

Hearing Held on “Committee Bill” Imposing New Fees on Municipalities

The Environment and Natural Resources Committee (ENR) held a day-long public hearing Wednesday this week on a bill that at its centerpiece would levy a new \$1 per ton fee on all the “Municipal Solid Waste” (or “MSW”) either disposed or received for processing, composting or other treatment at a commercial, municipal, regional association or state-owned solid waste disposal facility, solid waste processing facility, incineration facility or landfill. By the terms of the bill, the revenue annually generated by the new fees – somewhere between \$500,000 and \$800,000 – would be dedicated to a set of interrelated programs administered by the Department of Environmental Protection (DEP). The programs are designed to incentivize the establishment or expansion of composting or recycling programs, broadly defined.

LD 1578, *An Act to Update Maine’s Solid Waste Management Laws*, is different from most bills taken up by a legislative committee to review because this bill was written by the ENR Committee itself. As a consequence, it is a bill that presumably has some traction in the Legislature right from the jump. LD 1578 is also something of an “omnibus” bill that contains a number of elements that are not closely related to its centerpiece regarding the newly imposed solid waste fees and associated composting programs. As an example, the bill begins by establishing a comprehensive small battery “product stewardship” program. Another element of the bill directs the DEP to relax the standards applying to the allowable level of arsenic-treated wood in processed construction and demolition debris wood fuel. Yet another section of the bill sweeps Maine-produced cider and

blueberry juice containers back into the state’s bottle bill law after they somehow escaped the five cent returnable requirement through a regulatory, rather than statutory, action.

A more complete summary of the bill is provided in a side bar to this article.

Thirty people provided testimony to the Committee at Wednesday’s hearing, with about one-third in support, one-third in opposition and one-third “neither for nor against”. The disparate elements of the bill seemed to encourage a “neither for nor against” position or, more accurately, a “both for and against” approach. For a number of those testifying there were elements of the bill to strongly support and other elements of the same bill to strongly oppose.

The focus of this article is on the testimony provided on the elements of

LD 1578 that imposed the new fees on the towns and cities and the various composting incentive programs that would be initiated with that revenue.

Supporters. Two of the state’s waste-to-energy facilities – ecomaine in Portland and the Mid Maine Waste Action Corporation in Auburn – testified in support of these elements of LD 1578, as long as the bill was amended to impose the new solid waste fees only on those municipalities (and other trash haulers) using landfills and not on the municipalities and private haulers using their incinerators. Two private companies that operate operating composting or “organics recovery” operations (i.e., the anaerobic digester located in Exeter) were similarly supportive of the legislation, also with the request that the new fees not be applied

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Election Bill About-Face

Proposed floor amendment would strike the single most important municipal provision

The Jan. 15 edition of the Legislative Bulletin carried an article on an “omnibus” bill that would implement a series of changes to the laws governing how elections are conducted.

From the municipal perspective, the most important section of LD 1484, *An Act Regarding the Election Laws*, is Section 30 of the bill. Section 30 expands the number of days immediately preceding an election during which absentee ballots can be processed by the election clerks. Current law allows for the processing of absentee ballots one day before election

day. Under LD 1494, the time frame would be extended to four days (i.e., the Friday before election day, although no ballot processing could be conducted on Sundays).

In anticipation of the upcoming election in 2016, which is expected to involve a record-breaking voter turnout, the Maine Town and City Clerks Association has given this proposal top priority ever since the last presidential election in 2012. The election clerks, especially in high volume voting districts, need the extra time. With

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to each ton of municipal solid waste they process. For these two components of the overall solid waste management industry, waste-to-energy facilities and commercial composters, only the municipalities and other entities using landfills should be required to pay the fees because landfilling is at the bottom of the state’s “solid waste hierarchy”. Their theory is that negative impacts of the new fees should be applied only to landfills in order to change the alleged “too-quick-to-landfill” behavior of municipal landfill users.

The Natural Resources Council of Maine and a citizen of Hampden also testified in support of these elements of LD 1578.

