

NEW DRAFT 5-21-13

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Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 36 MRSA §5111, sub-§1-C is amended to read:

1-C. Single individuals and married persons filing separate returns; tax years beginning in 2013. For tax years beginning ~~on or after January 1,~~ in 2013, for single individuals and married persons filing separate returns:

If Maine Taxable income is:	The tax is:
At least \$5,000 but less than \$19,950	6.5% of the excess over \$5,000
\$19,950 or more	\$972 plus 7.95% of the excess over \$19,950

Sec. A-2. 36 MRSA §5111, sub-§2-C is amended to read:

2-C. Heads of households; tax years beginning in 2013. For tax years beginning ~~on or after January 1,~~ in 2013, for unmarried individuals or legally separated individuals who qualify as heads of households:

If Maine Taxable income is:	The tax is:
At least \$7,500 but less than \$29,900	6.5% of the excess over \$7,500
\$29,900 or more	\$1,456 plus 7.95% of the excess over \$29,900

Sec. A-3. 36 MRSA §5111, sub-§3-C is amended to read:

3-C. Individuals filing married joint return or surviving spouses; tax years beginning in 2013 For tax years beginning ~~on or after January 1,~~ in 2013, 2013, for individuals filing married joint returns or surviving spouses permitted to file a joint return:

If Maine Taxable income is:	The tax is:
At least \$10,000 but less than \$39,900	6.5% of the excess over \$10,000
\$39,900 or more	\$1,944 plus 7.95% of the excess over \$39,900

Sec. A-4. 36 MRSA §5111, sub-§§6 and 7 is enacted to read:

6. Tax years beginning in 2014. For tax years beginning in 2014, the tax is 4.95% of Maine taxable income.

7. Tax years beginning on or after January 1, 2015. For tax years beginning on or after January 1, 2015:

A. If an offsetting sales tax base expansion has been enacted, the tax is 4% of Maine taxable income; or

B. If an offsetting sales tax base expansion has not been enacted, the tax is 4.95% of Maine taxable income.

For purposes of this subsection, an offsetting sales tax base expansion means an application of the sales tax to categories of sales of tangible personal property and services that were exempt from sales tax on July 1, 2014, but which become taxable at a later date, and which are projected to raise at least \$200 million in additional sales tax revenues in the 12-months after becoming effective. The Commissioner of Administrative and Financial Services shall certify to the Revisor of Statutes by September 1, 2014 whether an offsetting sales tax base expansion has been enacted.

Sec. A-5. 36 MRSA §5121, as amended by PL 2003, c. 390, §26, is further amended to read:

§5121. Maine taxable income

~~The~~ For taxable years beginning before January 1, 2014, the Maine taxable income of a resident individual is equal to the individual's federal adjusted gross income as defined by the Code with the modifications and less the deductions and personal exemptions provided in this chapter. For taxable years beginning on or after January 1, 2014, the Maine taxable income of a resident individual is equal to the individual's federal adjusted gross income as defined by the Code with the modifications provided in this chapter.

Sec. A-6. 36 MRSA §5122, sub-§2, ¶C is amended to read:

C. ~~Social security benefits and railroad~~ Railroad retirement benefits paid by the United States, to the extent included in federal adjusted gross income;

Sec. A-7. 36 MRSA §5122, sub-§2, ¶I is repealed

Sec. A-8. 36 MRSA §5122, sub-§2, ¶L is repealed

Sec. A-9. 36 MRSA §5122, sub-§2, ¶M is repealed

Sec. A-10. 36 MRSA §5122, sub-§2, ¶M-1 is repealed

Sec. A-11. 36 MRSA §5122, sub-§2, ¶T is repealed

Sec. A-12. 36 MRSA §5122, sub-§2, ¶Y is repealed

Sec. A-13. 36 MRSA §5122, sub-§2, ¶Z is repealed

Sec. A-14. 36 MRSA §5124-A, first ¶, as amended by PL 2011, c. 380, Pt. N, §7 and affected by §§19 and 20, is further amended to read:

The For taxable years beginning after December 31, 2011 but before January 1, 2014, the standard deduction of a resident individual is equal to the standard deduction as determined in accordance with the Code, Section 63.

Sec. A-15. 36 MRSA §5125, as amended by PL 2011, c. 380, Pt. N, §§8 to 10 and affected by §§19 and 20, is further amended by adding a new first paragraph to read:

The following deductions are allowed for tax years beginning before January 1, 2014.

Sec. A-16. 36 MRSA §5126, first ¶, as amended by PL 2011, c. 380, Pt. N, §11 and affected by §19, is further amended to read:

For income tax years beginning on or after January 1, 1998 but before January 1, 1999, a resident individual is allowed \$2,400 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 1999 but before January 1, 2000, a resident individual is allowed \$2,750 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is

claimed as a dependent on another return. For income tax years beginning on or after January 1, 2000 but before January 1, 2013, a resident individual is allowed \$2,850 for each exemption that the individual properly claims for the taxable year for federal income tax purposes, unless the taxpayer is claimed as a dependent on another return. For income tax years beginning on or after January 1, 2013 but before January 1, 2014, a resident individual is allowed a deduction equal to the total amount of deductions allowed for personal exemptions in accordance with the Code, Section 151.

Sec. A-17. 36 MRSA §5213-A is enacted to read:

§5213-A. Sales tax fairness credit

For tax years beginning on or after January 1, 2014, Maine resident individual income taxpayers are allowed a credit as computed under this section against the taxes imposed under the Part.

1. Base credit. The base sales tax fairness credit is:

- A. \$1,000 for individuals filing as single individuals and married persons filing separate returns;
- B. \$1,500 for individuals filing as heads of household; or
- C. \$2,000 for individuals filing married joint returns or surviving spouses.

2. Additional credit amounts. The base sales tax fairness credit is increased by the following:

- A. \$500 for each dependent claimed on a return; and
- B. \$500 for each individual filing the return, who is 65 years of age or older. For the purposes of this section “individual filing the return” includes each spouse filing a married joint return.

3. Dependents filing separately. The base sales tax fairness credit for an individual who is claimed as a dependent on the return of another individual is \$500.

4. Phase-out of credit. The sales tax credit is phased out by reducing the base sales tax credit under subsections 1 to 3 by an amount determined by multiplying the base sales tax fairness credit by a fraction the numerator of which is the Maine taxable income and the denominator of which is:

- A. For individuals filing as single individuals and married persons filing separate returns:
 - (1) For tax years beginning in 2014, \$80,000; and

(2) For tax years beginning on or after January 1, 2015:

(a). If an offsetting sales tax base expansion has been enacted, \$60,000;
or

(b). If an offsetting sales tax base expansion has not been enacted,
\$80,000.

B. For individuals filing as heads of household:

(1) For tax years beginning in 2014, \$120,000; and

(2) For tax years beginning on or after January 1, 2015:

(a). If an offsetting sales tax base expansion has been enacted, \$90,000;
or

(b). If an offsetting sales tax base expansion has not been enacted,
\$120,000.

C. . For individuals filing married joint returns or surviving spouses:

(1) For tax years beginning in 2014, \$160,000; and

(2) For tax years beginning on or after January 1, 2015:

(a). If an offsetting sales tax base expansion has been enacted, \$120,000;
or

(b). If an offsetting sales tax base expansion has not been enacted,
\$160,000.

The fraction calculated under this subsection may not be higher than 1 nor lower than 0.

5. Refundability of credit. The sales tax fairness credit is refundable, after the application of nonrefundable credits, to a maximum of:

A. For individuals filing as single individuals and married persons filing separate returns:

(1) For tax years beginning in 2014, \$300 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older; and

(2) For tax years beginning on or after January 1, 2015:

(a) If an offsetting sales tax base expansion has been enacted, \$500 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older;

(b) If an offsetting sales tax base expansion has not been enacted, \$300 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older.

B. For individuals filing as heads of household:

(1) For tax years beginning in 2014, \$450 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older; and

(2) For tax years beginning on or after January 1, 2015:

(a) If an offsetting sales tax base expansion has been enacted, \$750 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older;

(b) If an offsetting sales tax base expansion has not been enacted, \$450 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older.

C. . For individuals filing married joint returns or surviving spouses:

(1) For tax years beginning in 2014, \$600 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older; and

(2) For tax years beginning on or after January 1, 2015:

(a) If an offsetting sales tax base expansion has been enacted, \$1000 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older;

(b) If an offsetting sales tax base expansion has not been enacted, \$600 plus \$100 for each dependent claimed on the return and each individual 65 years of age or older.

D. For an individual who is claimed as a dependent on the return of another individual, \$0.

6. Part year residents. For individuals filing returns as residents for a part of the income tax year, the sales tax fairness credit is the amount determined under this section for a full year resident multiplied by the fraction of the year that the individual was a resident.

