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

DATE: March 18, 2009

TO: Sen. G. William Diamond, Senate Chair
 Rep. Emily Cain, House Chair
 Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Sen. Joseph Perry, Senate Chair *J.P.*
 Rep. Thomas Watson, House Chair *T.W.*
 Members, Joint Standing Committee on Taxation

RE: Committee recommendations with regard to **LD 353, An Act Making Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2010 and June 30, 2011.**

The Joint Standing Committee on Taxation has reviewed the taxation-related provisions of LD 353, the biennial budget bill and submits to you the attached charts identifying the Committee's recommendations on the items subject to our review.

As we are sure your aware, the review of this biennial budget has been a particularly difficult one. The budget proposes cuts in many areas where we believe cuts are ill advised. On the other hand, we have very little leeway within the procedural budget constraints to identify any alternative cuts. While many of the proposed cuts are distasteful to us, we wish to highlight a few for special attention.

We have provided no recommendations with regard to proposals related to the telecommunications personal property tax and the circuitbreaker program for completely different reasons. The telecommunications tax is difficult because of questions of equity and constitutionality. The Circuitbreaker is difficult because it is such a well-designed program to assist people who are having a hard time paying their property taxes, and there is likely to be more dire need in these economic times than ever before. We continue to work on these issues and hope to be able to suggest alternatives to you before your completion of budget deliberations.

While we have made recommendations with regard to the BETR 10% reduction and tree growth reimbursement reductions, those Committee members who voted to include them did not do so because we thought they were a good idea, but because we have been unable to identify alternatives. BETR reductions can only have a negative impact on the State's business climate,

and tree growth reimbursement reductions will only place greater burden on the local property tax. Neither of these outcomes is desirable.

With regard to revenue sharing, while the committee divided on the details, both sides agreed that it was better to maintain the revenue sharing tax percentages at their current statutory levels and accomplish the same level of savings by means of a transfer (or transfers) from the revenue sharing funds to the General Fund.

Further details of our recommendations can be found on the attached chart.

ADDITIONAL NOTE: During the course of our work on the budget, the Bureau of Revenue Services called to our attention a need for inclusion in the bill of an allocation related to the process of making payments with regard to Tax Increment Financing agreements in the Unorganized Territory. The authority for these arrangements was enacted last year, and it is our understanding that the Bureau of the Budget has established an account to provide for the payments; however, an allocation from the Unorganized Territory Education and Services Fund is necessary in order to make the payments. The funds are already being collected from the property tax in the unorganized territory. It is our understanding that the Bureau of the Budget will be bringing to you the language necessary. We support that addition.

If we can be of assistance as you proceed with your consideration of the biennial budget bill, please do not hesitate to contact us.

SUMMARY OF STATUS OF TAXATION COMMITTEE REVIEW OR BIENNIAL BUDGET

jsj 3/17/09

Part	TAX Page	Ref#	Subject	Vote	Notes
A	1		Bureau of Revenue Services Fund	In	
A	2		County Tax Reimbursement	In	
A	2	137		In	
A	3		Elderly Tax Deferral Program	In	
A.	3	160	Revised estimate	In	
A	4		Homestead Property Tax Exemption Mandate reimbursement	Out	The TAX Committee recommends removing this appropriation because it believes that the costs of the homestead exemption are not significant enough to require reimbursement
A	4	222	Revised estimate	Out	
A	5		Homestead Property Tax Exemption Reimbursement	In	
A	5	219	Revised estimate	In (CP)	TAX votes "In" as adjusted by change package
A	6		BETE reimbursement for mandate costs	In	
A	6	247	Revised estimates	In	
A	7		Revenue Services, Bureau of		
A	8	3	Info tech	In	
A	8	4	Payments to contractors based on contingent fees	In	
A	8	5	Update econometric database	In	
A	9	6	Leased property cost escalator	In	
A	9	14	Reimburse media production companies	In	

