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State of Maine
 ONE HUNDRED AND TWENTY-FIFTH LEGISLATURE
 COMMITTEE ON TAXATION

Meeting Summary – September 7, 2011

The Joint Standing Committee on Taxation held its second interim meeting on September 7, 2011. Introductions were followed by a Committee planning session regarding the restructuring of State tax laws, discussion of a process to review tax expenditures and review of carryover bills.

Highlights related to planning session for restructuring tax laws

- A Committee brainstorming session resulted in the attached guiding principles.
- During the brainstorming session, there was discussion of a flat tax of 4% or 4.5% as a goal and how this would work with or without current deductions/exemptions and federal conformity; the estimated revenue reduction is \$250 to \$500 million. There was also a suggestion of eliminating the income tax and discussion of increased/broadened consumption taxes.
- The Committee discussed the need for a communication strategy and unified message.
- The Committee discussed options for a process including working with outside experts, forming a study commission, working solely within the Committee, holding public hearings, using web/podcasts, forming a subcommittee and having any changes enacted ratified through referendum.
- The Committee agreed to form a 3-member subcommittee to receive and review information from invited business leaders, economists and tax experts such as certified public accountants and tax attorneys.

Highlights related to tax expenditures

- The Committee reviewed the Maine statute related to public records exceptions and a process proposed in draft legislation from the State of Washington.
- The Committee asked Maine Revenue Services (MRS) how they may be able to help in developing data and measures for evaluating tax expenditures. Dr. Michael Allen talked about the limitations related to this type of data collection and development. He described the work that MRS did with the Taxation Committee in previous years.
- The Committee discussed the accountability that is needed from entities receiving tax breaks. It was suggested that the Tax Committee review a few tax expenditures each year similar to the review that is conducted for the Freedom of Access (FOA) law. There was also discussion of including sunset provisions that require a review and not just expiration of tax credits and exemptions. A Committee member also suggested that identifying when tax expenditures were enacted would be valuable information in evaluating the credits or exemptions.

- The Committee voted to submit a Committee bill to the Second Regular Session of the 125th Legislature that would require an evaluation of new tax expenditure proposals that come before the Taxation Committee on a going forward basis.

Highlights related to review of carry over bills

- The Committee reviewed the 12 carryover bills and held a work session on 2 bills which were voted as follows:
 - LD 876, An Act to Convert Vacant Commercial Property to Occupied Commercial Property - Unanimous ONTP (8-0)
 - LD 1225, An Act to Create an Income Tax Check-off To Fund Cancer Screening, Detection and Prevention - ONTP/OTPA (7-1) - The minority report changes the income tax check off form by removing political parties and creates a process that begins 2015 and every 10 years thereafter to review check offs and drop the 3 that have the smallest number of donations (not dollar amount) to make room for new ones proposed by legislation.
- Committee members volunteered to be leads for the other carryover bills in preparation for work sessions in October and November.
- The attached carryover bill worksheet provides action taken to date.

Wrap-up and next steps

In the two meetings held to date, the Joint Standing Committee on Taxation accomplished the following:

- defined principles for the process of restructuring Maine's tax laws;
- formed a subcommittee to gather information from outside experts on restructuring Maine's tax laws and report back to the Committee;
- agreed to draft a Committee bill that creates a process to review tax expenditures that come before the Committee on a prospective basis; and
- voted 2 of the 12 carryover bills and assigned leads to the others.

The Committee set dates for the 2 remaining meetings that are currently authorized. (There was a conflict with one date set in Committee – so the dates now set are Oct 12 and Nov 9.) The subcommittee plans to meet on Sep 26 and Oct 12 pending approval, and will report back to the full Committee.

NEXT FULL COMMITTEE MEETING – OCTOBER 12, 2011 – 11:00 a.m.

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JOINT STANDING COMMITTEE ON TAXATION
GUIDING PRINCIPLES
from Brainstorming Session on 9/7/11

Our recommendations for restructuring Maine's tax laws will:

- Be bold;
- Be timely - recommendations will be ready for enactment by April 2012 (referendum 2012); and
- Be paid for in the biennium in which the tax change is passed to avoid impact on the budget.

We believe Maine's tax laws should:

- Benefit all residents and be exportable to nonresidents;
- Be fair, shared and balanced;
- Be simple and allow businesses and individuals to easily file their returns;
- Attract business, encourage local investment and spending; and
- Create more stability so revenues do not fluctuate wildly from year to year.