7. Offsetting sales tax base expansion. For purposes of this section, an offsetting sales tax base expansion means an application of the sales tax to categories of sales of tangible personal property and services that were exempt from sales tax on July 1, 2014, but which become taxable at a later date, and which are projected to raise at least \$200 million in additional sales tax revenues in the 12-months after becoming effective. The Commissioner

of Administrative and Financial Services shall certify to the Revisor of Statutes by September 1, 2014 whether an offsetting sales tax base expansion has been enacted.

Sec. A-18. 36 MRSA §5213-B is enacted to read:

§5213-B. Transitional sales tax fairness credit

For tax years beginning in 2013, Maine resident individual income taxpayers are allowed a transitional sales tax fairness credit as computed under this section against the taxes imposed under the Part. The credit is not allowed for an individual who is claimed as a dependent to the return of another individual. The credit is refundable after the application of nonrefundable credits.

1. Single individuals and married persons filing separate returns. For tax years beginning in 2013, for single individuals and married persons filing separate returns:

<u>If Maine adjusted income is:</u>	<u>The credit is:</u>
<u>Less than \$12,000</u>	<u>\$300</u>
<u>At least \$12,000 but less than \$16,000</u>	<u>\$150</u>

2. Heads of households; certain joint returns; surviving spouses. For tax years beginning in 2013, for unmarried individuals or legally separated individuals who qualify as heads of households; and for individuals filing married joint returns or surviving spouses permitted to file a joint return who have no dependents:

<u>If Maine adjusted income is:</u>	<u>The credit is:</u>
<u>Less than \$24,000</u>	<u>\$600</u>
<u>At least \$24,000 but less than \$28,000</u>	<u>\$400</u>
<u>At least \$28,000 but less than \$32,000</u>	<u>\$200</u>

3. Individuals filing married joint return or surviving spouses having dependents; tax years beginning in 2013. For tax years beginning in January 1, 2013, for individuals filing married joint returns or surviving spouses permitted to file a joint return who have dependents:

<u>If Maine adjusted income is:</u>	<u>The credit is:</u>
<u>Less than \$32,000</u>	<u>\$800</u>
<u>At least \$32,000 but less than \$36,000</u>	<u>\$600</u>
<u>At least \$36,000 but less than \$40,000</u>	<u>\$400</u>
<u>At least \$40,000 but less than \$44,000</u>	<u>\$200</u>

4. **Part year residents.** For individuals filing returns as residents for a part of the income tax year, the transitional sales tax fairness credit is the amount determined under this section for a full year resident multiplied by the fraction of the year that the individual was a resident.

Sec. A-19. 36 MRSA §5215, sub-§9 is enacted to read:

9. **Expiration.** The section applies to investments made before January 1, 2014.

Sec. A-20. 36 MRSA §5216-C is repealed:

Sec. A-21. 36 MRSA §5216-D, sub-§1, ¶A is amended to read:

A. “Certificate” means a tax credit certificate before January 1, 2014 issued by the Department of Inland Fisheries and Wildlife pursuant to Title 12, chapter 903, subchapter 8.

Sec. A-22. 36 MRSA §5217, sub-§5 is enacted to read:

5. **Expiration.** This section applies to expenditures made before January 1, 2014.

Sec. A-23. 36 MRSA §5217-C, sub-§4 is enacted to read:

4. **Expiration.** This section applies to expenditures made before January 1, 2014.

Sec. A-24. 36 MRSA §5219-A is repealed.

Sec. A-25. 36 MRSA §5219-C is repealed.

Sec. A-26. 36 MRSA §5219-M, sub-§7 is enacted to read:

7. **Expiration.** This section applies to investments made before January 1, 2014.

Sec. A-27. 36 MRSA §5219-O, sub-§5 is enacted to read:

5. **Expiration.** This section applies to expenditures made before January 1, 2014.

Sec. A-28. 36 MRSA §5219-Q, sub-§5 is enacted to read:

5. **Expiration.** This section applies to investments made before January 1, 2014.

Sec. A-29. 36 MRSA §5219-S is repealed.

Sec. A-30. 36 MRSA §5219-X is repealed.

Sec. A-31. 36 MRSA §5219-Y, sub-§3 is enacted to read:

3. Expiration. This section applies to visual media productions certified by the Department of Economic and Community Development under Title 5, section 13090-L before January 1, 2014.

Sec. A-32. 36 MRSA §5219-DD, sub-§3 is amended to read:

3. Eligibility limitation; certification. The oral health program shall certify up to 5 eligible dentists in each year in 2009, 2010 and 2011 and up to 6 additional eligible dentists in each year from 2012 through ~~2015~~ 2013. Additional dentists may not be certified after ~~2015~~ 2013. The oral health program shall monitor certified dentists to ensure that they continue to be eligible for the credit under this section and shall decertify any dentist who ceases to meet the conditions of eligibility. The oral health program shall notify the bureau whenever a dentist is certified or decertified. A decertified dentist ceases to be eligible for the credit under this section beginning with the tax year during which the dentist is decertified.

Sec. A-33. 36 MRSA §5219-DD, sub-§6 is amended to read:

6. Repeal. This section is repealed December 31, ~~2020~~ 2018.

Sec. A-34. 36 MRSA §5219-EE, sub-§6 is enacted to read:

6. Expiration. This section applies to innovation finance programs established by the Finance Authority of Maine under Title 10, section 1026-T before January 1, 2014.

Sec. A-35. 36 MRSA §5219-FF, sub-§5 is repealed.

Sec. A-36. 36 MRSA §5219HH, sub-§8 is enacted to read:

8. Expiration. This section applies to quality equity investments for which tax credit authority is issued by the Finance Authority of Maine under Title 10, section 1100-Z before January 1, 2014.

Sec. A-37. 36 MRSA §5213-C is enacted to read:

§5213-C. Property tax fairness credit

For tax years beginning on or after January 1, 2013, A Maine resident individual income taxpayer is allowed a property tax fairness credit as computed under this section against the taxes imposed under the Part.

1. Definitions. As used in this section unless the context otherwise indicates, the following terms have the following meanings.

A. “Benefit base” means property taxes paid during tax year on the just value, up to \$250,000 of a homestead in this State or rent constituting property taxes paid during the tax year of a homestead in the State.

B. “Homestead means the dwelling owned or rented by the taxpayer or held in a revocable living trust for the benefit of the taxpayer and occupied by the taxpayer and the taxpayer's dependents as a home, and may consist of a part of a multi-dwelling or multipurpose building and a part of the land, up to 10 acres, upon which it is built. “Owned” includes a vendee in possession under a land contract, one or more joint tenants or tenants in common and possession under a legally binding agreement that allows the owner of the dwelling to transfer the property but continue to occupy the dwelling as a home until some future event stated in the agreement.

C. “Rent constituting property taxes” means 15% of the gross rent actually paid in cash or its equivalent during the tax year solely for the right of occupancy of a homestead in this State. “Rent constituting property taxes” does not include rent subsidized by government programs that limit housing costs to a percentage of household income except that this exclusion does not apply to persons receiving social security disability or supplemental security income disability benefits. For the purposes of this paragraph “gross rent” means rental paid at arm's length solely for the right of occupancy of a homestead, exclusive of charges for any utilities, services, furniture, furnishings or personal property appliances furnished by the landlord as part of the rental agreement, whether or not expressly set out in the rental agreement. If the landlord and tenant have not dealt with each other at arm's length, and the State Tax Assessor is satisfied that the gross rent charged was excessive, the State Tax Assessor may adjust the gross rent to a reasonable amount for purposes of this section.

2. **Credit.** The base property tax fairness credit is 50% of the amount by which the benefit base exceeds 6% of the taxpayer’s Maine adjusted gross income as defined under section 5111, subsection 1-C, paragraph A, but may not exceed \$1,000.

3. **Refundability of credit.** The property tax fairness credit is refundable, after the application of nonrefundable credits and the sales tax fairness credit under section 5213-A or 5213-B.

Sec. A-38. 36 MRSA c. 841 is repealed.:

Sec. A-39. Application. The sections of this Part that repeal the Maine Revised Statutes, Title 36, sections 5216-C, 5219-A, 5219-C, 5219-S and 5219-X apply to tax years beginning on or after January 1, 2014.

PART B

Sec. B-1. 5 MRSA §13090-K, sub-§2, as enacted by PL 2001, c. 439, Pt. UUUU, §1, is amended to read:

2. Source of fund. Beginning July 1, ~~2013~~ 2014 and every July 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to ~~5%~~ 6% of the ~~7% revenues derived from the tax imposed on tangible personal property and taxable services at the rates of 8% and 10%~~ pursuant to Title 36, section 1811, for the first 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund as described by Title 30-A, section 5681, subsection 5. Beginning on October 1, ~~2003~~ 2014 and every October 1st thereafter, the State Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is equivalent to ~~5%~~ 6% of the ~~7%~~ 8% and 10% imposed on tangible personal property and taxable services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year after the reduction for the transfer to the Local Government Fund. The tax amount must be based on actual sales for that fiscal year and may not consider any accruals that may be required by law. The amount transferred from General Fund sales and use tax revenues does not affect the calculation for the transfer to the Local Government Fund.