A	9	12	Elimination of 5 positions	In	
A	10	15	Eliminates one position	In	
A	10	13	Programming cost related to smokeless tobacco change	<u>Divided</u> In 7 (Crockett, Flemings, Perry, Pilon, Sirois, Valentino, Watson) Out 4 (Chase, Knight, Langley, Nass)	Tied to Part H
A	11	20	Overtime initiative	<u>Divided</u> In 9 (Bryant, Crockett, Flemings, Langley, Perry, Pilon, Sirois, Valentino, Watson) Out 3 (Chase, Knight, Nass)	
A	11	21	2 positions for criminal investigations	<u>Divided</u> 7 In (Bryant, Crockett, Flemings, Perry, Pilon, Valentino, Watson) 5 Out (Chase, Knight, Langley, Nass, Sirois)	
A	11	22	Programming costs related estate tax changes	<u>Divided</u> In 6 (Bryant, Crockett, Flemings, Perry, Valentino, Watson) Out 6 (Chase, Knight, Langley, Nass, Pilon, Sirois)	Tied to Part E See below
A	13		Snow grooming equipment PTE reimbursement	In	
A		236	Revised estimate	In CP	TAX votes "In" as adjusted by change package
A	14		Tree Growth Tax reimbursement	In	
A	14	132	Revised estimates	<u>Divided</u> In 9 (Bryant, Crockett, Flemings, Langley, Perry, Pilon, Sirois,	

				Valentino, Watson)	
				Out 3 (Chase, Knight, Nass)	
A	14	133	10% cut	<p><u>Divided</u> In as amended -- 6 Bryant, Crockett, Flemings, Perry, Pilon, Valentino, Watson</p> <p>Out 5 Chase, Knight, Langley, Nass, Sirois,)</p>	<p>Tied to Part O Committee amendment would permit the 10% reduction of state reimbursement (See Ref # 133) but other changes would be made in the determination of tree growth values in order to enhance local property tax revenues from tree growth land in municipalities where standard current use values have been adjusted downward..</p> <p>More work is needed on this proposal. A draft amendment will follow.</p>
A	16		UT Education and Services Fund	In	
A		156	Revised estimates	In	
A	17		Veterans Organization PTE reimbursement	In	
A	17	243	Revised estimates	In	
A	18		Veterans PTE reimbursement	In	
A	18	140	Revised estimates	In	
A	18	139	10 % cut -- unconstitutional	In CP	Maine Constitution requires this reimbursement for 50% of loss attributable to property tax exemption. Change package restores funding – revises estimates TAX votes to support change package proposal
A	20		Waste facility PTE reimbursement	In	
A		228	Revised estimates	In	
A	22		Property Tax Review, State Board of	In	
A		3439	Reduction from 12 meetings to 10 meetings	In	
A	24		Passamaquoddy Sales Tax Fund	In	
A	25		State-municipal revenue sharing	In	
A		3668	Adjusts Rev1 revised estimates	In	

A		3667	Adjusts Rev2 revised estimates and new needs	In	
B	28		Revenue Services reclassification	In	
E	29		Estate Tax	<u>Divided</u> In 6 (Bryant, Crockett, Flemings, Perry, Valentino, Watson) Out 6 (Chase, Knight, Langley, Nass, Pilon, Sirosis)	
H	32		Smokeless tobacco	<u>Divided</u> In 7 (Crockett, Flemings, Perry, Pilon, Sirosis, Valentino, Watson) Out 4 (Chase, Knight, Langley, Nass)	
N	33		Historic rehab credit	Out CP	Change package removes because provisions were enacted in EFY09 budget.
O	34		Amends Tree growth reimbursement language to provide for proration of payments based on appropriation.	<u>Divided</u> In as amended -- 6 Bryant, Crockett, Flemings, Perry, Pilon, Valentino, Watson Out 5 Chase, Knight, Langley, Nass, Sirosis,)	Committee amendment would permit the 10% reduction of state reimbursement (See Ref # 133) but other changes would be made in the determination of tree growth values in order to enhance local revenues from tree growth land in municipalities where standard current use values have been adjusted downward.. More work is needed on this proposal. A draft amendment will follow.
P	36		Telecommunications Personal Property Tax	No recommendation TAX Committee will continue to work on alternative	The telecommunications personal property tax proposal has raised complicated questions of equity and constitutionality. Given these complications, the Taxation Committee feels uncomfortable providing a recommendation at this time. The Committee is continuing to work on this issue and hopes to achieve a more desirable recommendation.

