

TAXATION COMMITTEE

MLS 4/26/2021 4:36 PM

130th LEGISLATURE

1st REG SESSION

LD	LR	PH	WS	SPONSOR	TITLE	SUMMARY (Summaries may not reflect content of most recent committee action)	COMM ACTION	FISCAL IMPACT ¹	
								FY22	FY23
527	1171	4/13		Vitelli	An Act To Exempt MaineCare Appendix C Private Nonmedical Institutions from the Service Provider Tax	<p>This bill <u>exempts from the service provider tax</u> so-called <u>MaineCare Appendix C private nonmedical institutions</u>, which are residential care facilities maintained wholly or partly for the purpose of providing residents with medical and remedial services.</p> <p>The service provider tax continues to apply to private nonmedical institution services that are provided by MaineCare Appendix B, D, E or F private nonmedical institutions. (<u>Application to Appendix F is unclear</u>)</p> <p><u>HISTORY IN 129TH</u> <u>A similar bill was considered during the 1st Regular Session of the 129th Legislature. It was changed to a Resolve (c. 81) directing DHHS and MRS to examine and evaluate the tax including alternatives and report to the 2d Reg. Session by 3/1/20.</u></p> <p><u>Issues were complicated by federal (CMS) challenges to portions of the SPT and the State's ability to use it as match for federal Medicaid funding.</u></p>			

¹ . Numbers may represent preliminary estimates and are subject to change. For more detail, please see fiscal note documents in LD file.

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846	1622			Morales	An Act To Promote Benefit Corporations	<p>CONCEPT DRAFT:</p> <p>This bill proposes to increase public awareness of benefit corporations and their purpose and advantages. It also proposes to provide a tax incentive to offset the cost of establishing and maintaining a benefit corporation.</p> <p>Under 13-C MRSA 1811.1 “A benefit corporation must have a purpose of creating general public benefit.”</p> <p>SPONSOR PROPOSED AMENDMENT: Changes bill to Resolve directing SoS and DECD to develop educational materials and services related to benefit corporations</p> <p>Sec. of State proposed changes.</p>			
1067	679	2/13		Baldacci	An Act To Institute a State Tax Amnesty Program To Increase General Revenue Collections	<p>This bill, for the purposes of encouraging delinquent taxpayers to comply with the law, collecting unreported taxes and accelerating the collection of certain delinquent state tax liabilities, enacts the 2021 Maine Tax Amnesty Program.</p> <p><u>Under the program, a person with a tax delinquency as of September 30, 2021 may pay the taxes owed, plus half the accrued interest, without incurring a penalty or any other criminal or civil liability.</u> The period during which a delinquency may be paid under the 2021 Maine Tax Amnesty Program is from October 1, 2021 to December 31, 2021. The program is <u>not available for debts for which the State has secured a warrant or civil judgment</u> in the State’s favor.</p> <p>From the effective date of this legislation until September 30, 2021, the State Tax Assessor is encouraged to offer a delinquent taxpayer the same benefits of the 2021 Maine Tax Amnesty Program in order to avoid having a taxpayer wait until October 1, 2021 or later to pay the delinquent taxes.</p> <p>MRS: “not warranted at this time.</p>			

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1156	1378	4/13		Arata	An Act To Reduce Errors in Employment Tax Increment Financing Benefits	<p>This bill makes changes to the ETIF program for calendar years beginning with 2022 <u>by basing benefits on the gross wages of qualified employees rather than on income tax withholding for those employees.</u></p> <p>The bill directs the DECD and the State Tax Assessor to take actions, including the <u>adoption of routine technical rules, to implement the change.</u></p> <p><u>DECD recommends holding any changes until next year.</u> Evaluation of Pine Tree Zone Program and ETIF currently under way.</p>			
1193	1117	4/13		Brooks	An Act To Exempt Certain Disabled Veterans from the Motor Vehicle Excise Tax	<p>This bill provides a <u>MVET exemption for veterans who are permanently disabled and are receiving benefits based on 100% service-connected disability.</u></p> <p><u>MRS recommends using language in property tax exemption for disabled veterans"</u></p> <p>Veterans: “(2) Who are disabled by injury or disease incurred or aggravated during active military service in the line of duty and are receiving any form of pension or compensation from the United States Government for total, service-connected disability.”</p>		Preliminary MRS fiscal info Admin costs: can be absorbed	
1203	885	4/13		Fay	An Act To Amend the Application of the Excise Tax on Noncommercial Watercraft Temporarily in the State	<p><u>CURRENT LAW:</u> Exempts from watercraft excise tax: 1. <u>commercial watercraft</u> without an established base of operations in the State and 2. all <u>other watercraft that are not present</u> in the state for <u>more than 75 days during the year.</u></p> <p>This bill <u>reduces from 75 days to 28 days the length of time noncommercial vessels may be in Maine without being subject to the watercraft excise tax.</u></p>			

