry.

The amendment provides for an additional state property tax for a period of three years on these inventory categories, after which they will be relieved of property tax. This state tax would be administered and the proceeds retained at the local level by the municipalities to offset in part any losses sustained by the municipalities. The amendment further provides that any losses in excess of the proceeds of this tax after the three-year period will be reimbursed to the municipalities by the state.

This amendment increases the corporate income tax by 5 per cent on the first \$25,000 of corporate taxable income, and 7 per cent on corporate taxable income in excess of \$25,000. This amounts to a 1 percent increase over and above the 2 percent over \$25,000 increase provided by L. D. 1920, which provides a sales tax exemption for new machinery and equipment. This additional 1 percent on the corporate tax has been agreed upon by the representatives of our major industries as a fair share of this program for the corporate tax.

Many of the businesses which will benefit operate a single proprietorship as partnerships and other non-corporate arrangements. These two bills taken together should do a great deal to create a healthy business image for the State of Maine and to stimulate

the growth and success of our existing businesses, large and small.

The State Tax Assessor estimates that the loss in general property revenue to municipalities from the exemptions provided in this act will amount to approximately \$15 million a year. It is further estimated that the state tax to be levied for the three-year period on such property, the proceeds of which are to be retained by the local communities, will be approximately \$13 million per year. It is further estimated that the net 1 percent increase in corporate income tax imposed by this act will produce in excess of \$2 million per year, or something more than the difference in property tax. It is estimated that more than 25,000 businesses in the State of Maine will benefit from the elimination of the inventory tax.

Taking the two corporate tax increases together, by 1977 we should realize an additional \$7 million per year. Assuming that the \$15 million figure on inventory would become profit, the state will receive a corporate tax of 7 percent of this profit, or an additional \$1,400,000. If this program is successful in stimulating business growth, there should be produced additional revenues to all of our state taxes which will greatly exceed the cost of this program.

These two bills, taken together, ought to make Maine an attractive state for business. If we can bring this about, we will be in a stronger position to require strong environmental controls and to attract those businesses which will produce well-paying jobs for our labor force, particularly our young people.

This legislation appears to be supported by all of the various segments of our business community. We have an opportunity here and now at this point to deliver on our promise to reform our business tax system. Mr. President, I move the adoption of Senate Amendment "B".

The PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Richardson.

Mr. RICHARDSON: Mr. President and Members of the Senate: At the time that the state personal and corporate income tax was passed, there were those of us who were then members of the legislature who wanted very much to eliminate the sales and use tax on machinery used in manufacturing and to eliminate the inventory tax, both of which have been described by the Federal Reserve Bank of Boston as clearly regressive and contribute very significantly to our problems in Maine in attracting and retaining high quality industrial effort.

This bill, the inventory tax repeal, is an excellent piece of legislation, however, it contains in the statement of fact a statement with which I disagree personally, and I would ask the proponent of this amendment, or any other member who is knowledgeable, to explain to us exactly what the legislative intent is. On Page 4 of the amendment, which is under your Filing No. 279, the next to the last paragraph contains this statement: "The amendment further provides that any losses in excess of the proceeds of this tax or after the three-year period", and I presume that means any loss to an individual municipality after three years, "will be reimbursed to the municipalities by the state." Members of the Senate, I am very much opposed to that, if that is in fact what the amendment says. I don't think it says that, but I am very much opposed to continuing a dollar for dollar return to the affected municipalities after the three-year period, and I hope the proponent of this amendment will assure us that that is not his intent because, otherwise, I would find it very difficult to build into our system a dollar for dollar return to every municipality affected by repeal of the inventory tax to go on and on for the next 10, 15, 20 or 30 years. I would hope that this pay-back would continue only for a period of three years, after which we would go

to an established or perhaps newly defined and designed revenue sharing formula.

I would ask the Senator from Penobscot, Senator Tanous, to explain to the Senate what happens after three years? Are we going to continue reimbursing municipalities on the same dollar for dollar basis, or is it his intent that at that time the legislature would be free to establish such revenue sharing repayments as it thought appropriate?