S	37	Revenue sharing 10% reduction	<p><u>Divided</u> In as amended "A" 6 Bryant, Chase, Flemings, Langley, Nass, Perry, Watson</p> <p>In as amended "B" 5 Crockett, Knight, Pilon, Sirois, Valentino)</p>	<p>Both Committee amendments would leave revenue sharing percentages as in current law and accomplish General Fund savings in alternative ways.</p> <p>Committee Amendment "A" would reduce Revenue Sharing 1 and Revenue Sharing 2 by means of a transfer out of each fund to the GF in each year of the biennium to achieve the needed savings. The savings would be apportioned 80% from the Local Government Fund (Rev 1) and 20% from the Disproportionate Tax Burden Fund (Rev2).</p> <p>Committee Amendment "B" would take the needed savings by a transfer to the General Fund from the Local Government Fund only.</p>
U	38	BETR – 10% reduction in FY 10 and FY 11.	<p><u>Divided</u> In 7 (Bryant, Crockett, Flemings, Perry, Pilon, Valentino, Watson)</p> <p>Out 4 (Chase, Knight, Langley, Nass, Sirois)</p>	
W	40	Income tax -- unusual events	Out	Change package removes because enacted in EFY09 budget.
LL	42	Circuitbreaker 10% reduction	No recommendation TAX Committee will continue to work on alternative	<p>Members of the TAX Committee cannot support the proposed across-the-board reduction in the Circuitbreaker program at this time when the economy is troubled and there is even greater pressure on people who have problems paying their property taxes.</p> <p>Committee members continue to work on alternatives and hope to be able to provide a cost-neutral replacement for this proposal soon.</p>
NN	43	Income tax apportionment formula	<p><u>Divided</u> In 8 (Bryant, Crockett, Flemings, Perry, Pilon, Sirois, Valentino, Watson)</p> <p>Out 4 (Chase, Knight, Langley, Nass)</p>	
VV	45	Tax Expenditure list	In	

Snow Grooming Property Tax Exemption Reimbursement Z024

Initiative: BASELINE BUDGET

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$18,565	\$13,411	\$18,565	\$18,565
GENERAL FUND TOTAL	\$18,565	\$13,411	\$18,565	\$18,565

Justification:

The purpose of the Snow Grooming Property Tax Exemption Reimbursement program is to reimburse municipalities 50% of the property tax revenue loss as a result of the exemption for snow grooming equipment registered with the Department of Inland Fisheries and Wildlife.

Snow Grooming Property Tax Exemption Reimbursement Z024

Initiative: Provides funding for an anticipated increase in reimbursements to municipalities.

Ref. #: 236

Committee Vote: In

AFA Vote: _____

GENERAL FUND	2009-10	2010-11
All Other	\$6,435	\$6,435
GENERAL FUND TOTAL	\$6,435	\$6,435
	(\$135)	\$ 935

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Justification:

Municipalities are reimbursed 50% of the property tax revenue lost as a result of snow grooming equipment registered with the Department of Inland Fisheries and Wildlife. Claims have been slowly increasing and this request should meet the required reimbursements anticipated in fiscal years 2009-10 and 2010-11.

**SNOW GROOMING PROPERTY TAX EXEMPTION REIMBURSEMENT Z024
PROGRAM SUMMARY**

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$18,565	\$13,411	\$25,000	\$25,000
GENERAL FUND TOTAL	\$18,565	\$13,411	\$25,000	\$25,000

Tree Growth Tax Reimbursement 0261

Initiative: BASELINE BUDGET

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$5,473,917	\$5,510,000	\$5,550,000	\$5,550,000
GENERAL FUND TOTAL	\$5,473,917	\$5,510,000	\$5,550,000	\$5,550,000

Justification:

The purpose of the Tree Growth Tax Reimbursement Program is to help moderate property tax rates for municipalities that experience reduced valuations due to the mandated use of (lower) current use values in place of (higher) ad valorem values. The reduced valuation on forestland causes a general shift in local tax burden to non-classified property because the lower taxable valuation base produces a somewhat higher property tax rate. By statute, a municipal reimbursement is appropriate when it is determined that the use of mandated Tree Growth values results in a "tax loss" associated with classified forest lands as determined according to the statutorily established formula. The "tax loss" is offset by the calculated municipal savings in local share education costs that results from a lower State Valuation attributed to the use of Tree Growth values in determining said state valuation. Furthermore, the 90% amount of statutory reimbursement is subject to prorating based on the program allocation if full funding is not provided. In addition, municipalities that fail to comply with statutory requirements to maintain at least a 70% assessment ratio or timely file a completed Municipal Valuation Return will forfeit some or all of their reimbursement. There are at least 3,600,000 classified acres included in over 22,000 parcels in municipalities statewide. There are over 7.5 million acres of classified forestland in the Unorganized Territory that receives no reimbursement. Thirty two percent of Unorganized Territory revenue is derived from owners of forestland classified under the Tree Growth Tax Law.

