



125th MAINE LEGISLATURE

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Legislative Document

No. 623

S.P. 204

In Senate, February 17, 2011

**An Act To Reestablish the Municipal Revenue Sharing Program as
a Compact between the State and Municipal Governments**

Reference to the Committee on Taxation suggested and ordered printed.

Joseph G. Carleton Jr.

JOSEPH G. CARLETON, JR.
Secretary of the Senate

Presented by Senator SAVIELLO of Franklin.

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

2 **Sec. 1. 5 MRSA §13090-K, sub-§2**, as enacted by PL 2001, c. 439, Pt. UUUU,
3 §1, is amended to read:

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

19 **Sec. 2. 21-A MRSA §1124, sub-§2, ¶B**, as amended by PL 2007, c. 443, Pt. B,
20 §4, is further amended to read:

21 B. Two million dollars of the revenues from the taxes imposed under Title 36, Parts
22 3 and 8 and credited to the General Fund, transferred to the fund by the State
23 Controller on or before January 1st of each year, beginning January 1, 1999. These
24 revenues must be offset in an equitable manner by an equivalent reduction within the
25 administrative divisions of the legislative branch and executive branch agencies.
26 This section may not affect the funds distributed to the Irrevocable Local
27 Government Trust Fund under Title 30-A, section 5681.

28 **Sec. 3. 23 MRSA §4210-B, sub-§7**, as enacted by PL 2007, c. 677, §1, is
29 amended to read:

30 **7. Sales tax revenue.** Beginning July 1, 2009 and every July 1st thereafter, the State
31 Controller shall transfer to the STAR Transportation Fund an amount, as certified by the
32 State Tax Assessor, that is equivalent to 50% of the revenue from the tax imposed on the
33 value of rental for a period of less than one year of an automobile pursuant to Title 36,
34 section 1811 for the first 6 months of the prior fiscal year after the reduction for the
35 transfer to the Irrevocable Local Government Trust Fund under Title 30-A, section 5681,
36 subsection 5. Beginning on October 1, 2009 and every October 1st thereafter, the State
37 Controller shall transfer to the STAR Transportation Fund an amount, as certified by the
38 State Tax Assessor, that is equivalent to 50% of the revenue from the tax imposed on the
39 value of rental for a period of less than one year of an automobile pursuant to Title 36,
40 section 1811 for the last 6 months of the prior fiscal year after the reduction for the
41 transfer to the Irrevocable Local Government Trust Fund. The tax amount must be based
42 on actual sales for that fiscal year and may not consider any accruals that may be required

1 by law. The amount transferred from General Fund sales and use tax revenues does not
2 affect the calculation for the transfer to the Irrevocable Local Government Trust Fund.

3 **Sec. 4. 30-A MRSA §5681, sub-§1**, as enacted by PL 1987, c. 737, Pt. A, §2 and
4 Pt. C, §106 and amended by PL 1989, c. 6; c. 9, §2; and c. 104, Pt. C, §§8 and 10, is
5 further amended to read:

6 **1. Findings and purpose.** The Legislature finds that:

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

9 B. To stabilize the municipal property tax burden and to aid in financing all
10 municipal services, it is necessary to provide funds from the broad-based taxes of
11 State Government; ~~and~~

12 C. Actions of the Legislature that prevent these necessary funds from being used for
13 their established purpose have the effect of raising property taxes, rather than broad-
14 based taxes, to balance the budget of State Government.

15 **Sec. 5. 30-A MRSA §5681, sub-§3**, as amended by PL 2009, c. 213, Pt. S, §3
16 and affected by §16, is further amended to read:

17 **3. Revenue-sharing funds.** To strengthen the state-municipal fiscal relationship
18 pursuant to the findings and objectives of subsection 1, there is established the
19 Irrevocable Local Government Trust Fund-, referred to in this section as "the trust fund."
20 To provide additional support for municipalities experiencing a higher-than-average
21 property tax burden, there is established the Disproportionate Tax Burden Fund.

22 A. The trust fund is established to create a stable source of revenue-sharing funds for
23 local governments. Funds transferred to the trust fund must be held in trust for the
24 exclusive purpose of providing revenues to aid local governments and may not be
25 encumbered for, or diverted to, other purposes.