The PRESIDENT: The Senator from Cumberland, Senator Richardson, has posed a question through the Chair which the Senator from Penobscot, Senator Tanous, may answer if he desires.

The Chair recognizes the Senator from Penobscot, Senator Tanous.

Mr. TANOUS: Mr. President and Members of the Senate: In reference to the question of my good friend, Senator Richardson from Cumberland, I am sure he is well aware, having been in the legislature for as many years as he has, that you can't commit future legislatures to any definite plan of payment or method of payment. This is my feeling in the statement of fact, that hopefully the legislature when this property tax — which, incidentally, is the only way we can repeal, in this manner, and do it so that it will take effect in three years — it is my hope at that time that the legislature, in its wisdom, will find some way to fund the communities with their losses. Now, they can do it through revenue sharing, or they can do it on a dollar for dollar basis, whichever method the legislature used, but we are certainly not binding that legislature in any way whatsoever, the next legislature, at that time.

I do have in my fiscal note though figures that we have arrived at with Mr. Johnson over at Taxation, that by 1977 the projected income from all areas related with the repeal of the inventory tax should amount to approximately \$10.4 million, which is a very substantial amount to fund the repeal of the inventory tax. I think that many of us are committed to repeal the inventory tax, and this is why you can't re-

peal it on the basis of a third every year for a period of three years. They have tried that, and it is unconstitutional. And last week it appeared that this bill was doomed for defeat, when I realized, from talking with some members of the Senate, people in favor of repeal of the tax, that rather than trying to put this off for the special session, I felt there was some way it could be done now. And we can do it by adopting this amendment.

Mr. President, I understand that I now have to present my Senate Amendment "C" before we adopt Senate Amendment "B". Is that correct?

The PRESIDENT: Now is the correct time to offer it.

Mr. Tanous of Penobscot then presented Senate Amendment "C" to Senate Amendment "B" and moved its Adoption.

Senate Amendment "C", Filing No. S-291, to Senate Amendment "B" was Read and Adopted.

The PRESIDENT: Is it now the pleasure of the Senate to adopt Senate Amendment "B" as amended by Senate Amendment "C" thereto?

The Chair recognizes the Senator from Oxford, Senator Fortier.

Mr. FORTIER: Mr. President, if permissible, I would like to ask a question of the good Senator from Penobscot through the Chair. I had thought that I was quite familiar with this bill, but I will admit that now they have got me completely confused. Do I understand that with these amendments here it incorporates both the sales tax exemption bill the inventory tax? It does not. We are simply talking about the inventory tax exemption.

I do believe that we should be very careful in analyzing this bill and realize what we are getting into. For the next three years, it is going to do practically nothing except possibly complicate somewhat the personal property tax assessment and collection. Instead of having it assessed by the municipalities and collected by the municipalities through a system of refund on the state inventory tax. So that we can say the first three years, for all practical purposes, this will be just wiped out.

Now, the good Senator from Penobscot has said that we could not obligate future legislatures. That point is very well taken. But we can put future legislatures into positions where they are practically boxed in and there isn't too much they can do about it.

Now, there are, as I see it, four things that could happen two years from now: You could continue that state inventory tax; you could repudiate it and go to the present system; you could let the property taxpayers assume the liability, which would probably be in the neighborhood, if we pass the sales tax exemption, in the neighborhood of between \$12 and \$13 million; or we could find some other way of funding it, which this year we have not been able to do. This is the fourth proposition that has been made on this bill. This particular method of financing never had a committee hearing, it never had a public hearing, it was presented time and time and time again under different phases, and they were all impractical.

In the first place, this removes from our tax base \$450 million of taxable property, and we all know how we have been working for years trying to broaden this base. And who is going to get the benefit from it? A very select group of private interests.

Now, they talk about the inequity of an inventory tax. I have been involved in this for better than 35 years, and I could not find half a dozen taxpayers over the entire state who will claim that their inventories are over-assessed. But for every one that you might find who might suggest that his inventory is over-assessed, I could find you hundreds of real estate taxpayers who feel sure that they are over-assessed.

Now, the corporations sponsoring this tell us that they are perfectly willing to pay on the profits rather than be assessed originally. I don't blame them for this a bit. How about our landlord owning apartment buildings? Wouldn't he much prefer to pay on the profits? I know he would. But you are not going to include him.