Opponents. Testifying in opposition to these elements of the bill were MMA, the Maine Grocers and Food Producers Association, the Maine Innkeepers Association and the Maine Restaurant Association. From the “neither for nor against” corner, both Waste Management’s Cross-road landfill in Norridgewock and Casella Waste Systems, which manages the state-owned Juniper Ridge landfill in Old Town, testified against the fee proposal if the Committee intended to accede to the requests of the waste-to-energy facilities and commercial composters and target the new fees only to landfills and no other solid waste disposal or processing companies in the industry.

The concern of the innkeepers, restaurants and grocery stores was focused on the part of LD 1587 that would mandate large quantity commercial food generators to have their food waste composted (or otherwise “recovered”) as long as a suitable organics recovery facility to accept their waste was located within 20 miles. The proposal raised a number of questions and concerns about its implementation, but the central claim in opposition is that there are economic-based disincentives to simply landfilling large quantities of food waste. The testimony was that the “large generators” made subject to the mandate are, in large part, already responsibly managing their food waste through composting, contributing to the anaerobic digesters that are in place or coming on line, providing feed products to area farms, providing usable food products

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LD 1578 – An Act To Update Maine’s Solid Waste Management Laws.

This bill makes a number of substantial changes to the state’s solid waste management policies. Among its several elements, the bill:

- Establishes the Maine Composting and Recycling Grant and Low-interest Loan Program. Administered by the Department of Environmental Protection (DEP), this program provides grant and loan funds to municipalities and other public and private entities submitting a proposal or plan that will be likely to increase composting or recycling rates within a community, municipality or region. Those programs include establishing or providing the infrastructure for municipal or regional composting or recycling programs, establishing or supporting residential composting programs, supporting business models designed to collect, transport or processing compostable or recyclable materials, supporting pilot programs designed to evaluate the feasibility of targeted composting/recycling programs and advancing composting/recycling educational programs. The DEP could expend up to 25% of the available revenue for program administration purposes.

- Capitalizes the Maine Composting and Recycling Grant and Low-interest Loan Program by repealing and replacing the fee system that applies to the landfilling of Municipal Solid Waste (MSW), which is currently \$2/ton but has a very limited application. From the time the solid waste fee system was first established in 1989, no surcharges of any amount have been applied to the landfilling of solid waste in municipally-owned landfills. For the last 17 years, the surcharge for landfilling MSW at commercial landfills has only applied to out-of-state and “spot market” disposal.

This bill repeals the current fee and imposes instead a \$1/ton fee to the disposal of all MSW at any landfill in the state regardless of ownership and regardless of contract. The proposal also imposes a new \$1/ton fee on the delivery of all MSW to any waste-to-energy incinerators or other disposal, processing or composting facility.

To avoid fee pyramiding, the bill repeals the current \$1/ton fee applied to the landfilling of MSW ash generated by waste-to-energy facilities as well as the \$1/ton fee applied to the disposal of “front end process residue,” which is non-burnable solid waste (glass, metal, etc.) shaken out of raw solid waste prior to incineration at the PERC facility in Orrington.

The net new state revenue generated by the changes in fee schedule is approximately \$500,000 per year.

- Phases in a food waste disposal ban for “Large Quantity Generators”. Similar in nature to the food waste disposal bans established in some other New England states (e.g., Connecticut, Massachusetts and Vermont), “large quantity” commercial food waste generators (including food wholesalers, food processors, grocery stores, restaurants, hospitals, educational institutions, supermarkets, etc.) that generate 1 ton or more per week of food wastes would be required by Jan. 1, 2020 to deliver their food wastes to a composting facility for processing. The requirement would not be enforced unless there is a composting facility with capacity within 20 miles of the facility. Large-quantity generators who find it financially difficult to comply with the requirement could seek a loan or grant through the *Maine Composting and Recycling Grant and Low-interest Loan Program*, and potentially obtain a waiver from the requirement if a suitable loan or grant is not available.

- Directs the DEP to implement a composting pilot program. Under this program, the DEP is directed to invite municipalities, educational institutions, correctional institutions, hospitals and commercial restaurants to participate in a pilot program, with financial incentives provided from the *Maine Composting and Recycling Grant and Low-interest Loan Program*. Qualified participants would be selected to develop and implement a food waste composting program, with a primary purpose of collecting data on the amount of food waste diverted from the MSW stream.