Sec. B-2. 10 MRSA §1305, as amended by PL 1997, c. 668, §1, is further amended to read:

§ 1305. Terminal rental adjustment clauses; vehicle leases that are not sales or security interests

Notwithstanding any other provision of law, in the case of motor vehicles or trailers, a transaction does not create a sale or security interest merely because the agreement provides that the rental price is permitted or required to be adjusted upward or downward by reference to the amount realized upon sale or other disposition of the motor vehicle or trailer. ~~A transaction may be considered a sale for purposes of Title 36.~~

Sec. B-3. 36 MRSA §1752, sub-§§1-I and 1-J are enacted to read:

1-I. Amusement, entertainment and recreation services. "Amusement, entertainment and recreation services" is defined pursuant to this subsection.

A. "Amusement, entertainment and recreation services" means the following, unless excluded under paragraph B:

(1) Admission fees to entertainment venues and performances, including but not limited to theaters, movies, lectures, concerts, festivals, amusement parks, water parks, fairs other than licensed agricultural fairs, race tracks, carnivals, circuses, sports activities, stadiums, amphitheaters, museums, planetariums, animal parks, petting zoos, aquariums, historical sites and convention centers;

(2) Fees charged for participation in or entry to sporting and gaming activities including but not limited to golf, skiing, tennis, miniature golf courses, arcades, billiard parlors, go-cart courses and paintball;

(3) Admission fees charged for exhibition shows including but not limited to auto, boat, camping, home, garden, animal and antique shows;

(4) Fees charged for scenic and sight-seeing excursions including but not limited to aircraft, helicopter, balloon, blimp, watercraft, railroad, bus, trolley and wagon rides, whitewater rafting and guided recreation, but excluding scenic and sight-seeing excursions on federally navigable waters; and

(5) Entertainment services including but not limited to those provided by bands, orchestras, disc jockeys, comedians, clowns, jugglers, children's entertainers and ventriloquists.

B. "Amusement, entertainment and recreation services" does not include:

(1) Fees charged for admission to a licensed agricultural fair or charges for participation in any events or activities occurring at the fair organized by a school or incorporated nonprofit organization if all the proceeds from the event or activity are used for the charitable purposes of the school or organization;

(2) Fees charged for lessons or training in dance, music, theater, arts and gymnastics, martial arts and other athletic pursuits; or

(3) Fees charged for admission to:

(a) Concerts, dance productions, theatrical productions, sports activities or similar events or activities organized and performed by a school ~~or incorporated, nonprofit organization~~, if all proceeds of the event or activity are used for the charitable purposes of that school ~~or organization~~; or

(b) Festivals and special events organized by governmental entities, schools or incorporated, nonprofit organizations or charges for participation in any events or activities occurring at the festival or special event organized by the governmental entity, school or incorporated, nonprofit organization if all the proceeds of the festival or special event are directed to support a ~~charitable~~ purpose of the governmental entity, school or organization.

1-J. Candy. "Candy" means a preparation of sugar, honey or other natural or artificial sweeteners in combination with chocolate, fruits, nuts or other ingredients or flavorings in the form of bars, drops or pieces and that does not contain flour or require refrigeration.

Sec. B-4. 36 MRSA §1752, sub-§§2-F and 2-G are enacted to read:

2-F. Fabrication facility. "Fabrication facility" means a site consisting of at least 35 acres at which the primary business is the performance of fabrication services and any activities associated with or in support of fabrication services.

2-G. Fabrication services. "Fabrication services" means the production of tangible personal property for a consideration for a person who furnishes, either directly or indirectly, the materials used in that production.

Sec. B-5. 36 MRSA §1752, sub-§3-B is repealed.

Sec. B-6. 36 MRSA §1752, sub-§4-A is enacted to read:

4-B. Installation, repair or maintenance services. "Installation, repair or maintenance services" is defined pursuant to this subsection.

A. "Installation, repair or maintenance services" means:

(1) All services involved in the installation, repair or maintenance of jewelry, cameras, guns, musical instruments, electronic and mechanical equipment, lawn and garden equipment, computer hardware and office equipment, motor vehicles and appliances;

(2) Service and maintenance contracts with regard to personal property identified in subparagraph (1);

(3) Tailoring and clothing and shoe repair; and

(4) Furniture repair and restoration.

B. "Installation, repair or maintenance services" does not include:

(1) Services performed on tangible personal property used or held for use at or located at a manufacturing facility or fabrication facility, other than tangible personal property used in administrative support operations; or

(2) Services involved in the installation, repair or maintenance of computer software, special mobile equipment, aircraft, watercraft or a truck or truck tractor registered in the name of a business as a commercial motor vehicle under Title 29-A, section 504 or 505, or a trailer or semitrailer registered in the name of a business pursuant to Title 29-A, section 511.

Sec. B-7. 36 MRSA §1752, sub-§5-D is enacted to read:

5-D. Lease or rental. "Lease" or "rental" includes sublease or subrental and means any transfer of possession or control of tangible personal property for a fixed or indeterminate term for consideration. A lease or rental may include future options to purchase or extend.

A. "Lease" or "rental" includes agreements covering motor vehicles and trailers

when the amount of consideration may be increased or decreased by reference to the amount realized upon sale or disposition of the property, as defined in Section 7701(h)(1) of the Code.

B. "Lease" or "rental" does not include:

(1) Any transfer of possession or control of property under a security agreement or deferred payment plan that requires the transfer of title upon completion of the required payments;

(2) Any transfer of possession or control of property under an agreement that requires the transfer of title upon completion of required payments and payment of an option price that does not exceed the greater of \$100 and 1% of the total required payments; or

(3) Providing tangible personal property along with an operator for a fixed or indeterminate period of time. A condition of this exclusion is that the operator is necessary for the equipment to perform as designed. For the purpose of this paragraph, an operator must do more than maintain, inspect or set up the tangible personal property.

Sec. B-8. 36 MRSA §1752, sub-§7-F is enacted to read:

7-F. Personal care services. "Personal care services" means services related to the care and maintenance of the body, including but not limited to hair, nail, foot and skin care; tanning; exercise; massage; tattooing; spa treatments, body piercing and electrolysis and fees charged for health and fitness centers. "Personal services" does not include services ordered by a person authorized to prescribe medical treatment under Title 32.

Sec. B-9. 36 MRSA §1752, sub-§8-A, as repealed and replaced by PL 2001, c. 439, Pt. TTTT, §1 and affected by §3, is amended to read:

8-A. Prepared food. "Prepared food" means:

A. Meals or items usually consumed as part of a meal served on or off the premises of the retailer; and

B. Food and drinks that are prepared ~~by the retailer~~ for human consumption, and ready for consumption without further preparation including, but not limited to:

(1) Candy and confections, including, but not limited to, marshmallows and marshmallow creme or fluff;

(2) Soft drinks;

(3) Sandwiches and prepared salads;

(4) Supplemental meal items such as corn chips, potato chips and crisped vegetable or fruit chips, pork rinds, pretzels, crackers, popped popcorn, cheese sticks and cheese puffs;

(5) Fruit bars, granola bars, breakfast bars, rice cakes, bread sticks and dried sugared fruit;

(6) Roasted nuts and seeds;

(7) Desserts and bakery items, including, but not limited to, doughnuts, cookies, pastries, toaster pastries, croissants, cakes, pies, ice cream cones, ice cream, ice milk, frozen confections, frozen yogurt, sherbet, ready-to-eat pudding and gelatins and dessert sauces; and

(8) Meat jerky, meat bars and dips.

~~C. All food and drinks sold from an establishment whose sales of food and drinks that are prepared by the retailer account for more than 75% of the establishment's gross receipts.~~

~~"Prepared food" does not include bulk sales of grocery staples.~~

As used in this subsection, "without further preparation" means that the product does not require boiling, frying, grilling, baking or cooking of any kind or is not mixed with other products before being boiled, fried, grilled, baked or cooked and "without further preparation" does not include toasting, microwaving or otherwise heating a product for palatability rather than for the purpose of cooking the product.

Sec. B-10. 36 MRSA §1752, sub-§§8-D is enacted to read:

8-D. Personal property services. "Personal property services" means the following services related to tangible personal property: dry cleaning; laundry and diaper services not including self-service laundry services; embroidery and monogramming; car washing; pressure cleaning and washing; pet services such as exercising, sitting, training, grooming and boarding for nonmedical purposes; picture framing; residential domestic services, including residential cleaning and residential furniture and rug cleaning; interior decoration; meal preparation; butchering; art restoration; warehousing and storage, including rental of storage units and warehouse space but not including warehousing and storage services

provided to a business; moving services; vehicle towing; and boat mooring. "Personal property services" does not include fabrication services; installation, repair or maintenance services; services performed on tangible personal property used or held for use at or located at a manufacturing facility or fabrication facility, other than tangible personal property used in administrative support operations; or services performed on aircraft, including refurbishing of aircraft.