When you talk about inequities, they will tell you about inequities

between different municipalities. Don't you have exactly the same thing on real estate? And when you talk about inequities, how about the inequity of obsolescence on a home? How about the inequities of depreciation on a home and on real estate? These inequities are just as well founded and just as important as the inequities on this which they have claimed, but no one has ever presented anything definite in regard to what these inequities are.

This would cost probably in the neighborhood of between \$6 and \$7 million after you have increased the corporate tax among the high 25%. And we claim this is to create a better atmosphere for business? We are going to have an increase of 75% on our corporate income tax, and this creates a better atmosphere for business? For the first three years it has accomplished nothing at all. You simply put off the real problem until three years from now, hoping that the legislature at that time will be probably more intelligent that we are and better able to find the funding of this. We are putting these legislatures in the position where, if they don't do anything, then the one that is going to carry the burden is the real estate owner, the homeowner, and the individual who has rental property which we are trying to encourage. This is a ridiculous bill and I simply hope that you will turn down this amendment so that we can proceed with this bill on the merits, if it really has any.

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

Mr. WYMAN: Mr. President, your Taxation Committee worked on this bill for a long time and they came out with a version that met with no approval in the other branch. I think that taxes are unfair, they are always unfair, and you can't make them fair. As the good Senator said, this probably is an unfair tax, and other taxes are unfair, but I don't think two unfair taxes make a right one.

I think there is a chance to correct an unfair tax here and to make our industry more competitive with our neighboring states.

I think that we can talk about this, we can bring it back to the next legislature, we can talk and talk and talk, but I think it is time we tried to do something about it, so I certainly hope that this amendment and this bill prevails.

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

Mr. FORTIER: Mr. President and Members of the Senate: It has been mentioned that certain firms have been warehousing their property out-of-state due to this inventory tax and due to the fact that some of our neighbors do not have it. This was discussed all last summer on the tax structure committee, and to my knowledge, there has only been two firms who were ever definitely named that are warehousing out-of-state. There were three or four others who claimed they were contemplating it. That may be as it is, but even then, all firms who are either now warehousing or are contemplating warehousing out-of-state would certainly not come to half a dozen.

Now, it has been said also that we should do something for industry in this session of the legislature. That I am certainly in accord with, and that I believe we have already accomplished. For example, on L. D. 1994, which is already law, we have been told it would probably mean approximately a 20% reduction in our property taxes, which would affect the inventory tax and the equipment tax just as much as the real estate. We have L. D. 1997, which is presently on the Appropriations Table and which I sincerely hope will be enacted, which is the one that revised our Bureau of Taxation. This is the one that will make it mandatory eventually to have competent assessors that will be certified by the state. It will also provide for more expertise from our State Bureau of Taxation being at the disposition of our local assessors. Then, of course, there is L. D. 1920, which is still on the unassigned table, which provides for an exemption of the sales tax on machinery. I do believe that we have recognized the factor that we have an obligation toward business.

If we ever should enact 1920, together with this bill here, with the provisions in the amendments which are before you now, it would give us a corporation income tax of 9%, and there are only two states that have a higher one, and one other that has 9%. I do not believe that this is the aura which we want to create for business in the State of Maine.

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

Mr. KATZ: Mr. President, this is the first time I have ever contradicted my resident tax expert on a question of fact. It is my understanding that were this bill as amended to pass, in conjunction with all other legislation before us, the maximum corporate tax on those businesses who are fortunate enough to make substantial profits would be 7%.

I have long felt that the poll tax was the most miserable tax on our books, and it was kept there largely because of the insidious silence of the ladies of the state. Now that the poll tax is not of concern, I think the inventory tax is the worst one and I, for one, will support getting rid of it today.

The PRESIDENT: Is the Senate ready for the question?

The Chair recognizes the Senator from Cumberland, Senator Brennan.

Mr. BRENNAN: Mr. President and Members of the Senate: I am really reluctant after all these real experts have spoken on this, and I want to defer to their judgment.