- Establishes a new schedule for the state to recycle or compost 50% of the municipal solid waste tonnage. When the 50% goal was first established in law in 1989, the schedule was to meet that recycling rate by January 1, 1994. Current law schedules the date of compliance with Jan. 1, 2014. This bill advances the compliance deadline to Jan. 1, 2021.

- Implements a product stewardship program for small batteries, similar in design to the paint stewardship program, which would provide an opportunity for a battery stewardship organization to submit a plan to the DEP for a manufacturer-supported battery collection, transportation and recycling program. On and after July 1, 2017, and upon the plan’s acceptance by the DEP, the bill would prohibit a manufacturer, distributor, wholesaler or retailer of small batteries from selling, offering for sale or distributing small batteries and products containing small batteries unless the producer of the product has joined in or is directly providing a DEP-approved battery stewardship program.

“Committee Bill” (cont’d)

to homeless shelters, etc.

MMA’s 70-member Legislative Policy Committee voted unanimously to oppose LD 1578 at its meeting in late January. At the time, the small battery stewardship program was not available for review, so no MMA position was advanced with respect to that component of the legislation.

The focus of municipal concern is the core financial element of the bill, which has the state government imposing a fee largely on municipal government (and the property taxpayers who support municipal government) in order to advance another chapter in the solid waste management mandate first imposed on Maine’s towns and cities by the original Maine Waste Management Act of 1973.

LD 1578 advances a “Rob Peter to Pay Paul” concept, where the towns and cities will get taxed in order to generate revenue to distribute to the universe of players within the solid waste management industry with the hope of incentivizing composting. The idea of advancing this state government proposal using state government General Fund resources rather than local government resources doesn’t seem to register as a viable or even coherent concept among the Committee members. Sticking a small siphon into the good-old and ever-dependable property tax is the appropriate way to capitalize composting incentives from the Committee’s perspective.

MMA reminded the Committee that the municipal revenue sharing program, which was designed as a way for the state to financially assist with the municipal mandates it imposes, has just been whacked in a semi-permanent way by the Legislature, gutted to the tune of over

\$100 million each year. MMA reminded the Committee that the fee programs developed in the past and designed to financially assist in the management of difficult-to-manage solid wastes drifted away shortly after their creation. Many of the fees are still in place to finance the solid waste operations at the DEP, but the financial assistance programs to the municipalities actually managing the solid waste and recycling efforts have disappeared.

Because LD 1578 is a bill authored by the ENR Committee, it obviously has some level of support within the Legislature. There is no doubt that the Committee will be making amendments to the bill during upcoming work sessions, but the bill in some form will be sent to the full Legislature with a positive Committee report. Municipal officials concerned about having to now budget for a new state-imposed solid waste fee should be talking to their legislators immediately.

Election Bill (cont’d)

the big increase in absentee voting, it is almost as simple as that. Because it is extremely important this measure is enacted to provide some relief to the crush of election day responsibilities, MMA’s Legislative Policy Committee also voted to strongly support LD 1484, despite some misgivings about other elements of the bill. Measures that help with the more efficient management of any unfunded state mandate, like the municipal obligation to conduct state government elections, carries a lot of sway with MMA’s Policy Committee.

Over two weeks ago, the Veterans and Legal Affairs Committee gave a unanimous thumbs up to LD 1484, including Section 30’s extension to the absentee ballot processing timeframe.

The Committee’s support of the measure goes even deeper than that. The same Veterans and Legal Affairs Committee unanimously endorsed the Section 30 proposal a year ago as well, when it endorsed a similar omnibus election bill presented last year (LD 1335). Despite the Committee’s positive report, that bill was successfully vetoed by the Governor which prompted its re-submission this year.

The Governor’s veto message on LD 1335 did not contain any specific objection to the section of that bill that authorized more time for the clerks to process absentee ballots.

Against that background, it is unclear why a proposed amendment has now been positioned to amend LD 1484 on the floor of the Senate next week to do only one thing, which is to strike Section 30 from the bill to prevent the municipal clerks

from having any more time prior to election day to process absentee ballots.

Sen. Scott Cyrway (Kennebec Cty.) is the Senate Chair of the Veterans and Legal Affairs Committee which unanimously supported this proposal in both 2015 and 2016. That the amendment now positioned to strike Section 30 is sponsored by Sen. Cyrway suggests that some Senators are now expressing concern with this proposal that has for two years received absolutely no objection from any quarter.

