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STATE OF MAINE

ONE HUNDRED AND TWENTY-FOURTH LEGISLATURE

COMMITTEE ON TAXATION

DATE: January 29, 2010

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
Rep. Thomas Watson, House Chair
Members, Joint Standing Committee on Taxation

RE: Committee recommendations with regard to **LD 1671, An Act Making Supplemental 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**

Over the past few weeks, the Joint Standing Committee on Taxation reviewed the items identified as taxation-related provisions of the supplemental budget bill. As requested, we are providing Committee's recommendations on the prescribed report back forms along with the attached chart.

While many of the proposals in the Governor's supplemental budget stimulated significant discussion, you will find that the Committee approved most of the proposed cuts unanimously. Also, by majority vote, the Committee approved the cuts to the tree growth tax reimbursement (8-4) and the language in Part GG, which adopts the Finnigan approach (9-3). Although the Committee split on the cut to the tree growth tax reimbursement, all parties agreed that there may be some improvements we can make to the program that are not directly related to the budget. We plan to consider these in a separate bill later in the session. Regarding the language in Part GG, the majority vote for approval includes an amendment proposed by Maine Revenue Services. The amendment is attached at the back of this document.

Although we unanimously approved the proposed cut to the Property Tax Review Board for legal services from the Attorney General's office, the Committee has considerable concerns about the cumulative impact budget cuts have had on the Board's ability to operate. The Board

receives 30 or more cases each year and each one can take anywhere from a few hours to several days to settle. The administrative support to the Board is limited and currently the volunteer Board has only 8 of the 15 members called for in statute. There have been discussions about the back log of cases and under the current available budget it is estimated the Board will only be able to meet 11 times this year. With this in mind, the Committee supports the idea of imposing filing fees for each case and we are working on language to submit to you at a later date.

Finally, we have two outstanding issues that still need to be voted. We have serious reservations about the language in Part JJ, which is a cut to revenue sharing that goes beyond the reduction related to the downturn in the economy. We are also concerned about the language in Part KK proposing a change in eligibility for the circuitbreaker program. Before we finalize our votes on these items we want to fully explore some alternative proposals for closing the budget gap.

We plan to meet again on **Wednesday, February 3, 2010 at 10:00 a.m.** in Room 127 of the State House to discuss several ideas that were suggested at our meeting yesterday. The proposals that we will be discussing include:

1. Changes to tax credits designed to promote economic development;
2. Imposing service charges on certain tax-exempt entities;
3. Examining the tax-exempt status of nonprofits involved in gaming;
4. Closing the Houlton office of the Bureau of Revenues Services;
5. Cutting Maine Revenue Services' budget by 15 percent; and
6. Reviewing mandates imposed on municipalities.

We welcome interested parties who may want to attend our meeting. We hope that by considering these other means of closing the budget that we will not have to impose additional financial hardship on our municipalities and residents who are already struggling as our economy recovers.

We will update you once we consider the above ideas and finalize our budget votes. Please let us know if you have question or if we can provide additional information.