Personally, I never thought it made a great deal of sense, the inventory tax. I prefer, again, the very simple concept of ability to pay, and I think we can use this with the inventory tax on the basis of profits. It makes some sense to me to switch into a corporate income tax increase.

However, I have some reservations in that a town can build a new shopping center, say, next year, and they in no way will be enhanced by that. At the same time, in some other city or town several shopping centers or several stores or several major warehouses can close down, and in no

way will their taxes be lessened. So in many senses, this is not really tax reform. I think we are moving in the right direction, I think we ought to get away from the inventory tax, but I have very, very strong reservations about this way of doing it. However, despite the reservations, I will go along with it.

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

Mr. CYR: Mr. President and Members of the Senate: It was said by one of my colleagues this morning that one of his constituents pleaded with him "Please, don't put on any more tax reform; we can't afford it." I think that is probably the statement that makes more sense than anything else I have heard so far.

I was all prepared on the original bill to state to you just what would happen to my community of Madawaska if this inventory tax was eliminated. We would have lost \$28,500 the first year, \$57,000 the second year, \$85,000 the third year, \$114,000 the fourth year, and so forth.

Now, I approach this subject, the new version of it, with mixed feelings. First of all, this bill only has a three-year life. We don't know what is going to happen after that. For the first three years, I think I probably could live with it. But the whole thing, to me, there is a philosophy here that we are missing. We are missing the point. I don't like the direction in which this is going. We have hardly any more tax base on the local level. The only thing we have left is the personal property tax and the property tax.

Now, if we eliminate this inventory tax, we have a very narrow base, which means that most of these communities eventually will probably have to depend for their revenues on the state or the federal government. Now, when 75 per cent of your revenues are from the state or the federal government, first of all, many communities are going to be lured into projects that they cannot afford on the assumption that "Why should we deny ourselves this?"



The state is going to pay 75 per cent of it.”

The second argument: If 75 per cent or more of our revenues come from the state or the federal government, we are reducing ourselves to the position of a beggar. We will have to come down and beg to pay our expenses. That is the direction that I don't like. I will go along and grant that the inventory tax or stock tax is probably too high and should be reduced, the same as the property tax.

Now, we passed 1994 on the assumption that this would reduce the property taxes, and yet in today's paper, the KJ, there is an opinion page on the mini-buses for Augusta, and I will quote a few of the items in here. “We imagine city hall will argue that it is too expensive, a bus operation isn't going to succeed, it has failed in the past and there's no money available. That just isn't so. The primary question the city will raise is the expense and where the money is to come from. The Maine Legislature provided that answer recently when it approved an increase in the state subsidy for local education from 33 percent to 50 percent. It has been estimated that the average reduction in property taxes throughout Maine would be 12 per cent.

“The city's annual budget is now running more than \$7 million. A fleet of mini-buses, with drivers, insurance and maintenance, is not going to cost \$850,000-plus annually — 12 per cent of the total budget.”

There we are, the ink is barely dry on 1994, and here is the capital city already scheming to spend that 2 per cent that is supposed to go to reduce property taxes. And the same thing is going to happen on your inventory tax.

Now, I predict that three years from now cities like mine, that have large inventories, that have a mill, will be losing out. And where are you going to recuperate your losses? I don't know — there is something that disturbs me about this bill. I have a gut feeling that just isn't right about it and, to me, to try to pass such an important piece of legislation at the eleventh hour, I think, is not

a responsible move. For that reason, I will vote against this bill.

The PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Morrell.

Mr. MORRELL: Mr. President, I have a gut feeling that we are trying to tackle a very serious situation here. For years everybody has agreed that the inventory tax is applied to a certain type of business activity, and I think we agree that it is time to do something about it. It penalizes the large and particularly the small shopkeeper around the State of Maine, whether he makes a profit or not.

It seems to me it is very legitimate, even at this late hour, for us to attempt to do something on the part of small business, of which there are thousands around the State of Maine. I think we have to be concerned about them because they employ a good many more people than do the large corporations which might well benefit from the elimination of the sales tax on manufacturing equipment. Now, I am in favor of that, but I am equally and perhaps even more concerned about helping out the small businesses who do provide a lot of the wherewithal with which we fund the various programs.