Tree Growth Tax Reimbursement 0261

Initiative: Provides funding for tree growth tax reimbursements for cities and towns.

Ref. #: 132

Committee Vote: in 9 - 3 out

AFA Vote: _____

GENERAL FUND	2009-10	2010-11
All Other	\$300,000	\$700,000
GENERAL FUND TOTAL	\$300,000	\$700,000

Justification:

Reduced offsets in municipal costs for education have resulted in increased tree growth reimbursement requests.

Tree Growth Tax Reimbursement 0261

Initiative: Reduces funding by 10% in the Tree Growth Tax Reimbursement program.

Ref. #: 133

Committee Vote: in 6 - 5 out
tried to Part 0
see chart

AFA Vote: _____

GENERAL FUND	2009-10	2010-11
All Other	(\$585,000)	(\$625,000)

Veterans Tax Reimbursement 0407

Initiative: BASELINE BUDGET

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$663,735	\$735,411	\$1,095,211	\$1,095,211
GENERAL FUND TOTAL	\$663,735	\$735,411	\$1,095,211	\$1,095,211

Justification:

The Veteran's Tax Exemption Reimbursement Program is mandated by Article IV, Part 3, Section 23 of the Maine Constitution. The purpose of the reimbursement is to diminish the effect upon local property tax burden arising from the municipal exemption provided for the estates of qualified veterans and certain survivors of a deceased veteran that are eligible based on the qualifying service of that veteran.

Veterans Tax Reimbursement 0407

Initiative: Reduces funding to an anticipated level for veterans tax reimbursements.

Ref. #: 140

Committee Vote: in

AFA Vote: _____

GENERAL FUND		2009-10	2010-11
All Other	CP	(\$45,211)	(\$20,211)
GENERAL FUND TOTAL		(\$45,211)	(\$20,211)

Justification:

Declining municipal MIL rates, as well as the number of qualifying veterans, has resulted in a reduction in overall reimbursement amounts.

(\$84,732) (\$59,732)

Veterans Tax Reimbursement 0407

Initiative: Reduces funding in the Veterans Tax Reimbursement program to achieve target reduction savings.

Ref. #: 139

Committee Vote: in

AFA Vote: _____

GENERAL FUND		2009-10	2010-11
All Other	CP	(\$109,521)	(\$109,521)
GENERAL FUND TOTAL		(\$109,521)	(\$109,521)

Justification:

Reduces funding to achieve target reduction savings of 10% for this program.

(\$39,521) (\$39,521)

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

Addendum

DATE: March 18, 2009

TO: Sen. G. William Diamond, Senate Chair
Rep. Emily Cain, House Chair
Members, Joint Standing Committee on Appropriations and Financial Affairs

FROM: Sen. Joseph Perry, Senate Chair *J.P.*
Rep. Thomas Watson, House Chair *T.W.*
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While we have made recommendations with regard to the BETR 10% reduction and tree growth reimbursement reductions, those Committee members who voted to include them did not do so because we thought they were a good idea, but because we have been unable to identify alternatives. BETR reductions can only have a negative impact on the State's business climate,

Sec. A-1. Appropriations and allocations. The following appropriations and allocations are made.

ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF

Bureau of Revenue Services Fund 0885

Initiative: BASELINE BUDGET

BUREAU OF REVENUE SERVICES FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$150,000	\$150,000	\$150,000	\$150,000
BUREAU OF REVENUE SERVICES FUND TOTAL	\$150,000	\$150,000	\$150,000	\$150,000

Justification:

Provide imaging, scanning, debt collection, and administrative services to other state agencies. Provide a vehicle to deliver revenue collection services throughout state government.

**BUREAU OF REVENUE SERVICES FUND 0885
PROGRAM SUMMARY**

BUREAU OF REVENUE SERVICES FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$150,000	\$150,000	\$150,000	\$150,000
BUREAU OF REVENUE SERVICES FUND TOTAL	\$150,000	\$150,000	\$150,000	\$150,000

County Tax Reimbursement 0263

Initiative: BASELINE BUDGET

OTHER SPECIAL REVENUE FUNDS	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$1,039,500	\$1,091,475	\$1,091,475	\$1,091,475
OTHER SPECIAL REVENUE FUNDS TOTAL	\$1,039,500	\$1,091,475	\$1,091,475	\$1,091,475

Justification:

The primary function of this program is to ensure that revenue collected from Unorganized Territory taxpayers for motor vehicle and watercraft excise taxes is used to provide services to the Unorganized Territory Tax District. Receipts are funneled to the appropriate County treasury having jurisdiction over that unorganized place. This money is used to reduce the amount that would otherwise need to be raised through the property tax for the purpose of reimbursing counties for services provided by them in Unorganized Territory within that County. The State Tax Assessor has authorized approximately 60 agents to serve as Unorganized Territory tax collectors at various locations throughout twelve of the sixteen Maine counties. Typically, agent-collectors are also municipal excise tax collectors serving in jurisdictions near selected Unorganized Territory residential areas. This revenue line has proved very difficult to project because the inventory of vehicles changes constantly and may be somewhat cyclical. Inasmuch as vehicle ownership and frequency of replacement follow no discernable pattern or trend our estimations do not warrant a high degree of confidence.

County Tax Reimbursement 0263

Initiative: Provides funding for anticipated excise tax reimbursements.

Ref. #: 137

Committee Vote:

in

AFA Vote:

OTHER SPECIAL REVENUE FUNDS	2009-10	2010-11
All Other	\$116,185	\$152,420
OTHER SPECIAL REVENUE FUNDS TOTAL	\$116,185	\$152,420

Justification:

Provides funding at an anticipated level for reimbursements for excise tax paid on motor vehicles, motor boats, etc.

**COUNTY TAX REIMBURSEMENT 0263
PROGRAM SUMMARY**

OTHER SPECIAL REVENUE FUNDS	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$1,039,500	\$1,091,475	\$1,207,660	\$1,243,895
OTHER SPECIAL REVENUE FUNDS TOTAL	\$1,039,500	\$1,091,475	\$1,207,660	\$1,243,895

Elderly Tax Deferral Program 0650

Initiative: BASELINE BUDGET

	History 2007-08	History 2008-09	2009-10	2010-11
OTHER SPECIAL REVENUE FUNDS				
All Other	\$30,000	\$29,000	\$29,000	\$29,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$30,000	\$29,000	\$29,000	\$29,000

Justification:

The purpose of the Elderly Tax Deferral Program is to enable qualifying Maine Resident elderly homeowners to defer payment of "homestead" property taxes. Property taxes may present hardships for some elderly homeowners with limited income. This program can help reduce the incidence of elderly persons being displaced from the homestead. The State pays the participant's property tax directly to the municipality that expects timely payment of property taxes in order to maintain necessary services. The program assists those elderly homeowners that may not have the financial ability to satisfy payment demands in full or in a timely fashion and thus may otherwise be compelled to sell the property, seek relief or face tax lien proceedings. The interest of the State in the property is protected by the filing of a lien. The program was available to application through March 31, 1991. The program now consists of paying the annual obligations of initially qualified participants, providing necessary account statements, filing notice of lien and discharging liens resulting from attrition.

Elderly Tax Deferral Program 0650

Initiative: Reduces funding to an anticipated level for the Elderly Tax Deferral Program.

Ref. #: 160

Committee Vote:

17

AFA Vote:

	2009-10	2010-11
OTHER SPECIAL REVENUE FUNDS		
All Other	(\$1,000)	(\$1,000)
OTHER SPECIAL REVENUE FUNDS TOTAL	(\$1,000)	(\$1,000)

Justification:

The number of participants in this program continues to decline.

ELDERLY TAX DEFERRAL PROGRAM 0650

PROGRAM SUMMARY

	History 2007-08	History 2008-09	2009-10	2010-11
OTHER SPECIAL REVENUE FUNDS				
All Other	\$30,000	\$29,000	\$28,000	\$28,000
OTHER SPECIAL REVENUE FUNDS TOTAL	\$30,000	\$29,000	\$28,000	\$28,000

Homestead Property Tax Exemption - Mandate Reimbursement 0887

Initiative: BASELINE BUDGET

	History 2007-08	History 2008-09	2009-10	2010-11
GENERAL FUND				
All Other	\$26,900	\$29,907	\$31,000	\$31,000
GENERAL FUND TOTAL	\$26,900	\$29,907	\$31,000	\$31,000

Justification:

The Homestead Tax Exemption Mandate Reimbursement Program is included in Chapter 643 Part HHH-3, PL 1997. The purpose of the program is to reimburse municipalities and the Unorganized Territory Education and Services Fund for state mandated costs related to the implementation of the Homestead Tax Exemption Program as required under the Constitution of Maine, Article IX, Section 21, and Title 30-A, sec. 5685.