Taxation Committee Carryover Bills

Status as of: 9/12/2011

| LD | Title | Sponsor | PH | Last WS | Issues/Analysis/ Comments | Who/Cmt Lead Follow up needed/taken | Work Sessions/ Action/Vote |
|------|--|---------|------|---------|---|---|-------------------------------|
| 52 | An Act To Dedicate a Percentage of the Sales and Use Tax on Motor Vehicles and Motor Vehicle Parts to the Highway Fund | CEBRA | 2/15 | 3/14 | Majority voted CO; goal to identify additional/alternative funding sources for HF | Rep Harmon | |
| 234 | An Act To Provide a Sales Tax Exemption to Commercial Horticulturists | HARVELL | 3/25 | 4/14 | Unanimous OTP; Recommitted to Taxation Committee from the Appropriations Committee; may need to consider alternative funding sources or ways to make revenue neutral | Sen Trahan and Rep Harmon; will speak with sponsor and others. Is there a possibility of including in budget? | |
| 305 | RESOLUTION, Proposing an Amendment to the Constitution of Maine To Allow Land and Buildings To Be Assessed Differently | CHIPMAN | 4/29 | 5/11 | Constitutional issues related to property tax policy in the assessment of land and buildings; need to examine issues re: Art IX, Sec 8 and 9. | Rep Berry contact sponsor to find out status/progress | |
| 590 | An Act To Require Review of Certain Changes to Sales Tax Policy Application or Practice prior to Implementation | CHASE | 3/11 | 5/11 | A workgroup met during Session to work this bill. Committee voted to CO bill on 5/4 and then reconsidered on 5/9 and tabled. Voted a majority and minority report of OPA/OPA on 5/11. The majority report was amended in the House and sent to Appropriations Table in the Senate. AFA recommitted to Taxation Committee to be carried over; may need to consider alternative funding sources or ways to reduce or offset revenue impact. | Rep Bennett will talk to sponsor about alternatives/next steps | |
| 835 | An Act To Strengthen Maine's Economy through Improvements to the Educational Opportunity Tax Credit | KNIGHT | 4/6 | 4/15 | Originally voted out of Committee OPA/ONTP. Went to floor and committed back to Committee 5/26. Issues raised related to the promotion of this tax credit on school campuses as well as issues related funding. There is a report dated 2/16/11 submitted pursuant to PL 2009, c 533. Sec A-18. | Sen Woodbury and Rep Knight (sponsor) work with interested parties | |
| 849 | An Act To Provide Tax Relief for Maine's Citizens | TRAHAN | 3/31 | 5/4 | Originally voted OPA/ONTP/OPA. Majority report accepted on floor and sent to Appropriations Table. AFA recommitted to Taxation Committee to be carried over. | Sen Trahan | |
| 876 | An Act To Convert Vacant Commercial Property to Occupied Commercial Property | BENNETT | 4/25 | 5/2 | Unanimous vote to carry over. Sponsor needs more time to develop concept draft regarding tax policy impact on real estate decisions related to commercial properties. | Rep Bennett will further develop concept | 9/7/11 ONTP |
| 1138 | An Act To Prevent Unnecessary Expulsion of Landowners from the Maine Tree Growth Tax Law Program | KNIGHT | 4/29 | 5/5 | Committee voted to carryover this bill in order to more thoroughly review the Tree Growth Tax Law policy and issues that have been raised related to the bill. There have been reports and past changes in legislation that the Committee may want to review in working this bill. | Rep Harmon Will look at this with LD 1470 | |

Taxation Committee Carryover Bills

Status as of: 9/12/2011

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|------|--|-------------------|------|---------|---|---|-------------------------------|
| 1164 | An Act To Support Maine Farms and Alleviate Hunger | DION | 4/25 | 5/6 | The Committee originally voted ONTP/OTPA on 5/3 and reconsidered on 5/6 voting to carry over. There was discussion of how this might dovetail with an effort to provide incentives to farmers to refrain from shooting deer that damage crops. | Rep Berry and Rep Harmon | |
| 1225 | An Act To Create an Income Tax Return Check-off To Fund Cancer Screening, Detection and Prevention | STRANG BURGESS | 4/27 | 5/4 | Committee voted to carryover this bill in order to develop a standardized process for evaluating income tax return checkoff requests. There was discussion during a separate work session on a library check off bill (ONTP) about developing standard criteria rather than the "first come first serve" or evaluation on a case by case basis. | Rep Berry and Rep Harmon met and have a proposed recommendation for the Committee as follows: remove political parties; beginning 2015 and every 10 years thereafter review check offs and drop the 3 that have the smallest number of donations (not dollar amount) to make room for new ones proposed by legislation. The check off for cancer prevention and libraries should be added in 2015 within extra space created by removal of political parties | 9/7/11 ONTP/OTPA |
| 1470 | An Act To Ensure Harvesting of Timber on Land Taxed under the Maine Tree Growth Tax Law | RAYE | --- | --- | A public hearing has not been held. The Committee wants to review issues that have been raised regarding Tree Growth Tax Law policy and proper use of the program. There are reports available from previous Legislatures that the Committee may want to review that address a wide range of issues including timber harvesting. | Rep Harmon Bill needs PH | |
| 1535 | An Act Relating to Fiscal Notes on Proposed Legislation | KNIGHT | 5/9 | 5/11 | Unanimous vote to carry over in order to provide legislative and executive branch staff time to identify appropriate methodologies and resources for developing dynamic fiscal notes. | Rep Knight | |