Now, maybe this alternative isn't perfect, but I think it is an honest attempt on the part of those who have been involved in this area to try and do something. I hope we don't let ourselves be swayed by the rhetoric that says the communities are going to be hurt. We are attempting to do things here in this session for people and for communities, and I think this does a little bit toward putting some of the money back in the bucket.

The PRESIDENT: The Chair recognizes the Senator from Androscoggin, Senator Clifford.

Mr. CLIFFORD: Mr. President, I am going to vote for the amendment because I feel that if the inventory tax passes it should pass with this amendment on it because at least for a period of three years the communities are held free. However, I disagree with the good Senator from Cumberland, Senator Richardson. I think that there is

an obligation, when you are taking away a substantial amount of a municipality's revenue, on the part of the legislature to insure that those communities are held free. But I think that the debate should come really, not on the amendments, but rather on the bill itself when the amendments are put on.

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

Mr. FORTIER: Mr. President, the reflection has been made here that we should deplore the situation of the inventory taxpayer. I deplore the situation of every taxpayer. But before we take a vote, there is just one item I would like to bring to your attention, and that is the fact that the inventory owner causes exactly the same cost to the municipality as the real estate owner. He requires police protection, he requires fire protection, he requires traffic control, and a good many other services which are precipitated on that account. I would also call to your attention that the inventory owners are not asking for a fair adjustment of their tax; they are asking for a give-away, a complete exemption from the tax, which I am very much afraid eventually will have to be absorbed by the other property owners.

Mr. President, I ask for a roll call.

The PRESIDENT: A roll call has been requested.

The Chair recognizes the Senator from Cumberland, Senator Morrell.

Mr. MORRELL: Mr. President, I am sorry to take issue with my good friend, Senator Fortier, and I mean that. I respect him a great deal for many things other than his logic on taxation, which I admire. However, I would remind him that the people who are asking for some relief from the inventory tax are, I am sure, in every instance paying their share of the real estate tax, the property tax. So I don't think they are asking to be exempted from anything that anybody else isn't. He is just asking that he be treated equally with lawyers, doctors, and all kinds of professional activities. This merely

hits the small businessman who, by the nature of his business, has to stock goods and those are taxed. I think that is the kind of inequity he is asking relief from.

The PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Berry.

Mr. BERRY: Mr. President, I would like to wholeheartedly support the concept of this legislation and the amendments. At the same time, I call to the attention of the members of this Senate that we are also talking about the bill which will take the sales tax off the new equipment, another bill that is on the table. We are talking about both of them together.

I think if we want to continue to operate the State of Maine in a horse and buggy era, you can vote against this bill. If you want to do something for the state to put it somewhere along the road like the State of Florida, where they have no personal property tax or inventory tax, and no income tax, that this is a step in that direction. One reason Florida is in this position, in addition to its climate, is that they have got a very favorable attitude there that encourages growth.

We have done a lot of things here at the legislature, not only at this one but at past ones, to inhibit growth, to make it very hard not only to stay in business but to make it very hard to get in business.

Now, this particular tax is no nebulous thing. This affects every one of us. Any of you who are in the food business, any one of you who are in the construction business, any one of you who buy anything — I care not whether it be at the retail level or the wholesale level — are affected by this bill. I give you a very simple example: the day before the inventory is assessed in the warehouse, it is to your advantage as an inventory owner to keep your inventory as low as it is humanly possible to do, and your owners of inventory do this. They don't only do it the day before, but they are not going to get caught, they are going to do it a month before. And the smart ones are going to

do it even more than that, so they won't even have advance invoices in their books to be checked, as well as not taking any chance of having the material itself in their warehouse. So you want to go and you want to buy something to build a bridge, or to put on your table in your restaurant, or perhaps even to build a home, you can't get it because the warehouse operator is smart enough not to carry it in inventory. It is as simple as that, just exactly as simple as that. If you are a paper mill and you want to buy a particular valve that costs quite a lot of money, and you wanted to buy it from your Portland warehouse on the day before April 1st, you just can't do it because they are good operators and they are not going to do it.