The best we can tell, the objection from some Senator or Senators is that the additional timeframe within which to process absentee ballots will allow the actual voting information to be leaked out by the clerks and influence the voting that occurs on election day.

That suggestion is quite a slap in the face to the municipal election officials who have been processing absentee ballots the day before election day for the last eight years without any “leaks.” If that is the objection, it also represents a misunderstanding about the pre-election absentee ballot process itself, which does not provide for the actual tallying of the votes taken. Rather, it merely allows the voting machines to be loaded with the ballots in advance without tabulation.

Municipal election officials who were expecting a legislative response to the problems they are increasingly experiencing with the crush of election day, and other municipal officials who would like a little assistance from the Legislature in better managing state mandates, should be asking their legislators what is behind such a surprising about-face in LD 1484.

Legislative Bulletin

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Improving the Quality of Maine Teachers

On Wednesday of this week, the Education Committee held a work session on LD 1370, *An Act To Improve the Quality of Teachers*. Introduced late in the first session in 2015, LD 1370 was carried over into the second session to provide interested parties with the time necessary to rework the bill.

As proposed to be amended by the bill's lead sponsor, Sen. Rebecca Millett (Cumberland Cty.), LD 1370 creates more stringent educational standards that must be met in the process of obtaining a certificate to teach in Maine public schools. The end goal is to improve the quality of Maine teachers by requiring that:

- An applicant for a teaching certificate obtain at least 15 weeks of in-classroom experience, as is the case now, as well as 90 hours of practicum. As defined in the amended version of LD 1370, "practicum" includes "*activities for direct student engagement included but not limited to, tutoring, planning and implementing lesson plans, or otherwise directly interacting with student on an individual basis or in a group setting*";
- A student enrolled in a college teaching program maintain a grade point average of at least 3.0 on a 4.0 scale;
- During each year of a provisional teacher's probation period the school system observe at least four classes and provide ongoing instructive feedback throughout the school year;
- The minimum annual teacher salary increase to \$40,000 on July 1, 2017; and
- The Department of Education identify all public school systems that do not currently provide minimum salaries of at least that amount and to supplement those school systems' General Purpose Aid for Local Schools distribution with the necessary resources to meet the minimum pay standard.

At Wednesday's work session on LD 1370, members of the Education Committee voted along party lines (7 to 6) in support of the amended bill. LD 1370 will now make its way between the House and Senate. If ultimately enacted, the bill will be sent to Governor LePage's desk for his consideration.

Because the bill was introduced late last session, MMA staff had not received the municipal input necessary to participate during the bill's May 6, 2015 public hearing. Taking into consideration the decrease in state aid for education scheduled to take place as of July 1, 2016 for over 100 school districts, municipal officials are now raising concerns with the cost-related impacts of LD 1370, both initially and over time, when the Legislature's support is pulled back (as has occurred previously) and when

the ripple effects of pushing minimum salaries are fully implemented.

Clearly, municipal officials believe that staffing Maine's schools with quality teachers is an important goal. However, they also believe that the state's first K-12 related priority should be honoring its financial obligations to Maine's school districts. Before establishing new goals and mandates, the Legislature should utilize available resources to advance the state closer to its 55% school funding obligation established by Maine's voters.

Expedited Land Use Appeals

Last year, MMA's Legislative Policy Committee supported LD 775, *An Act To Streamline Judicial Review of Certain Land Use Decisions*, which was subsequently carried over to the current legislative session.

As originally fleshed out, LD 775 would have allowed for direct appeals of municipal land use decisions to Maine's Supreme Court, bypassing the Superior Court level where initial appeals are currently heard. After the judicial branch objected to making the Supreme Court the state's only appellate court for these types of cases, LD 775 was carried-over to allow the primary proponent, the Maine Real Estate and Development Association (MEREDA), to work out an agreement with the courts. Their compromise amendment received a near-unanimous vote of support from the Legislature's Judiciary Committee on Tuesday this week.

The approved amendment will still keep the initial appeal of municipal land use permitting decisions at the Superior Court level, but at the request of either the plaintiffs or defendants such appeals could automatically be moved to the Superior Court's "Business and Consumer Court" (Business Court). The Business Court is a statewide docket that exists to expedite decisions on certain business and consumer disputes. MEREDA and the judicial branch believe this amend-

ment will help streamline appeals without potentially flooding the Supreme Court's own docket.