Sec. B-11. 36 MRSA §1752, sub-§11, as amended by PL 2007, c. 627, §42 and affected by §96 and amended by c. 693, §14, is repealed.

Sec. B-12. 36 MRSA §1752, sub-§11-A is enacted to read:

11-A. Retail sale. "Retail sale" means any sale, lease or rental of tangible personal property or a taxable service in the ordinary course of business.

A. "Retail sale" includes:

(1) A sale in the ordinary course of business by a retailer to a purchaser who is not engaged in selling that kind of tangible personal property or taxable service in the ordinary course of repeated and successive transactions of like character; and

(2) The sale or liquidation of a business or the sale of substantially all of the assets of a business, to the extent that the seller purchased the assets of the business for resale, lease or rental in the ordinary course of business, except when:

(a) The sale is to an affiliated entity and the transferee, or ultimate transferee in a series of transactions among affiliated entities, purchases the assets for resale, lease or rental in the ordinary course of business; or

(b) The sale is to a person that purchases the assets for resale, lease or rental in the ordinary course of business or that purchases the assets for transfer to an affiliate, directly or through a series of transactions among affiliated entities, for resale, lease or rental by the affiliate in the ordinary course of business.

For purposes of this subparagraph, "affiliate" or "affiliated" includes both direct and indirect affiliates.

B. "Retail sale" does not include:

- (1) Any casual sale;
- (2) Any sale by a personal representative in the settlement of an estate, unless the sale is made through a retailer or unless the sale is made in the continuation or operation of a business;
- (3) The sale of loaner vehicles to a new vehicle dealer licensed as such pursuant to Title 29-A, section 953;
- (4) The sale of labor and parts used in the performance of repair services under a service or maintenance contract sold on or after November 1, 2013;
- (5) The sale, to a retailer that has been issued a resale certificate pursuant to section 1754-B, subsection 2-B or 2-C, of tangible personal property for resale in the form of tangible personal property, except resale as a casual sale;
- (6) The sale, to a retailer that has been issued a resale certificate pursuant to section 1754-B, subsection 2-B or 2-C, of a taxable service for resale, except resale as a casual sale;
- (7) The sale, to a retailer that is not required to register under section 1754-B, of tangible personal property for resale outside the State in the form of tangible personal property, except resale as a casual sale;
- (8) The sale, to a retailer that is not required to register under section 1754-B, of a taxable service for resale outside the State, except resale as a casual sale; or
- (9) The sale, to a person engaged in the business of renting or leasing tangible personal property, of tangible personal property for lease or rental except for property located at a manufacturing or fabrication facility.

Sec. B-13. 36 MRSA §1752, sub-§14, ¶B, as amended by PL 2011, c. 211, §22, is further amended to read:

B. "Sale price" does not include:

- (1) Discounts allowed and taken on sales;
- (2) Allowances in cash or by credit made upon the return of merchandise pursuant to warranty;

- (3) The price of property returned by customers, when the full price is refunded either in cash or by credit;
- (4) ~~The~~ Except for labor or services included in installation repair or maintenance services, the price received for labor or services used in installing or applying or repairing the property sold, if separately charged or stated;
- (5) Any amount charged or collected, in lieu of a gratuity or tip, as a specifically stated service charge, when that amount is to be disbursed by a hotel, restaurant or other eating establishment to its employees as wages;
- (6) The amount of any tax imposed by the United States on or with respect to retail sales, whether imposed upon the retailer or the consumer, except any manufacturers', importers', alcohol or tobacco excise tax;
- (7) The cost of transportation from the retailer's place of business or other point from which shipment is made directly to the purchaser, provided that those charges are separately stated and the transportation occurs by means of common carrier, contract carrier or the United States mail;
- (8) The fee imposed by Title 10, section 1169, subsection 11;
- (9) The fee imposed by section 4832, subsection 1;
- (10) The lead-acid battery deposit imposed by Title 38, section 1604, subsection 2-B;
- (11) Any amount charged or collected by a person engaged in the rental of living quarters as a forfeited room deposit or cancellation fee if the prospective occupant of the living quarters cancels the reservation on or before the scheduled date of arrival;
- (12) The premium imposed on motor vehicle oil by Title 10, section 1020, subsection 6-A; or
- (13) Any amount charged for the disposal of used tires.

Sec. B-14. 36 MRSA §1752, sub-§14-F is enacted to read:

14-F. Soft drink. "Soft drink" means any nonalcoholic beverage that contains natural or artificial sweeteners. "Soft drink" does not include any beverage that contains milk or milk products, greater than 50% of vegetable or fruit juice by volume or flavored or unflavored soy milk, rice milk, almond milk, grain milk and similar milk substitutes.

Sec. B-15. 36 MRSA §1752, sub-§17-B, as amended by PL 2011, c. 684, §2 and affected by §3, is repealed.

Sec. B-16. 36 MRSA §1752, sub-§17-C is enacted to read:

17-C. Taxable service. "Taxable service" means:

A. The rental of living quarters in a hotel, rooming house or tourist or trailer camp;

B. The transmission and distribution of electricity;

C. The rental or lease of tangible personal property;

D. Prepaid calling service;

E. Amusement, entertainment and recreation services;

F. Installation, repair or maintenance services;

G. Personal care services;

H. Personal property services; and

I. Transportation and courier services.

Sec. B-17. 36 MRSA §1752, sub-§20-B is enacted to read:

20-B. Transportation and courier services. "Transportation and courier services" means in-state transportation of persons or property by limousine services and courier services. For the purposes of this subsection, "limousine service" means livery service hired for a specific event.

Sec. B- 18. 36 MRSA §1752, sub-§21 is amended to read:

21. Use. "Use" includes the exercise in this State of any right or power over tangible personal property incident to its ownership, including the derivation of income, whether received in money or in the form of other benefits, by a lessor from the rental of ~~tangible personal property~~ personal property located at a manufacturing or fabrication facility located in this State.

Sec. B-19. 36 MRSA §1754-B, sub-§1, ¶C is amended to read:

~~C. Every lessor engaged in the leasing of tangible personal property located in this State that does not maintain a place of business in this State but makes retail sales to purchasers from this State;~~

Sec. B-20. 36 MRSA §1758 is repealed.

Sec. B-21. 36 MRSA §1760, sub-§3, as amended by PL 1991, c. 824, Pt. A, §73, is repealed.

Sec. B-22. 36 MRSA §1760, sub-§9-B, as repealed and replaced by PL 2011, c. 673, §1, is repealed.

Sec. B-23. 36 MRSA §1760, sub-§14 is repealed.

Sec. B-24. 36 MRSA §1760, sub-§24, is repealed.

Sec. B-25. 36 MRSA §1760, sub-§34, as amended by PL 2003, c. 588, §8, is repealed.

Sec. B-26. 36 MRSA §1760, sub-§39, as amended by PL 2005, c. 622, §8, is repealed.

Sec. B-27. 36 MRSA §1760, sub-§41, 1st ¶ is amended to read:

41. Certain instrumentalities of interstate or foreign commerce. The sale of a vehicle, railroad rolling stock, aircraft or watercraft that is placed in use by the purchaser as an instrumentality of interstate or foreign commerce within 30 days after that sale and that is used by the purchaser not less than 80% of the time for the next 2 years as an instrumentality of interstate or foreign commerce. The State Tax Assessor may for good cause extend for not more than 60 days the time for placing the instrumentality in use in interstate or foreign commerce. For purposes of this subsection, property is "placed in use as an instrumentality of interstate or foreign commerce" by its carrying of, or providing the motive power for the carrying of, a bona fide payload in interstate or foreign commerce, or by being dispatched to a specific location at which it will be loaded upon arrival with, or will be used as motive power for the carrying of, a payload in interstate or foreign commerce. For purposes of this subsection, "bona fide payload" means a cargo of persons or property transported by a contract or common carrier for compensation that exceeds the direct cost of carrying that cargo or pursuant to a legal obligation to provide service as a public utility or a cargo of property transported in the reasonable conduct of the purchaser's own nontransportation business in interstate commerce. For purposes of this subsection, a lease is considered a sale if the lease agreement provides that the rental price is permitted or required to be adjusted upward or downward by reference to the amount realized upon sale or other disposition of the vehicle.

Sec. B-28. 36 MRSA §1760, sub-§95 is enacted to read:

95. Certain taxable services. The sale of a taxable service sold by a person that has made sales taxable under this Part during the most recent calendar year of no more than \$5,000.