So I am unimpressed by all this talk about rhetoric and what we are doing as far as local taxes go, and so forth. If you want something that is progressive for the State of Maine, to put us in the main stream of business, I would suggest you go whole hog for this bill, as well as for the other one, exempting new processing equipment from the sales tax.

The PRESIDENT: The pending question before the Senate is the adoption of Senate Amendment "B" as amended by Senate Amendment "C" thereto. A roll call has been requested. Under the Constitution, in order for the Chair to order a roll call, it requires the affirmative vote of one-fifth of those Senators present and voting. Will all those Senators in favor of ordering a roll call please rise and remain standing until counted.

Obviously more than one-fifth having arisen, a roll call is ordered. The pending motion before the Senate is the adoption of Senate Amendment "B" as amended by Senate Amendment "C" thereto. A "Yes" vote will be in favor of the adoption of the amendment; a "No" vote will be opposed.

The Secretary will call the roll.

#### ROLL CALL

YEAS: Senators Aldrich, Anderson, Berry, Brennan, Cianchette, Clifford, Conley, Cox, Cummings, Cyr, Danton, Graham, Greeley, Hichens, Joly, Katz, Kel-

ley, Marcotte, Minkowsky, Morrell, Peabody, Richardson, Roberts, Schulten, Sewall, Shute, Speers, Tanous, Wyman, MacLeod.

NAYS: Senators Fortier, Huber.

ABSENT: Senator Olfene.

A roll call was had. 30 Senators having voted in the affirmative, and two Senators having voted in the negative, with one Senator being absent, Senate Amendment "B", as Amended by Senate Amendment "C" Thereto, was Adopted.

Mr. Cyr of Aroostook then moved that the Bill and Accompanying Papers be Indefinitely Postponed.

The PRESIDENT: The Chair recognizes the Senator from Penobscot, Senator Tanous.

Mr. TANOUS: Mr. President, I oppose the motion and I would ask for a division.

The PRESIDENT: A division has been requested.

The Chair recognizes the Senator from Androscoggin, Senator Clifford.

Mr. CLIFFORD: Mr. President and Members of the Senate: I voted for the amendment because I think that if the bill is going to pass the amendment should be as it is, and the communities which lose the income should be reimbursed. But I am going to vote against the bill because I do think that it is fairly irresponsible to be funding this bill and three years from now the legislature is going to have to find the funds to reimburse the communities. I think the communities should definitely be reimbursed because there is a connection between the tax collected and the services rendered, especially now with the growth of the shopping centers, and the cities have spent literally millions of dollars for water and sewer connections and other utilities in connecting these shopping centers up. The shopping centers, most of the stores of which are owned by out-of-state corporations, are the ones that are being hit fairly hard by the inventory tax.

Also, in answer to the good Senator from Cumberland, Senator Berry, as to the communities which hide their inventory, I think with the passage of the bill called "The Emery Bill", when we are

going to have professional assessments, I think you are going to find an improvement as far as the assessments are concerned. I think in the larger communities with the more sophisticated assessing practices, that they assess on an average of the year rather than technically on April 1st, and I don't think that really is a problem.

But I do think that what you have here is the cities outlaying a tremendous amount of money, in the millions of dollars, where they are not going to be reimbursed for it. They are going to be held free from this year's tax rate, so all the inventory tax which was the result of construction going on this year and in future years will not be given back to those communities, although those communities are paying substantial money for water and sewer and utility connections, police protection and fire protection for those shopping centers. I think that what the future legislatures are going to face is a problem of substantial proportions, that is, funding this.

You have already got an indication of one of the supporters of this that as far as he is concerned he is against the hold free concept to these communities which lose. Well, I am against his being against the hold free concept because I think that the larger communities which have outlayed tremendous amounts of money in these areas are going to be the big losers, and because they are going to be the big losers their property taxpayers are going to be the real losers because their money is going to have to be made up with their property taxes. Therefore, I would support the motion of the good Senator from Aroostook, Senator Cyr, that this bill be indefinitely postponed. Thank you.

The PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Richardson.