Homestead Property Tax Exemption - Mandate Reimbursement 0887

Initiative: Reduces funding to an anticipated level for reimbursements in the Homestead Property Tax Exemption - Mandate Reimbursement program.

Ref. #: 222

Committee Vote: out AFA Vote: _____
see chart

	2009-10	2010-11
GENERAL FUND		
All Other	(\$1,000)	(\$1,000)
GENERAL FUND TOTAL	(\$1,000)	(\$1,000)

Justification:

Fewer homestead properties have been sold.

**HOMESTEAD PROPERTY TAX EXEMPTION - MANDATE REIMBURSEMENT 0887
PROGRAM SUMMARY**

	History 2007-08	History 2008-09	2009-10	2010-11
GENERAL FUND				
All Other	\$26,900	\$29,907	\$30,000	\$30,000
GENERAL FUND TOTAL	\$26,900	\$29,907	\$30,000	\$30,000

Homestead Property Tax Exemption Reimbursement 0886

Initiative: BASELINE BUDGET

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$27,776,591	\$27,815,198	\$28,276,398	\$28,276,398
GENERAL FUND TOTAL	\$27,776,591	\$27,815,198	\$28,276,398	\$28,276,398

Justification:

The purpose of the reimbursement is to offset the effect upon local property tax burden arising from the municipal exemption provided for the homestead of qualified residents that can certify ownership and permanent residency in Maine for the 12 months preceding the April 1st application date.

Homestead Property Tax Exemption Reimbursement 0886

Initiative: Provides funding to an anticipated level for reimbursements for homestead property tax exemptions.

Ref. #: 219

Committee Vote:

in

AFA Vote: _____

GENERAL FUND		2009-10	2010-11
All Other		\$223,602	\$223,602
GENERAL FUND TOTAL		\$223,602	\$223,602

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6 160,167 \$ 150,102

Justification:

An adjustment in the municipal MIL rates from prior years is expected to increase the number of homestead property tax exemptions.

**HOMESTEAD PROPERTY TAX EXEMPTION REIMBURSEMENT 0886
PROGRAM SUMMARY**

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$27,776,591	\$27,815,198	\$28,500,000	\$28,500,000
GENERAL FUND TOTAL	\$27,776,591	\$27,815,198	\$28,500,000	\$28,500,000

Mandate BETE - Reimburse Municipalities Z065

Initiative: BASELINE BUDGET

	History 2007-08	History 2008-09	2009-10	2010-11
GENERAL FUND				
All Other	\$0	\$5,000	\$20,000	\$20,000
GENERAL FUND TOTAL	\$0	\$5,000	\$20,000	\$20,000

Justification:

The Business Equipment Tax Exemption Mandate Reimbursement Program is included in Chapter 623 Section 1, PL 2006. The purpose of the program is to reimburse municipalities and the Unorganized Territory Education and Services Fund for state mandated costs related to the implementation of the Business Equipment Tax Exemption as required under the Constitution of Maine, Article IX, Section 21, and Title 30-A, sec. 5685.

Mandate BETE - Reimburse Municipalities Z065

Initiative: Provides funding to reflect anticipated growth in the business equipment tax exemption program.

Ref. #: 247

Committee Vote:

17

AFA Vote:

	2009-10	2010-11
GENERAL FUND		
All Other	\$10,000	\$15,000
GENERAL FUND TOTAL	\$10,000	\$15,000

Justification:

Existing applicants will be required to file each year along with new applicants.

**MANDATE BETE - REIMBURSE MUNICIPALITIES Z065
PROGRAM SUMMARY**

	History 2007-08	History 2008-09	2009-10	2010-11
GENERAL FUND				
All Other	\$0	\$5,000	\$30,000	\$35,000
GENERAL FUND TOTAL	\$0	\$5,000	\$30,000	\$35,000

Revenue Services - Bureau of 0002

Initiative: BASELINE BUDGET

GENERAL FUND	History 2007-08	History 2008-09	2009-10	2010-11
POSITIONS - LEGISLATIVE COUNT	325.500	324.000	324.000	324.000
POSITIONS - FTE COUNT	0.769	0.769	0.769	0.769
Personal Services	\$20,611,780	\$20,957,817	\$22,473,337	\$23,147,772
All Other	\$14,281,981	\$14,456,364	\$14,544,614	\$14,544,614
GENERAL FUND TOTAL	\$34,893,761	\$35,414,181	\$37,017,951	\$37,692,386