Sec. B-29. 36 MRSA §1811, first ¶, as amended by PL 2011, c. 209, §4 and affected by §5, is further amended to read:

A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is ~~7%~~ 8% on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43; ~~7%~~ 10% on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp; ~~10%~~ 15% on the value of rental for a period of less than one year of an automobile, of a pickup truck or van with a gross vehicle weight of less than 26,000 pounds rented from a

person primarily engaged in the business of renting automobiles or of a loaner vehicle that is provided other than to a motor vehicle dealer's service customers pursuant to a manufacturer's or dealer's warranty; ~~7%~~ 8% on the value of prepared food; and ~~5%~~ 6% on the value of all other tangible personal property and taxable services. Value is measured by the sale price, except as otherwise provided. The value of rental for a period of less than one year of an automobile or of a pickup truck or van with a gross vehicle weight of less than 26,000 pounds rented from a person primarily engaged in the business of renting automobiles is the total rental charged to the lessee and includes, but is not limited to, maintenance and service contracts, drop-off or pick-up fees, airport surcharges, mileage fees and any separately itemized charges on the rental agreement to recover the owner's estimated costs of the charges imposed by government authority for title fees, inspection fees, local excise tax and agent fees on all vehicles in its rental fleet registered in the State. All fees must be disclosed when an estimated quote is provided to the lessee.

Sec. B-30. 36 MRSA §1811, third ¶, is repealed:

Sec. B-31. 36 MRSA §1812, sub-§1, as reallocated by PL 1999, c. 790, Pt. A, §48, is repealed and the following enacted in its place:

1. Computation. Every retailer must add the sales tax imposed by section 1811 to the sale price on all sales of tangible personal property and taxable services that are subject to tax under this Part. The tax when so added is a debt of the purchaser to the retailer until it is paid and is recoverable at law by the retailer from the purchaser in the same manner as the sale price. When the sale price involves a fraction of a dollar, the tax computation must be carried to the 3rd decimal place, then rounded down to the next whole cent whenever the 3rd decimal place is one, 2, 3 or 4 and rounded up to the next whole cent whenever the 3rd decimal place is 5, 6, 7, 8 or 9.

Sec. B-32. 36 MRSA §1812, sub-§2, as amended by PL 1991, c. 846, §24, is further amended to read:

2. Several items. When several purchases are made together and at the same time, the tax ~~must~~ may be computed on each item individually or on the total amount of the several items, ~~except that purchases taxed at different rates must be separately totaled as the retailer may elect.~~

Sec. B-33. 36 MRSA §1812, sub-§3 is repealed

Sec. B-34. 36 MRSA §1817 is enacted to read:

§ 1817. Accelerated payment of tax on leases and rentals

Except as provided in section 1818, the tax imposed by this Part on the rental or

lease of tangible personal property must be collected by the lessor at the time the property that is the subject of the lease is delivered to the lessee or at the time the initial payment under the lease is required to be made by the lessee, whichever is earlier, on the basis of the total amount of the consideration to be paid by the lessee under the terms of the lease agreement. If the total amount of the consideration for the lease includes amounts that are not calculated at the time the lease is executed, the tax attributable to those amounts must be collected by the lessor at the time those amounts are billed to the lessee. In the case of an open-end lease, the tax must be collected by the lessor on the basis of the total amount to be paid during the initial fixed term of the lease, and then for each subsequent renewal period as it comes due. For purposes of this section, "consideration" includes, without limitation, the amount of any down payment, trade-in credit or 3rd-party rebate that is applied to reduce the cost of the leased property upon which the lease payments are computed and interest charges included in the rental payments. This section does not apply to a lease associated with a sale and leaseback transaction when that sale and leaseback occurs within 90 days of the lessee's original purchase of the equipment.

Sec. B-35. 36 MRSA §1818 is enacted to read:

§ 1818. Leases and rentals of manufacturing or fabrication facility property

With regard to property located at a manufacturing or fabrication facility, the tax imposed by this Part must be paid by the lessor based on the acquisition cost of the property. Lease or rental payments by the lessee or renter are not subject to tax under this Part.

Sec. B-36. 36 MRSA §1861, as amended by PL 1995, c. 640, §6, is further amended to read:

§ 1861.Imposition

A tax is imposed, at the ~~respective~~ rate provided in section 1811, on the storage, use or other consumption in this State of tangible personal property or a taxable service, the sale of which would be subject to tax under section 1764 or 1811. Every person so storing, using or otherwise consuming is liable for the tax until the person has paid the tax or has taken a receipt from the seller, as duly authorized by the assessor, showing that the seller has collected the sales or use tax, in which case the seller is liable for it. Retailers registered under section 1754-B or 1756 shall collect the tax and make remittance to the assessor. The amount of the tax payable by the purchaser is that provided in the case of sales taxes by section 1812. When tangible personal property is leased outside the State and subsequently brought into the State, the tax due under this section is the proportion of the tax otherwise due under this Part that the remaining portion of the lease bears to the entire term of the lease. When tangible personal property purchased for resale is withdrawn from inventory by the retailer for the retailer's own use, use tax liability accrues at the date of withdrawal.

Sec. B-37. 36 MRSA §1862, as amended by PL 1987, c. 772, §24, is further amended to read:

§ 1862. Taxes paid in other jurisdictions

The use tax provisions of chapters 211 to 225 shall imposed by this Part does not apply with respect to the use, storage or other consumption in this State of purchases outside the State where the purchaser has paid a sales or use tax equal to or greater than the amount imposed by chapters 211 to 225 this Part in another taxing jurisdiction, ~~the proof of payment of the tax to be according to rules made by the State Tax Assessor.~~ If the amount of sales or use tax paid in another taxing jurisdiction is not equal to or greater than the amount of tax imposed by chapters 211 to 225 this Part, then the purchaser shall pay to the State Tax Assessor an amount sufficient to make the total amount of tax paid in the other taxing jurisdiction and in this State equal to the amount imposed by chapters 211 to 225 this Part. When tangible personal property is leased outside the State and subsequently brought into the State, the credit allowed under this section may not exceed the proportion of the tax otherwise due under this Part that the period for which the property was leased in the other taxing jurisdiction bears to the entire term of the lease.

Sec. B-38. 36 MRSA §2020 is enacted to read:

§ 2020. Removal from the State of leased property

If leased property with respect to which the tax imposed by this Part has been paid on an accelerated basis is permanently removed from the State, the lessee is entitled to a refund of the tax allocable to that portion of the lease that remains in effect after the property has been removed from the State. A refund may not be issued unless the taxing jurisdiction to which the property is removed allows a corresponding refund or does not impose tax on any portion of the lease of property that remains after the property is removed from that taxing jurisdiction. A refund may not be issued if the other taxing jurisdiction allows a credit to the lessee for the sales or use tax paid in this State on the lease transaction. The refund must be requested in accordance with the provisions of section 2011.

Sec. B-39. 36 MRSA §2021 is enacted to read:

§ 2021. Early termination of lease

If a lease on property with respect to which the tax imposed by this Part has been paid on an accelerated basis is terminated by the lessee before the expiration of the lease term, the lessee is entitled to a refund of the tax allocable to that portion of the remaining lease payments. A refund may not be issued if the early termination is the result of an option to purchase the leased property or the lease has been terminated due to nonpayment.

Sec. B-40. 36 MRSA §2551, sub-§2 is amended to read:

2. Cable and satellite television or radio services. "~~Extended cable~~ Cable and satellite television services" means all cable and satellite television or radio service that ~~is in addition to the minimum service that~~ can be purchased from a cable or satellite television or radio supplier, including the use of associated equipment for which a charge is made. It does not include installation of the associated equipment for which a separate charge is levied.

Sec. B-41. 36 MRSA §2557, sub-§33, as enacted by PL 2007, c. 627, §74, is amended to read:

33. International telecommunications service. Sales of international telecommunications service to a business; and

Sec. B-42. 36 MRSA §2557, sub-§34, as enacted by PL 2007, c. 627, §75, is amended to read:

34. Interstate telecommunications service. Sales of interstate telecommunications service to a business.

Sec. B-43. 36 MRSA §2552, sub-§1 is amended to read:

36 §2552. TAX IMPOSED

1. Rate. A tax at the rate of ~~5%~~ 6% is imposed on the value of the following services sold in this State:

A. ~~Extended cable~~ Cable and satellite television or radio services; [2005, c. 12, Pt. TTT, §3 (AMD); 2005, c. 12, Pt. TTT, §4 (AFF).]

B. Fabrication services; [2003, c. 673, Pt. V, §25 (NEW); 2003, c. 673, Pt. V, §29 (AFF).]

C. Rental of video media and video equipment; [2003, c. 673, Pt. V, §25 (NEW); 2003, c. 673, Pt. V, §29 (AFF).]

D. Rental of furniture, audio media and audio equipment pursuant to a rental-purchase agreement as defined in Title 9-A, section 11-105; [2003, c. 673, Pt. V, §25 (NEW); 2003, c. 673, Pt. V, §29 (AFF).]

E. Telecommunications services; [2003, c. 673, Pt. V, §25 (NEW); 2003, c. 673, Pt. V, §29 (AFF).]

F. The installation, maintenance or repair of telecommunications equipment; [2005, c. 12, Pt. VV, §2 (AMD).]

G. Private nonmedical institution services; [2005, c. 386, Pt. S, §4 (AMD); 2005, c. 386, Pt. S, §9 (AFF).]

H. Community support services for persons with mental health diagnoses; [2007,

c. 539, Pt. DDD, §5 (AMD).]