26 B. The Treasurer of State, the State Controller, the Attorney General and a
27 representative of a municipal government appointed by the Governor from a list of
28 nominees provided by an association representing municipal governments serve as
29 trustees of the trust fund.

30 C. The trustees of the trust fund shall jointly make the final decision on all matters
31 pertaining to the management and administration of the trust fund.

32 D. The trustees of the trust fund shall make a written report regarding the status of
33 the trust fund and any other matters relating to the trust fund to the joint standing
34 committee of the Legislature having jurisdiction over appropriations and financial
35 affairs on or before March 1st of each year.

36 **Sec. 6. 30-A MRSA §5681, sub-§4-A**, as enacted by PL 1999, c. 731, Pt. U, §4,
37 is amended to read:

38 **4-A. Distribution of trust fund.** The Treasurer of State shall transfer the balance in
39 the ~~Local Government Fund~~ trust fund on the 20th day of each month. Money in the

1 ~~Local Government Fund trust fund~~ must be distributed to each municipality in proportion
2 to the product of the population of the municipality multiplied by the property tax burden
3 of the municipality.

4 **Sec. 7. 30-A MRSA §5681, sub-§5**, as amended by PL 2009, c. 213, Pt. S, §4
5 and affected by §16, is further amended to read:

6 **5. Transfers to funds.** No later than the 10th day of each month, the State
7 Controller shall transfer to the ~~Local Government Fund trust fund~~ 5% of the receipts
8 during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title
9 36, section 2552, subsection 1, paragraphs A to F and L, and credited to the General Fund
10 without any reduction, except that the postage, state cost allocation program and
11 programming costs of administering state-municipal revenue sharing may be paid by the
12 ~~Local Government Fund trust fund~~. A percentage share of the amounts transferred to the
13 ~~Local Government Fund trust fund~~ each month must be transferred to the
14 Disproportionate Tax Burden Fund and distributed pursuant to subsection 4-B as follows:

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

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

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

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

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

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

21 **Sec. 8. 36 MRSA §1815, sub-§2**, as enacted by PL 1999, c. 477, §1, is amended
22 to read:

23 **2. Monthly transfer.** By the 20th day of each month, the assessor shall notify the
24 State Controller and the Treasurer of State of the amount of revenue attributable to the tax
25 collected under this Part in the previous month on sales occurring on the Passamaquoddy
26 reservation at either Pleasant Point or Indian Township reduced by the transfer to the
27 Irrevocable Local Government Trust Fund required by Title 30-A, section 5681. When
28 notified by the assessor, the State Controller shall transfer that amount to the
29 Passamaquoddy Sales Tax Fund.

30 **Sec. 9. 36 MRSA §2559**, as amended by PL 2009, c. 213, Pt. S, §13 and affected
31 by §16, is further amended to read:

32 **§2559. Application of revenues**

33 Revenues derived by the tax imposed by this chapter must be credited to a General
34 Fund suspense account. On or before the last day of each month, the State Controller
35 shall transfer a percentage of the revenues received by the State Tax Assessor during the
36 preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A
37 to F and L to the Irrevocable Local Government Trust Fund as provided by Title 30-A,
38 section 5681, subsection 5. The balance remaining in the General Fund suspense account
39 must be transferred to service provider tax General Fund revenue. On or before the 15th

1 day of each month, the State Controller shall transfer all revenues received by the
2 assessor during the preceding month pursuant to the tax imposed by section 2552,
3 subsection 1, paragraphs G to J to the Medical Care Services Other Special Revenue
4 Funds account, the Other Special Revenue Funds Mental Health Services - Community
5 Medicaid program, the Medicaid Services - Mental Retardation program and the Office
6 of Substance Abuse - Medicaid Seed program within the Department of Health and
7 Human Services.

8

SUMMARY

9 This bill restructures the Local Government Fund, which is the depository of the
10 state-municipal revenue-sharing resources, as an irrevocable trust, and renames it the
11 Irrevocable Local Government Trust Fund.