FEDERAL EXPENDITURES FUND	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$5,000	\$5,000	\$5,000	\$5,000
FEDERAL EXPENDITURES FUND TOTAL	\$5,000	\$5,000	\$5,000	\$5,000

OTHER SPECIAL REVENUE FUNDS	History 2007-08	History 2008-09	2009-10	2010-11
All Other	\$4,483,400	\$5,858,500	\$4,493,500	\$4,493,500
OTHER SPECIAL REVENUE FUNDS TOTAL	\$4,483,400	\$5,858,500	\$4,493,500	\$4,493,500

Justification:

Maine Revenue Services (MRS) exists primarily to collect tax revenues necessary to support Maine State Government. In order to achieve this end, MRS must responsibly administer state tax law. Subsidiary responsibilities of MRS include 1) oversight of municipal tax administration in order to assist municipalities and provide uniformity of local taxes throughout the state, and 2) operation of various tax relief programs to provide tax relief to taxpayers pursuant to Maine law. In order to achieve MRS' purposes, these major functional areas have evolved. The duties of each are divided among operating divisions of Maine Revenue Services. Tax Administration: The Income & Estate Tax Division administers income, insurance premiums, withholding, financial institution, pass-through entity, estate tax law and the Maine Residents Property Tax Program and the Business Equipment Tax Reimbursement ("BETR") Program; the Sales, Fuel & Special Tax Division administers Sales, Use and Service Provider taxes, Recycling Assistance fees, Bulk Motor Oil premiums, Gasoline and Special Fuel taxes and International Fuel Tax Agreement ("IFTA"), Cigarette and Tobacco Products taxes, Potato, Blueberry, Railroad and Mahogany Quahog taxes, Hospital and Health Care Provider taxes, Initiator of Deposit, Milk Handling fee and various tax refund programs; the Property Tax Division provides oversight and direction for municipal tax administration, annually determines State Valuation, administers the property tax and motor vehicle/watercraft excise taxation in the Unorganized Territories, annually sets Tree Growth valuations, administers municipal reimbursements for Tree Growth, Homestead and Veterans' Exemptions, administers Commercial Forestry Excise and Real Estate Transfer taxes. Operations: The Operations Division provides mail processing and deposits tax revenues, prepares budgets for the Bureau, monitors Bureau expenditures, provides bureau-wide business services and analyzes tax legislation; the Data Entry Division maintains and operates automated systems within the Bureau and provides Bureau-wide data entry services; and the Research Division provides research support to the Bureau, develops economic models for tax policy analysis, and monitors monthly tax revenues. Compliance: Audit Units within the Income & Estate Tax and the Sales, Fuel & Special Tax Divisions audit various businesses and individuals to determine their tax liabilities and assists taxpayers in the understanding necessary to comply with Maine tax law; the Compliance Division serves as the Bureau's collection arm for delinquent taxes and pursues tax returns which are not filed in a timely fashion; and the Appellate Division drafts recommended decisions of the assessor in matters relating to reconsideration and abatement requests and conducts required taxpayer conferences.

Revenue Services - Bureau of 0002

Initiative: Adjusts funding for the same level of information technology agency program and application support services at the fiscal years 2009-10 and 2010-11 Office of Information Technology rates for application services including server support, storage and shared platforms.

Ref. #: 3

Committee Vote: In

AFA Vote: _____

GENERAL FUND	2009-10	2010-11
All Other	\$272,333	\$272,333
GENERAL FUND TOTAL	<u>\$272,333</u>	<u>\$272,333</u>

Justification:

Additional funding is required to pay technology related services based on new technology rates developed for fiscal years 2009-10 and 2010-11. Oracle licensing costs and data storage for the statewide Administration System comprise the majority of the increase.

Revenue Services - Bureau of 0002

Initiative: Provides funding that reflects anticipated revenues necessary to pay contingency-related expenditures resulting from the collection of past-due taxes.

Ref. #: 4

Committee Vote: In

AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS	2009-10	2010-11
All Other	\$1,339,878	\$1,424,943
OTHER SPECIAL REVENUE FUNDS TOTAL	<u>\$1,339,878</u>	<u>\$1,424,943</u>

Justification:

Efforts by outside collection agencies to collect tax debt has resulted in additional revenues being generated increasing the contingency related fees. This is a continuation of an LD45 initiative.