Mr. RICHARDSON: Mr. President and Members of the Senate: I am opposed to the motion to indefinitely postpone. In listening to the Senator from Androscoggin, Senator Clifford, I got the distinct impression that he was talking

about me when he was describing someone here in the Senate as being opposed to hold free, which I am going to interpret as being a hold harmless agreement.

My quarrel is with returning lost inventory tax revenues to the municipalities on a dollar for dollar basis on and on and on into the future. We are already doing quite well by Maine communities, at least many of them. Or at least the sponsors of several bills we have passed have taken considerable time to tell us about what marvelous things we were doing for the property tax and other things. But my quarrel is with perpetuating what I consider a basically unfair situation, where a community happens to have located within its borders a substantial warehousing facility and derives substantial tax revenues from that enterprise, whereas neighboring communities which support that enterprise don't derive those tax revenues. I would draw an analogy between this situation and the situation with respect to the Central Maine Power Company locating a plant on, let's say, Cousins Island in Yarmouth, and although ratepayers of that facility who are supporting it are all over southern Maine, the Town of Yarmouth benefits exclusively from the real property tax that is generated by that facility.

This bill and this amendment does not obligate the state, as far as I am concerned, to repay on a dollar for dollar, one for one basis those communities after the expiration of three years, and that, Senator Clifford and members of the Senate, is exactly where I want it.

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

Mr. WYMAN: Mr. President and Members of the Senate: We talk about shopping centers as though the real property and the inventory were both going to be exempt. But if I understand the bill correctly, the municipality will still collect the money on the shopping center, and it will be only the inventory that will be exempt.

The PRESIDENT: The Chair recognizes the Senator from Penobscot, Senator Tanous.

Mr. TANOUS: Mr. President and Members of the Senate: First of all, I want to thank all of you who spoke in favor of the amendments and the bill. As I mentioned, I have a bad case of laryngitis, and I would like to have answered all of the arguments against the amendments and the bill.

First of all, I want to straighten out a point that was brought up by my good friend, Senator Fortier from Oxford. There is some relationship of one of the amendments with L. D. 1920. There are two sections of the bill which deals with assessment of taxes, and it is effective 91 days after L. D. 1920, which is 90 days after the legislature adjourns, because it deals with the two same sections. Other than that, it has no real bearing on it, except in this bill we do go to 5 per cent and 7 per cent, as 1920 also changes, but ours will supersede that one in answer to the taxation problems on both. So it does have that relationship.

Secondly, as far as revenue is concerned, in referring to Senator Clifford's remarks, Mr. Johnson over in Taxation, with a group of people interested in this bill, went over it very carefully. The projected income at the state level will be in the area of \$10,400,000. We will require approximately \$4½ million of funding three years from now on the state level for purposes of answering the present status of the inventory tax that the towns collect.

I do agree with Senator Richardson from Cumberland in that I don't think we should commit that legislature to fund the communities back dollar for dollar. I feel it ought to be done at that time by the wisdom of that legislature and perhaps on a revenue sharing basis.

What Senator Berry from Cumberland mentioned relative to the big industries or big warehouses, he is 100 per cent correct, because when I was going through law school I worked for a warehouse here in the State of Maine, and

during the months of February and March all they did at these warehouses was reduce their stock right down to nothing for the April 1st deadline date. But the small storeowner in your neighborhood wasn't able to do this. He had to keep the stock to keep the people happy in his neighborhood. The big boys, the ones who could afford to, reduced their stock to almost nothing for April 1st, and therefore escaped a major part of your inventory tax.

It is inequitable in a lot of ways, and I could go on and on and on and tell you of the inequities of the inventory tax. These people, the storeowners, for instance, use their profit to dump back into the inventory, on which they pay an income tax, upon which they pay an inventory tax, and it is tax upon tax upon tax. One of the most inequitable things, next to the poll tax, as I mentioned last week, we repealed in this legislature was the alienation of affections law in our statutes, which was good. Following that, we repealed the poll tax, so those were two bills we repealed which I am thankful for, and now, hopefully, we will repeal the third.

Also, Mr. President, I would ask for a roll call on the motion.