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1216	494	4/13		Terry	An Act To Amend the State Tax Laws	<p><u>ANNUAL BILL SUBMITTED BY DAFS/MRS:</u></p> <p><u>Part A makes changes to the insurance premiums and income tax law. Part A:</u></p> <ol style="list-style-type: none"> 1. Changes the due dates for community colleges, colleges and universities, Department of Education and Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy reports on the implementation of the educational opportunity tax credit from February 1, 2021, for the colleges, and March 1, 2021, for the Department of Education and Office of Tax Policy, to February 1, 2022; 2. Repeals the requirement that remaining funds in the Medical Use of Marijuana Fund be used to fund the cost of the INCOME tax deductions provided pursuant to the Maine Revised Statutes, Title 36, section 5122, subsection 2, paragraph PP and Title 36, section 5200-A, subsection 2, paragraph BB and the cost of the position in the Department of Administrative and Financial Services, Bureau of Revenue Services to administer the tax deductions; 3. Expands the so-called Maine insurance premiums retaliatory tax to include insurance companies incorporated in the District of Columbia or a possession of the United States; 4. Clarifies that the Maine reporting and tax payment requirements related to federal partnership adjustments under the new federal centralized partnership audit rules includes negative federal adjustments arising from Internal Revenue Service partnership audits and administrative adjustment requests filed with the Internal Revenue Service, and amends the requirements to allow a refund directly to the partnership in lieu of a refund to the affected partners to the extent that negative adjustments exceed positive adjustments; 5. Clarifies that the Maine reporting and tax payment requirements related to federal partnership adjustments under the new federal partnership audit rules also apply to a partnership that has filed an administrative 			

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						<p>adjustment request with the federal Internal Revenue Service;</p> <p>6. Establishes a penalty for persons who fail to provide returns of information to the State Tax Assessor or who willfully furnish to the assessor a false or fraudulent return of information. Generally, returns of information consist of Forms W-2, Forms 1099 and other similar forms containing tax information necessary for filing Maine tax returns. Similar to the penalty imposed for failure to provide information statements, or for willfully providing a false or fraudulent statement to payees, the penalty is \$50 for each failure to provide a return of information to the State Tax Assessor. The penalty applies to returns of information required to be filed on or after January 31, 2022;</p> <p>7. Makes the following changes to the renewable chemicals tax credits: A. Adds taxpayer information reporting and 3rd-party testing and verification credit requirements, to be specified by rules of the State Tax Assessor; B. Clarifies that the renewable chemicals may not be sold as food, feed or fuel and that they must be produced in Maine; and C. Modifies the February 1, 2024 report on the renewable chemicals tax credit issued by the Department of Economic and Community Development to remove required reporting on the number of indirect jobs created and to include reporting on the newly reinstated credit for biofuel commercial production and commercial use under Title 36, section 5219-X.</p> <p><u>Part B makes changes to the sales tax law</u>, applicable to sales occurring on or after January 1, 2022. Part B:</p> <p>1. Clarifies that the Title 36, Part 3 definition of "in this State" includes sales of tangible personal property and taxable services sourced in this State pursuant to Title 36, section 1819;</p> <p>2. Repeals the presumptive sales and use tax registrations requirements for affiliate-based and certain agent-based connections with the State;</p>			

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						<p>3. Corrects a conflict created when 2 different public laws enacted the same section of law and:</p> <p>A. Clarifies that the remote seller and marketplace registration requirements apply based on sales in this State and not the location from which they are delivered;</p> <p>B. Repeals the remote seller and marketplace facilitator sales and use tax registration requirement for persons or marketplace facilitators, respectively, with at least 200 separate sales transactions in the State; and</p> <p>C. Clarifies the agent, representative, salesperson, solicitor or distributor registration requirements by removing the redundant term "storage"; and</p> <p>4. Expands the sales and use tax sourcing provision to apply to all sales and not just retail sales.</p> <p><u>Part C makes changes to the property tax law. Part C:</u></p> <p>1. Lowers the declared ratio accuracy threshold from within 20% to within 10% of the state valuation ratio last determined to align with the accuracy requirement provided for state reimbursement for the homestead exemption; and</p> <p>2. Updates and aligns the audit authority for exemptions that are reimbursed by the State to municipalities, allowing for the audit of all reimbursable exemptions.</p> <p><u>Part D makes the following updates to respond to certain COVID-19 impacts and is effective when approved. Part D:</u></p> <p>1. Aligns the Title 36 definitions of "disaster period" with the Title 10, section 9902 definition;</p> <p>2. Relaxes the "work in Maine" requirement of the educational opportunity tax credit by deeming a qualified individual who worked in this State immediately prior to, or at any point during, the state of emergency declared by the Governor due to the COVID-19 pandemic to have worked in this State for the entire state of emergency;</p>			

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						<p>3. Relaxes the primary use requirement of the sales tax exemption for machinery and equipment by determining the equipment's primary use based only on the days in use; and</p> <p>4. Allows taxpayers to use the sourcing law of another jurisdiction when calculating the credit for income tax paid to other jurisdictions in certain COVID-19 pandemic-related teleworking circumstances.</p> <p><u>Part E clarifies and simplifies the corporate income tax law by establishing clearly defined, objective nexus thresholds as a practical structure for the current general "economic nexus" standard.</u> These so-called factor presence thresholds clarify the minimum thresholds that, when exceeded by a corporation, subject that corporation to the Maine corporate income tax. In addition, the new thresholds create a safe harbor for corporations with little activity within the State that nonetheless have nexus under current law due to a small, but greater than de minimis, physical presence in the State. The new thresholds are \$250,000 of property, \$250,000 in payroll or \$500,000 in sales in Maine, or 25% of total property, payroll or sales in Maine, as determined under Title 36, chapter 821. The thresholds apply to tax years beginning on or after January 1, 2022.</p> <p><u>Part F updates, clarifies and simplifies the service provider tax law regarding consumer purchases of digital media</u> by equalizing the tax treatment between the various modes of purchase for sales occurring on or after October 1, 2021.</p> <p><u>MRS has proposed amendment.</u></p>			