Revenue Services - Bureau of 0002

Initiative: Provides funding for updating the econometric database information used for revenue projections provided to the Revenue Forecasting Committee.

Ref. #: 5

Committee Vote: In

AFA Vote: _____

GENERAL FUND	2009-10	2010-11
All Other	\$300,000	\$300,000
GENERAL FUND TOTAL	<u>\$300,000</u>	<u>\$300,000</u>

Justification:

Approximately every 2 years federal data from 1040 returns is updated and made available to the states. Due to budget constraints the State of Maine did not fund this request in the last biennium. Funds are required for consulting services to ensure that the information used in revenue forecasting is current.

Revenue Services - Bureau of 0002

Initiative: Provides funding to cover escalator costs and contractual obligations associated with leased properties.

Ref. #: 6

Committee Vote: in

AFA Vote: _____

GENERAL FUND

All Other

	2009-10	2010-11
	\$198,326	\$227,953

GENERAL FUND TOTAL

	\$198,326	\$227,953
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Justification:

Over the past few years, the bureau's budget has been flat funded. Costs associated with the upkeep of leased properties has increased along with costs associated with the computation of lease escalator values such as electricity.

Revenue Services - Bureau of 0002

Initiative: Provides funding to reimburse the media production companies the amount they are entitled to in accordance with the Maine Revised Statutes, Title 36, section 6902, subsection 2.

Ref. #: 14

Committee Vote: in

AFA Vote: _____

OTHER SPECIAL REVENUE FUNDS

All Other

	2009-10	2010-11
	\$250,000	\$250,000

OTHER SPECIAL REVENUE FUNDS TOTAL

	\$250,000	\$250,000
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Justification:

A media production company certified pursuant to Title 5, section 13090-L is allowed a tax reimbursement equal to 12% of certified production wages paid to employees who are residents of Maine and 10% of certified production wages paid to other employees. This allocation request provides the necessary allotment within the Media Production Reimbursement account in order for the Commissioner, in accordance with 36 MRSA, §6902, sub-§2, to reimburse the media production companies the amount they are entitled.

Revenue Services - Bureau of 0002

Initiative: Eliminates one Public Service Coordinator II position, 3 Office Assistant II positions and one Office Associate I position.

Ref. #: 12

Committee Vote: in

AFA Vote: _____

GENERAL FUND

POSITIONS - LEGISLATIVE COUNT

	2009-10	2010-11
	(5.000)	(5.000)

Personal Services	(\\$283,787)	(\\$298,983)
GENERAL FUND TOTAL	<u>(\\$283,787)</u>	<u>(\\$298,983)</u>

Justification:

The Maine Revenue Services bureau proposes to eliminate one Public Service Coordinator II position; 3 Office Assistant II positions and one Office Associate I position in order to achieve target reduction savings. These position eliminations will impact the operational needs of the Bureau.

Revenue Services - Bureau of 0002

Initiative: Eliminates one Accounting Associate II position established in Public Law 2007, chapter 629. This position is no longer required due to the citizens' repeal of the beverage tax.

Ref. #: 15 Committee Vote: in AFA Vote: _____

GENERAL FUND	2009-10	2010-11
POSITIONS - LEGISLATIVE COUNT	(1,000)	(1,000)
Personal Services	(\$57,821)	(\$61,295)
GENERAL FUND TOTAL	<u>(\$57,821)</u>	<u>(\$61,295)</u>

Justification:

Eliminates one Accounting Associate II position established in Public Law 2007, chapter 629. This position is no longer required due to the citizens' repeal of the beverage tax.

Revenue Services - Bureau of 0002

Initiative: Provides funding on a one-time basis to cover additional computer programming costs, modifications to tax returns and notifications to affected taxpayers associated with the proposed legislation that amends Maine law to convert the excise tax on smokeless tobacco to a weight-based tax.

Ref. #: 13 Committee Vote: in out
7-4 AFA Vote: _____

see chart

GENERAL FUND	2009-10	2010-11
All Other	\$30,050	\$0
GENERAL FUND TOTAL	<u>\$30,050</u>	<u>\$0</u>

Justification:

Legislation proposed in a separate part in this bill amends Maine law to convert the excise tax on smokeless tobacco products to a weight base tax. This proposal would generate additional undedicated revenue to the General Fund in fiscal years 2009-10 and 2010-11. Additional one-time funding is required in fiscal year 2009-10 to pay for computer programming costs, modifications to the tax returns and notifications to affected taxpayers.

Revenue Services - Bureau of 0002