I. Community support services for persons with intellectual disabilities or autism; [2011, c. 542, Pt. A, §139 (AMD).]

J. Home support services; and [2009, c. 213, Pt. S, §11 (RPR); 2009, c. 213, Pt. S, §16 (AFF); 2009, c. 434, §30 (RPR).]

K. [2009, c. 213, Pt. S, §12 (RP); 2009, c. 213, Pt. S, §16 (AFF); 2009, c. 434, §31 (RP).]

L. Ancillary services. [2007, c. 627, §69 (NEW).]

[2011, c. 542, Pt. A, §139 (AMD) .]

Sec. B-44. Transitional transfer to Tourism Marketing Promotion Fund; July 1, 2014. Notwithstanding the Maine Revised Statutes, Title 5, Section 13090-K, the amount to be transferred to the Tourism Marketing Promotion Fund on July 1, 2014 is 5% of the revenues derived from the tax imposed on tangible personal property and taxable services at the rate of 7% tax in the months of July to November 2013 and 6% of the revenues derived from the tax imposed on tangible personal property and taxable services at the rates of 8% and 10% for the month of December 2013.

Sec. B-45. Effective date. This Part takes effect December 1, 2013

PART C

Sec. C-1. 36 MRSA §4101, as enacted by PL 2011, c. 380, Pt. M, §9, is amended to read:

§4101. Applicability of provisions

This chapter applies to the estates of persons who die after December 31, 2012 and before January 1, 2015.

PART D

Sec. D-1. 36 MRSA §683, sub-§1, as amended by PL 2009, c. 213, Pt. YYY, §1 and affected by c. 652, Pt. A, §63, is further amended to read:

1. Exemption amount. Except for assessments for special benefits, the lesser of \$50,000 and 50% of the just value of \$10,000 of the homestead of a permanent resident of this State who has owned a homestead in this State for the preceding 12 months is exempt from taxation. In determining the local assessed value of the exemption, the assessor shall multiply the amount of the exemption

by the ratio of current just value upon which the assessment is based as furnished in the assessor's annual return pursuant to section 383. If the title to the homestead is held by the applicant jointly or in common with others, the exemption may not exceed ~~\$10,000~~ the lesser of \$50,000 and 50% of the just value of the homestead, but may be apportioned among the owners who reside on the property to the extent of their respective interests. A municipality responsible for administering the homestead exemption has no obligation to create separate accounts for each partial interest in a homestead owned jointly or in common.

Sec. D-2. Application. This Part applies to the property tax year beginning April 1, 2014.

PART E

Sec. E-1. 5 MRSA §1518-A, sub-§1-A, as enacted by PL 2011, c. 692, §1, is amended to read:

1-A. Implementation. By September 1, 2014 and annually thereafter, ~~if the State Controller determines that the benefits required under the Circuitbreaker Program under Title 36, chapter 907 have been fully funded,~~ the State Controller shall inform the State Tax Assessor of the amount available in the fund for the purposes of subsection 1.

A. By November 1st annually, the State Tax Assessor shall calculate the amount by which the income tax ~~rates~~ rate under Title 36, section 5111, ~~subsections 1-C, 2-C and 3-C~~ subsection 6 may be reduced during the subsequent tax year using the amount available from the fund. ~~Bracket rate~~ rate reductions must be a minimum of 0.2 percentage points in the first year in which reductions are made and a minimum of 0.1 percentage points in subsequent years. If sufficient funds are not available to pay for the minimum reduction, a rate reduction may not be made until the amount in the fund is sufficient to pay for the reduction. When the amount is sufficient to pay for the reduction, the reduction must ~~first~~ be applied equally to ~~each bracket~~ the rate under Title 36, section 5111, ~~subsections 1-C, 2-C and 3-C~~ subsection 6 until the ~~lower bracket rate~~ reaches 4%. ~~Funds available from the fund in subsequent years must be applied to reduce the higher bracket rates until there is a single bracket with a rate of 4%, after which future tax relief may be identified.~~

B. The State Tax Assessor shall provide public notice of new ~~bracket rates~~ rate calculated under this subsection by November 15th annually.

C. New ~~bracket~~ rates calculated under this subsection apply beginning with tax years that begin on or after January 1st of the calendar year following the determinations made under this subsection.

Sec. E-2. 36 MRSA §191, sub-§2, ¶HH, as amended by PL 2007, c. 328, §2, is repealed.

Sec. E-3. 36 MRSA §841, sub-§2, as amended by PL 2011, c. 552, §1 and c. 624, §1, is repealed and the following enacted in its place:

2. Infirmity or poverty. The municipal officers, or the State Tax Assessor for the unorganized territory, within 3 years from commitment, may, on their own knowledge or on written application, make such abatements as they believe reasonable on the real and personal taxes on the primary residence of any person who, by reason of infirmity or poverty, is in their judgment unable to contribute to the public charges. The municipal officers, or the State Tax Assessor for the unorganized territory, may extend the 3-year period within which they may make abatements under this subsection.

Municipal officers or the State Tax Assessor for the unorganized territory shall:

A. Provide that any person indicating an inability to pay all or part of taxes that have been assessed because of poverty or infirmity be informed of the right to make application under this subsection;

B. Assist individuals in making application for abatement;

C. Make available application forms for requesting an abatement based on poverty or infirmity and provide that those forms contain notice that a written decision will be made within 30 days of the date of application;

D. Provide that persons are given the opportunity to apply for an abatement during normal business hours;

E. Provide that all applications, information submitted in support of the application, files and communications relating to an application for abatement and the determination on the application for abatement are confidential. Hearings and proceedings held pursuant to this subsection must be in executive session;

F. Provide to any person applying for abatement under this subsection notice in writing of the officers' or the assessor's decision within 30 days of application; and

G. Provide that any decision made under this subsection include the specific reason or reasons for the decision and inform the applicant of the right to appeal and the procedure for requesting an appeal.

Sec. E-4. 36 MRSA c. 907, as amended, is repealed.

Sec. E-5. 36 MRSA c. 907-A, as amended, is repealed.

Sec. E-6. Effective date. This Part takes effect August 1, 2013

PART F

Sec. F-1. 30-A MRSA §5681, sub-§5 is amended to read:

5. Transfers to funds. No later than the 10th day of each month in fiscal year 2013-14, the State Controller shall transfer to the Local Government Fund ~~5%~~ 3.5% of the receipts during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A to F and L, and credited to the General Fund without any reduction, except that the postage, state cost allocation program and programming costs of administering state-municipal revenue sharing may be paid by the Local Government Fund. A percentage share of the amounts transferred to the Local Government Fund each month must be transferred to the Disproportionate Tax Burden Fund and distributed pursuant to subsection 4-B as follows:

A.

B.

C. For months beginning on or after July 1, 2009 but before July 1, 2010, 15%;

D. For months beginning on or after July 1, 2010 but before July 1, 2011, 16%;

E. For months beginning on or after July 1, 2011 but before July 1, 2012, 17%;

F. For months beginning on or after July 1, 2012 but before July 1, 2013, 18%;

G. For months beginning on or after July 1, 2013 but before July 1, 2014, 19%;
and

H. For months beginning on or after July 1, 2014, 20%.

Sec. F-2. 30 A MRSA §5861, sub-§9 is enacted to read:

9. Repeal. This section is repealed July 1, 2014.

Sec. F-3. 30-A MRSA §5681-A is enacted to read:

§5681. STATE-MUNICIPAL REVENUE SHARING

1. Findings and purpose. The Legislature finds that:

A. The principal problem of financing municipal services is the burden on the property tax; and

B. To stabilize the municipal property tax burden and to aid in financing all municipal services, it is necessary to provide funds from the broad-based taxes of State Government. [1987, c. 737, Pt. A, §2 (NEW

2. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Population" means the population as determined by the latest Federal Decennial Census or the population as determined and certified by the Department of Health and Human Services, whichever is later. For the purposes of this section, the Department of Health and Human Services shall determine the population of each municipality at least once every 2 years. For the purposes

B. "Property tax burden" means the total real and personal property taxes assessed in the municipal fiscal year pertaining to the latest state valuation, except the taxes assessed on captured value within a tax increment financing district, divided by the latest state valuation certified to the Secretary of State and reduced by .01. Beginning on July 1, 2013 and each July 1st thereafter, if the total revenue-sharing distribution as calculated by subsection 5 is distributed to the municipalities without transfer or reduction, the reduction factor must be increased by either .0005 or the percentage increase necessary to equal the statewide average property tax rate, whichever increase is smaller, until the fiscal year when the percentage reduction factor reaches the statewide average property tax rate.

C. "Statewide average property tax rate" means the total real and personal property taxes assessed in all municipalities in the municipal fiscal year pertaining to the latest state valuation, except the taxes assessed on captured value within a tax increment financing district, divided by the total latest state valuation certified to the Secretary of State.