The PRESIDENT: A roll call has been requested. The pending motion before the Senate is the motion of the Senator from Aroostook, Senator Cyr, that Bill, "An Act Reforming the Administration of the Property Tax and Replacing the Tax on Inventories with an Increased Corporate Income Tax," be indefinitely postponed.

The Chair recognizes the Senator from Aroostook, Senator Cyr.

Mr. CYR: Mr. President, I would like to ask a question through the Chair of the good Senator from Penobscot, Senator Tanous. This corporate tax which will be returned to the communities, will it be the corporate tax collected within that community or will it be just a state fund, the general fund?

The PRESIDENT: The Senator from Aroostook, Senator Cyr, has posed a question through the Chair which the Senator from Penobscot may answer if he desires.

The Chair recognizes the Senator from Penobscot, Senator Tanous.

Mr. TANOUS: Mr. President and Members of the Senate: During the period of three years, under this amendment, there isn't one community that is going to lose a penny, based on their April 1, 1973 assessment. They may get more out of this, but no community will lose out, and this is partly funded under the increase in the corporate tax.

The PRESIDENT: The pending motion before the Senate is the motion of the Senator from Aroostook, Senator Cyr, that Legislative Document 1862 be indefinitely postponed. A roll call has been requested.

The Chair recognizes the Senator from Oxford, Senator Fortier.

Mr. FORTIER: Mr. President, I do not wish to prolong this discussion, but I believe that the good Senator from Penobscot has said that if we should pass 1920, the increase in corporate tax, that one bill would supersede the other so as to keep the maximum corporate tax at 7%. So if you pass both bills, your maximum corporate tax is 7%, then your loss is not \$15 million, but your loss is \$19 million; 15 under one bill and four under the other. I simply wanted to make this a matter of record.

The PRESIDENT: A roll call has been requested. In order for the Chair to order a roll call, under the Constitution, it requires the affirmative vote of a least one-fifth of those Senators present and voting. Will all those Senators in favor of ordering a roll call please rise and remain standing until counted.

Obviously more than one-fifth having arisen, a roll call is ordered. The pending motion before the Senate is the motion of the Senator from Aroostook, Senator Cyr, that Bill, "An Act Reforming the Administration of the Property Tax and Replacing the Tax on Inventories with an Increased Corporate Income Tax", be indefinitely postponed. A "Yes" vote will be in favor of indefinite postponement; a "No" vote will be opposed.

The Secretary will call the roll.

### ROLL CALL

YEAS: Senators Clifford, Cyr, Fortier, Huber, Minkowsky.

NAY: Senators Aldrich, Anderson, Berry, Brennan, Cianchette, Conley, Cox, Cummings, Danton, Graffam, Greeley, Hichens, Joly, Katz, Kelley, Marcotte, Morrell, Peabody, Richardson, Roberts, Schulten, Sewall, Shute, Speers, Tanous, Wyman, MacLeod.

ABSENT: Senator Olfene.

A roll call was had. Five Senators having voted in the affirmative, and 27 Senators having voted in the negative, with one Senator being absent, the motion did not prevail.

Thereupon, the Bill, as Amended, was Passed to be Engrossed in non-concurrence and, under suspension of the rules, sent down forthwith for concurrence.

The President laid before the Senate the matter tabled earlier in today's session by Mr. Berry of Cumberland:

An Act Establishing the Maine State Student Incentive Grants Program. (L. D. 1758)

Pending — Motion by Mr. Speers of Kennebec to Reconsider.

Thereupon, under suspension of the rules, the Senate voted to Reconsider Passage to be Engrossed.

Mr. Katz of Kennebec then presented Senate Amendment "C" and moved its Adoption.

Senate Amendment "C", Filing No. S-290, was Read and Adopted and the Bill, as Amended, Passed to be Engrossed in non-concurrence.

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

The President laid before the Senate the matter tabled earlier in today's session by Mr. Sewall of Penobscot:

An Act Appropriating Funds for Public Housing Authorities for Operating Subsidies. (L. D. 1821)

Pending — Enactment.

Mr. Sewall of Penobscot then moved that the Bill and Accounting Papers be Indefinitely Postponed.

The PRESIDENT: The Chair recognizes the Senator from Cumberland, Senator Brennan.