Municipal officials throughout Maine, and especially in highly developed communities, have seen viable development proposals stall or fail due to years of appeals over permitting decisions. MEREDA claims these appeals can have a significant impact on Maine's economy, often lasting as long as four years. The Business Court, on the other hand, aims to issue opinions within ten months of receiving a case.

The Committee's discussion prior to the vote was relatively brief. One aspect of the amendment will reduce the amount of time, from forty to thirty-five days, municipalities have to provide the court with a complete record of local-level hearings and decisions relevant to the case. The trade-off for this expedited municipal production time frame would be reimbursement, provided by the plaintiffs, to the municipality to cover the cost of producing the record. Sen. Chris Johnson (Lincoln Cty.) was not comfortable requiring the plaintiffs to compensate municipalities for the cost of assembling the record for judicial review, so he voted to remove the reimbursement clause. The remaining members of the Judiciary Committee supported the compromise amendment including the reimbursement provision.

Opening Up Law Enforcement Mutual Aid

For at least a century, municipalities have partnered with each other on matters of law enforcement, often assisting their county sheriff counterparts as well. It would seem to make abundant sense for the state to encourage effective local enforcement of its laws. Yet a recent dismissal of evidence presented to a York County court has called into question longstanding interlocal law enforcement agreements. The claim by the judge, and backed up by the Attorney General's Office, is that existing laws that allow law enforcement officers to be deputized to serve in neighboring municipal or county-wide jurisdictions only authorize police officers to arrest outside of their municipal boundaries. Non-arrest activities by the deputized police officers, such as preliminary investigations or interventions, are not deputizable under statute, or at best only during emergency situations. For this reason and others, Rep. Martin Grohman of Biddeford sponsored LD 1516, *An Act To Allow School Resource Officers To Have Jurisdiction at Off-site Events*.

At the public hearing before the Criminal Justice Committee on Feb. 10, no one spoke in opposition and seven people testified in support of the legislation. As the title implies, the genesis of this bill was a concern on the part of Biddeford High School Principal that School Resource Officers, who are local police officers, would not have authority to act in school-related activities which take place outside of their school's municipality. The Principal described a prom incident that in his view could

have been more easily de-escalated by the resource officer who was personally familiar with the student involved, rather than the out-of-town officer called upon to address the situation. The Principal asked for the legislation in order to be able to better address any off-campus events in the future.

As presented to the Committee, LD 1516 attempts to address the broader extra-jurisdictional issue cited by the Assistant Attorney General by adding language to the statute governing giving "aid to other law enforcement agencies" to explicitly allow municipal officers and county sheriffs to craft mutual-aid agreements that spell out the purposes of the arrangement and liability responsibilities. In addition to Rep. Grohman and the Principal, York County's Deputy Sheriff, Sagadahoc County's Sheriff, the Maine Chiefs of Police Association, and the Criminal Law Advisory Commission (CLAC) all testified in favor of the amended legislation. Each entity provided examples of how this bill could be helpful. In the proponents' view, the bottom-line reason seems almost to be a matter of housekeeping. As CLAC described the situation, the law governing the sheriffs' "special deputies" has changed but the law enforcement practices at the local and county levels have not kept up.

This proposed change in the law surprised many members of MMA's Legislative Policy Committee who were of the belief that full law enforcement cooperation was permissible when authorized by the police chiefs and sheriffs.

At the Committee's work session on Wednesday of this week, Cumberland County Sheriff Kevin Joyce acknowledged his county's own attorneys, who had previously drafted Memoranda of Understanding between Cumberland County and various municipalities, shared that same impression.

Yet Assistant Attorney General Brian MacMaster, the chief of the AG's investigation division, walked through various sections of municipal law, explained the previously unrecognized limitations in the various types of jurisdiction conferred by each section. Waldo County's Sheriff Jeffrey Trafton also provided testimony regarding his need for teams of officers who can respond more promptly to incidents when the county law enforcement may be further away than the local officers. In one example, he explained how a Belfast detective's investigation of a string of commercial burglaries seemed unnecessarily confined to that city when additional incidents and evidence were located in surrounding towns. For these reasons and others, AAG MacMaster helped Rep. Grohman draft LD 1516 in a way that resolves these issues.