3. Revenue-sharing funds. To strengthen the state-municipal fiscal relationship pursuant to the findings and objectives of subsection 1 by providing support for municipalities experiencing a higher than average property tax burden, there is established the Local Government Fund.

4. Sharing the Local Government Fund. The Treasurer of State shall transfer the balance in the Local Government Fund on the 20th day of each month. Money in the Local Government Fund must be distributed to each municipality in proportion to the product of the population of the municipality multiplied by the property tax burden of the municipality.

5. Transfers to funds. Beginning July 1, 2014, no later than the 10th day of each month, the State Controller shall transfer to the Local Government Fund 1.5% of the receipts during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A to F and L, and credited to

the General Fund without any reduction, except that the postage, state cost allocation program and programming costs of administering state-municipal revenue sharing may be paid by the Local Government Fund.

6. Plantations and unorganized territory. For purposes of state-municipal revenue sharing, plantations and the unorganized territory shall be treated as if they were municipalities.

7. Indian territory. For purposes of state-municipal revenue sharing, the Passamaquoddy Tribe and the Penobscot Nation Indian Territories shall be treated as if they were municipalities. In the absence of a levy of real and personal property taxes in either or both Indian territories, the property tax assessment is computed by multiplying the state valuation for the Indian territory for the period for which revenue sharing is being determined by the most current average equalized property tax rate of all municipalities in the State at that time as determined by the State Tax Assessor.

8. Posting of revenue sharing projections. For the purpose of assisting municipalities in a timely manner in their budget development process and in the determination of their property tax levy limits as required by section 5721-A, the Treasurer of State shall post no later than April 15th of each year on the Treasurer of State's website the projected revenue sharing distributions as required by this section according to the most recently issued state revenue forecasts issued by the Revenue Forecasting Committee pursuant to Title 5, chapter 151-B for the subsequent fiscal year beginning on July 1st.

Sec. F-4. Effective date. That section of this Part that enacts Title 30-A, section 5681-A takes effect July 1, 2014.

PART G

Sec. G-1. 36 MRSA §4641-A, sub-§1, is repealed

Sec. G-2. 36 MRSA §4641-A, sub-§1-A is enacted to read:

1-A. Deeds. A tax is imposed on each deed by which any real property in this State is transferred. The tax is imposed 1/2 on the grantor and 1/2 on the grantee.

A. For residential real property with a value of \$250,000 or less, the rate of the tax is 0.6% of the value of the real property transferred.

B. For residential real property with a value that exceeds \$250,000 and does not exceed \$500,000, the rate of the tax is 0.8% of the value of the real property transferred.

C. For residential real property with a value that exceeds \$500,000 and does not exceed \$750,000 the rate of the tax is 1% of the value of the real property transferred.

D. For residential real property with a value that exceeds \$750,000 and does not exceed \$1,000,000 the rate of the tax is 1.2% of the value of the real property transferred.

E. For real property with a value that exceeds \$1,000,000 the rate of the tax is 1.4% of the value of the real property transferred.

F. For real property that is not residential real property, the rate of the tax is 1% of the value of the real property transferred.

Sec. G-3. 36 MRSA §4641-A, sub-§2 is amended to read:

2. Transfer of direct or indirect controlling interest in entity with interest in real property. A tax is imposed on the transfer or acquisition within any 12-month period of a direct or indirect controlling interest in any entity with a fee interest in real property in this State.

A. The rate of the tax is ~~\$2.20 for each \$500 or fractional part of \$500~~ 1% of the value of the real property owned by the entity and located in this State.

B. The tax is imposed 1/2 on the transferor and 1/2 on the transferee, but if the transfer or acquisition is not reported to the register of deeds in the county or counties in which the property is located and the tax is not paid within 30 days of the completion of the transfer or acquisition, the transferor and the transferee are jointly and severally liable for the full amount.

C. If a controlling interest is acquired by a series of transfers, each transferor is liable for its proportional share of tax based on the value of the property on the date of the sale.

Sec. G-4. Effective date. This Part takes effect December 1, 2013.

PART H

Sec. H-1. 36 MRSA §4361, sub-§1-A, as amended by PL 1997, c. 458, §1, is repealed and the following enacted in its place:

1-A. Cigarette. "Cigarette" means:

A. A roll of tobacco that is wrapped in paper or in any substance not containing tobacco; or

B. A roll of tobacco that is wrapped in a reconstituted tobacco sheet or any other substance, other than leaf tobacco, containing tobacco and that:

(1) Has a typical cigarette size and shape, with a cellulose acetate or other cigarette-type integrated filter;

(2) Is marketed in a traditional cigarette-type package or a package that bears a product designation or tax classification specified in 27 Code of Federal Regulations, Part 40.214(c); or

(3) Has a filler that consists primarily of flue-cured, burley, oriental or unfermented tobacco or any other material that yields the smoking characteristics of those tobaccos.

Sec. H-2. 36 MRSA §4365, as amended by PL 2005, c. 218, §44 and c. 457, Pt. AA, §1 and affected by §8, is further amended to read:

§4365. Rate of tax

A tax is imposed on all cigarettes imported into this State or held in this State by any person for sale at the rate of ~~100~~ 175 mills for each cigarette. Payment of the tax is evidenced by the affixing of stamps to the packages containing the cigarettes.

Sec. H-3. 36 MRSA §4365-G is enacted to read:

§4365-G. Application of cigarette tax rate increase effective December 1, 2013

The following provisions apply to cigarettes held for resale on November 1, 2013.

1. Stamped rate. Cigarettes stamped at the rate of 100 mills per cigarette and held for resale after November 31, 2013 are subject to tax at the rate of 175 mills per cigarette.

2. Liability. A person possessing cigarettes for resale is liable for the difference between the tax rate of 175 mills per cigarette and the tax rate of 100 mills per cigarette in effect before December 1, 2013. Stamps indicating payment of the tax imposed by this section must be affixed to all packages of cigarettes held for resale as of December 1, 2013, except that cigarettes held in vending machines as of that date do not require that stamp.

3. Vending machines. Notwithstanding any other provision of this chapter, it is presumed that all cigarette vending machines are filled to capacity on December 1, 2013 and that the tax imposed by this section must be reported on that basis. A credit against this inventory tax must be allowed for cigarettes

stamped at the rate of 175 mills per cigarette placed in vending machines before November 1, 2013.

4. Payment. Payment of the tax imposed by this section must be made to the assessor by January 31, 2013, accompanied by forms prescribed by the assessor.

Sec. H-4. 36 MRSA §4401, sub-§1-B is enacted to read:

1-B. Cigar. "Cigar" means a tobacco product that:

A. Consists of a roll of tobacco wrapped in leaf tobacco; or

B. Consists of a roll of tobacco wrapped in a substance other than leaf tobacco and is not a cigarette under section 4361, subsection 1-A.

Sec. H-5. 36 MRSA §4401, sub-§2-A is enacted to read:

2-A. Little cigar. "Little cigar" means a tobacco product that is classified as a cigarette rather than a cigar for tax purposes and that consists of a roll of tobacco wrapped in a substance containing tobacco pursuant to section 4361, subsection 1-A, paragraph B.

Sec. H-6. 36 MRSA §4401, sub-§6-A is enacted to read:

6-A. Roll-your-own tobacco. "Roll-your-own tobacco" means tobacco suitable for making cigarettes as defined in Section 5702 of the Code.

Sec. H-7. 36 MRSA §4403, sub-§1, as repealed and replaced by PL 2009, c. 213, Pt. H, §1 and affected by §3, is repealed and the following enacted in its place:

1. Smokeless tobacco. A tax is imposed on all smokeless tobacco, including chewing tobacco and snuff, at the rate of 132% of the wholesale sales price or \$2.67 per consumer container or package, whichever tax is greater, beginning October 1, 2013.

Sec. H-8. 36 MRSA §4403, sub-§2, as amended by PL 2005, c. 627, §8, is further amended to read:

2. Other tobacco. A tax is imposed on cigars other than little cigars, pipe tobacco and other tobacco intended for smoking, other than roll-your-own tobacco, at the rate of ~~20%~~ 30% of the wholesale sales price beginning October 1, ~~2005~~ 2013.

Sec. H-9. 36 MRSA §4403, sub-§2-A and 2-B are enacted to read:

2-A. Little cigars. A tax is imposed on all little cigars at the rate of 175 mills for each little cigar.

2-B. Roll-your-own tobacco. A tax is imposed on roll-your-own tobacco at the rate of 175 mills for each 0.036 ounces.

Sec. H-10. Effective date. This Part takes effect December 1, 2013.

PART I

Sec. I-1. 28-A MRSA §1652, sub-§1, as repealed and replaced by PL 1987, c. 342, §116, is amended to read:

1. Excise tax on malt liquor. An excise tax is imposed on the privilege of manufacturing and selling malt liquor in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~25¢~~ 50¢ per gallon on all malt liquor sold in the State.

Sec. I-2. 28-A MRSA §1652, sub-§1-A, as amended by PL 1993, c. 462, §7, is further amended to read:

1-A. Excise tax on low-alcohol spirits products and fortified wines. An excise tax is imposed on the privilege of manufacturing and selling low-alcohol spirits products and fortified wines in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of \$1 per gallon on all low-alcohol spirits products and fortified wines manufactured in or imported into the State.

Sec. I-3. 28-A MRSA §1652, sub-§2, as amended by PL 1997, c. 767, §4, is further amended to read:

2. Excise tax on wine; hard cider. An excise tax is imposed on the privilege of manufacturing and selling wine in the State. The Maine manufacturer or importing wholesale licensee shall pay an excise tax of ~~30¢~~ 60¢ per gallon on all wine other than sparkling wine manufactured in or imported into the State, \$1 per gallon on all sparkling wine manufactured in or imported into the State and ~~25¢~~ 50¢ per gallon on all hard cider manufactured in or imported into the State.

Sec. I-4. 28-A MRSA §1703, sub-§3, as amended by PL 1997, c. 767, §6, is further amended to read:

3. Amount of premium. The premium imposed by subsections 1 and 2 is:

A. ~~Ten~~ Twenty cents per gallon on all malt beverages and hard cider sold in the State;

B. ~~Thirty~~ Sixty cents per gallon on all wine, other than sparkling wine, sold in the State;

C. ~~Twenty-four~~ Forty-eight cents per gallon on all sparkling wine and all fortified wine sold in the State and all low-alcohol spirits products sold by a person licensed to sell wine for consumption on or off the premises; and

D. One dollar and twenty-five cents per proof gallon as the term proof gallon is defined in the United States Code, Title 26, Section 5002, on all spirits sold in the State.

Sec. I-5. Effective date. This Part takes effect December 1, 2013.

PART j

Sec. J-1. 36 MRSA §1817 is enacted to read:

§1817. Retailer discount

For each return that is timely filed and for which taxes are timely paid, a retailer may deduct and retain as administrative expenses for reporting and collecting tax under this Part and the accounting connected with those activities, the lesser of 0.5% of the taxes payable for that period and \$1,000.

Sec. J-2. Effective date. This Part takes effect December 1, 2014.

PART K

Sec. K-1. 30-A MRSA §6202 is amended to read:

§6202. Fund source; nonlapsing; dedicated, special revenue account

There is established the Fund for the Efficient Delivery of Local and Regional Services to assist those municipalities that collaborate with other municipalities, counties or state agencies to obtain savings in the cost of delivering local and regional governmental services. The fund consists of ~~revenues—transferred~~ annual appropriations of \$1,000,000 from the General Fund and any funds received as contributions from private and public sources. Eligible investment earnings credited to the assets of the fund become part of the assets of the fund. Any balance remaining in the fund at the end of any fiscal year must be carried forward to the next fiscal year. The fund is a dedicated, special revenue account.

Part L

Sec. L-1. Tax Reform Working Group. The Tax Reform Working Group is formed to identify the additional categories of sales that would become taxable on January 1, 2015, and to recommend additional property tax reforms that would take effect on July 1, 2014 or July 1, 2015.

1. Membership. The Tax Reform Working Group, referred to in this section as the “working group,” consists of the following 12 members: 2 members of the Senate appointed by the President of the Senate, at least one of whom is not a member of the majority party; 4 members of the House of Representatives appointed by the Speaker of the House, at least 2 of whom are not members of the majority party; 2 representatives from the Executive Branch appointed by the Governor; and 4 non-legislative members selected by majority vote of the Maine Economic Growth Council, no more than 2 of whom are members of the Council. The Executive Director of the Legislative Council shall convene the first meeting of the working group within 30 days after the effective date of this Act. The working group shall elect a chair from among its membership.

2. Duties. The working group shall:

A. Review all categories of sales of tangible personal property and services that remain exempt from sales tax following the changes made in this Act and identify additional sales tax base expansions that raise the full amount needed to effectuate the 4% income tax scheduled to take effect on January 1, 2015.

B. Review and make recommendations for reform to the property tax exemptions for private nonprofit organizations, the use of tax increment financing, and the requirements for participation in the tree growth tax law.

C. Submit a report containing its analysis and recommendations to the Joint Standing Committee on Taxation by December 15, 2013. The joint standing committee may submit legislation to the Second Regular Session of the 126th Legislature related to the report.

3. Expenses; staffing. Members other than legislators may not receive compensation or expenses for meetings of the working group. The Maine Economic Growth Council shall provide staffing to the working group. Maine Revenue Services shall provide information requested by the working group.

Part M

Sec. M-1. Revisor's review; cross-references. The Revisor of Statutes shall review the Maine Revised Statutes and include in the errors and inconsistencies bill submitted to the Second Regular Session of the 126th Legislature pursuant to Title 1, section 94 any sections necessary to correct and update any cross-references in the statutes to provisions of law repealed in this Act.

Sec. M-2. Monthly reports. The State Tax Assessor shall provide monthly reports to the Joint Standing Committee on Taxation through April 1, 2014 regarding the State's activities in implementing the provisions of this Part that broaden the sales tax base and increase the sales tax and the service provider tax. The report must include:

1. Information for taxpayers. A plan for providing information to taxpayers and the public about new sales and use tax and service provider tax obligations under this Part;

2. Implementation progress. Progress reports on implementation of the plan and copies of taxpayer materials and informational materials that are proposed for issuance by the assessor; and

3. Materials. Copies of proposed bulletins and taxpayer guidance materials.

The assessor shall inform the committee about implementation issues and shall seek the committee's advice on implementation and proposed rules. The committee may submit legislation to the Second Regular Session of the 126th Legislature regarding implementation of the provisions of this Part that broaden the sales tax base and increase the sales tax and service provider tax.

SUMMARY

This bill reforms the laws governing tax policy and municipal funding policy in multiple ways that are intended to have the effect of raising an increasing revenue share from nonresidents and a decreasing revenue share from residents. The bill makes the following changes.

Part A changes the income tax, for tax years beginning on or after January 1, 2014, from a progressive rate structure to a flat rate of 4.95% in 2014 and 4% beginning in 2015 with progressivity provided by a sales tax fairness credit that decreases as taxable income increases and a property tax fairness credit that provides relief for taxpayers and renters.

Part B expands the sales tax base by repealing certain exemptions and extending the tax to certain services beginning December 1, 2013. Part B also increases the general sales tax and service provider tax rate to 6%, the sales tax

on short-term automobile rentals from 10% to 15%, on lodging from 7% to 10%, on prepared food from 7% to 8% and on liquor sold in restaurants from 7% to 8%.

Part C repeals the estate tax for persons who die on or after January 1, 2015.

Part D increases the homestead property tax exemption from \$10,000 in 2013 to the lesser of 50% of the just value of the homestead and \$50,000 beginning in 2014.

Part E repeals the Maine Residents Property Tax Program, also known as the Circuitbreaker Program, and the provisions of law that allow municipalities to adopt a municipal property tax assistance program based on the state program. Relief for homeowners and renters is incorporated into the income tax through the property tax fairness credit.

Part F amends revenue sharing by changing the percentage of state revenue transferred for revenue sharing to 3.5% in fiscal year 2013-14 to maintain current levels of funding and further reducing the percentage of state revenue transferred to 1.5% in fiscal year 2014-15 and providing that distributions are made only to municipalities with mill rates over 10 mills. It retains provisions in current law that raise the mill rate threshold if revenue sharing is fully funded.

Part G increases the real estate transfer tax. It provides that the excise tax on residential real property is 0.6% of the property has a just value less than \$250,000, 0.8% if the value is \$250,000 to \$500,000; 1% if the value is \$500,000 to \$750,000, 1.2% if the value is \$750,000 to \$1,000,000 and 1.4% if the value exceeds \$1,000,000.

Part H increases the cigarette tax from \$2 to \$3.50 per pack of 20 cigarettes and equalizes the tax rates on other tobacco products to be consistent with the tax rates on cigarettes.

Part I increases by 100% the excise tax and the premium tax on beer and wine.

Part J permits retailers to retain the greater of 0.5% of sales and use tax reported and collected or \$1,000 per reporting period as compensation for administrative expenses.

Part K requires a General Fund appropriation of \$1,000,000 annually to the Fund for the Efficient Delivery of Local and Regional Services.

Part L establishes the Tax Reform Working Group to analyze opportunities for further tax reform including expansion of the sales tax base to reduce income taxes and property tax improvements and make recommendations to the Joint Standing Committee on Taxation by December 15, 2013.

Part M directs the Revisor of Statutes to include in the errors and inconsistencies bill submitted to the Second Regular Session of the 126th Legislature any sections necessary to correct and update cross-references in the statutes to provisions repealed in this bill. Part L also directs the State Tax Assessor to consult with the Joint Standing Committee on Taxation in the implementation of changes to the sales and use tax and the service provider tax and authorizes the committee to submit legislation to the Second Regular Session of the 126th Legislature.