After this discussion, the need for this legislation became more clear. With a minor amendment suggested by Senator David Burns (Washington Cty.) to help better define the duration of deputized officers' extra-municipal jurisdiction, the bill received a unanimous vote of the Committee members present in favor of passage.

Conforming & Decoupling Maine's Income Tax Code – Part II

Last week, the members of the House of Representatives voted along party lines with the Democrat majority supporting an amended version of LD 1564, *An Act To Update References to the United States Internal Revenue Code of 1986 Contained in the Maine Revised Statutes*. The margin was 79 to 67. LD 1564, originally vetted by the members of the Taxation Committee, is the second measure placed before the Legislature seeking to marry Maine's tax code with the most recently amended federal income tax code. Another conformity bill, LD 1583, *An Act To Provide for Tax Conformity and Funding Methods*, was reported out of the Appropriations Committee and has been tabled in the Senate since February 9. That bill was described in the February 5, 2016 edition of the Legislative Bulletin.

Although LD 1564 is also tabled in the Senate, it is expected that this bill – LD 1564 – will serve as the vehicle for achieving so-called tax conformity with federal codes, rather than LD 1583.

There are two amended versions of LD 1564 in play. It is fair to say that Republicans in the State House are supporting the Taxation Committee's majority report. The Democrats in the State House support the version of the bill adopted in the House.

Conformity Plan Similarities.

Although there are significant differences between the two proposed federal tax conformity plans, there are many similarities. Both proposals extend federally authorized teacher "out of pocket" expenses, tuition, and mortgage insurance premium deductions to Maine income tax filers. As a result, teachers, students, parents of students and some Maine homeowners will be able to reduce both their federal and state income tax liability.

Conformity Plan Differences. The difference between the plans are focused on two elements of the federal tax code regarding business investment deduction opportunities. Another conspicuous difference is that one plan includes a proposed FY 2017 supplemental ap-

propriation to the state's contribution to the costs of K-12 education.

1. Section 168 – Federal Bonus Depreciation Deduction. As provided under Section 168 of the federal tax code, qualifying income tax filers can accelerate the allowed depreciation of newly installed business equipment to 50% of the value in the first year of investment. This provision of federal tax code allows an investor to exhaust that depreciation benefit in one tax year, rather than over time.

In Maine, instead of providing for an exactly parallel *deduction* in taxable income, participants in the federal bonus depreciation program are provided an income tax *credit* against actual tax liability under the Maine Capital Investment Credit. The credit is nonrefundable, meaning that if the value of the credit is greater than the taxes owed, a refund is not issued. Instead, the value of the unused credit is carried over and applied in the following tax years, over a 20 year period or until finally exhausted. As provided in the Maine code, that tax credit is equal to a percentage of the net increase in the depreciation deduction reported on federal returns. The Maine tax credit is 9% for corporate filers and 8% for individual filers.

Plan Differences re Sec. 168. Since Maine's approach differs from federal bonus depreciation deduction, Maine's tax code is nonconforming. As a result, the Maine code must "decouple" from the federal code, to which it otherwise generally conforms. Although both versions of LD 1564 decouple Maine from the federal bonus depreciation benefit, the Republican approach extends the benefit provided under the Maine Capital Investment Credit indefinitely into the future. The approach backed by the Democrats extends the benefit to tax year 2015 only, which pertains to the current (2016) filing year. In the Democrats' plan the decision to extend the credit in Maine income tax year 2016 and beyond is left to the next Legislature.

2. Section 179 – Federal Expensing Deductions. Under Section 179 of the

federal tax code, filers can deduct from their income subject to taxation the value of recently purchased new or used equipment up to a cap of \$500,000 of value. In the second year out, the normal depreciation related to federal tax deductions are available for the remainder of the property's life. Investors installing new equipment are eligible for either the Section 168 deduction described above or a Section 179 deduction, but not both. Entities installing used equipment are only eligible for the capped deduction provided under Section 179.

Although the state's income tax code allows investors to deduct the value of federal Section 179 investments on state income tax forms, the deduction in current law is capped at \$108,000, rather than \$500,000.

Plan Differences re Sec. 179. The tax conformity plan supported in the Republicans' plan fully conforms with federal income tax provisions. Under this approach, Maine income tax investment deduction is also capped at \$500,000. The Democrats' approach decouples from the federal deduction and provides Maine filers an income tax investment deduction at the currently capped \$108,000 level.

3. FY2017 Supplemental School Aid. The version of LD 1564 supported in the House also includes a \$23.1 million appropriation for K-12 education for FY 2017. The appropriation offsets the losses that will otherwise be experienced by 129 school districts across the state, and all their participating municipalities, if additional General Fund revenues are not appropriated for the upcoming fiscal year.

Although the annually submitted federal income tax conformity bill normally focuses solely on income tax codes, this is not a typical year. Since the Governor apparently will not advance a supplemental state budget for the Legislature's consideration, any new funding initiatives must be adopted on a case-by-case basis and funded within existing resources. Several legislators

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Income Tax Code (cont'd)

have indicated that LD 1564 may be the only bill or “vehicle” available to the Legislature to address reductions in the state’s share of K-12 education in FY 2017.

Conformity Plan Fiscal Notes.

According to the fiscal note that accompanies the Republican approach to tax conformity, the state’s General Fund would lose \$18.9 million in FY 2016 and \$19.4 million in FY 2017 in income tax revenue.

The fiscal note accompanying the House endorsed conformity plan – as it relates to tax conformity – would cost the state’s General Fund \$1.4 million in FY 2016 and \$7.8 million in FY 2017. The appropriation of \$23.1 million in state aid for education for FY 2017, as well as the income tax revenue losses created by conforming to several element of the federal tax code, would be funded with:

- \$21.6 million from the Maine Budget Stabilization Fund.
- \$9.5 million transfer from the Tax Relief Fund for Maine Residents.
- \$6.1 million in debt service savings;
- \$3.7 million in state employee salary plans savings.
- \$1.5 million by repealing the recently enacted Fund for Efficient Delivery of Educational Services.
- And, \$500,000 by reducing funding for the recently enacted Fund for the Efficient Delivery of Local and Regional Services.

Historically, MMA has stayed out of the income tax conformity debate. Municipal officials generally believe that changes to the state’s income tax code fall squarely within the Legislature’s purview. Whether Maine’s version of the federal bonus depreciation policy should be extended by one year or indefinitely, or whether the cap on the expensing deductions should be increased from \$108,000 to \$500,000, are decisions for the Legislature to decide.

That being said, municipal officials from the 129 school districts poised to experience reductions in state aid for K-12 education - to the tune of \$26.6 million - are especially focused on the Legislature’s response to this need.

Without additional state investments, the tax rate to comply with the required minimum local effort for K-12 education will increase from the current 8.23 mills to 8.44 mills. This increase will be a direct hit to Maine’s property taxpayers.

LEGISLATIVE HEARINGS

Note: You should check your newspapers for Legal Notices as there may be changes in the hearing schedule. For the Legislative Events Calendar, see the Legislature’s web site at <http://www.mainelegislature.org/legis/calendar/>. If you wish to look up schedules by Committee, go to <http://www.mainelegislature.org/legis/bills/phwkSched.html>.

Tuesday, February 23

Judiciary
Room 438, State House, 3:00 p.m.
287-1327

LD 1500 - An Act To Protect and Promote Access to Sport Shooting Ranges

Transportation
Room 126, State House, 1:00 p.m.
287-4148

LD 1582 – Resolve, To Name the Naples Bay Bridge on U.S. Route 302 in the Town of Naples the Robert Neault Memorial Bridge

Wednesday, February 24

Criminal Justice & Public Safety
Room 436, State House, 2:00 p.m.
287-1122

LD 1572 - An Act to Ensure Nondiscrimination against Gun Owners in Public Housing

Judiciary
Room 438, State House, 10:00 a.m.
287-1327

LD 1586 – An Act To Implement Recommendations of the Right To Know Advisory Committee Concerning Remote Participation in Public Proceedings

Thursday, February 25

Health & Human Services
Room 209, Cross State Office Building, 2:30 p.m.
Tel: 287-1317

LD1547 – An Act To Provide Access to Affordable Naloxone Hydrochloride for First Responders