

# SUMMARY OF LD 1495 TAX REFORM

## NEW TAX CHANGES – (Effective January 1, 2010 *unless otherwise noted*)

### Meals & Lodging

8.5% tax (up from 7%) on meals/lodging (except camping areas)

Increases portion of meals & lodging tax revenues into the Tourism Fund to 6% from 5%

8.5% tax (up from 7%) on liquor sold at restaurants/bars

Adds “Candy” to list of “prepared foods” (meals)

- excludes items that “contain flour or require refrigeration”

### Car Rentals (less than 1 year) (Effective 10/1/09)

12.5% (up from 10%)

### Circuitbreaker Property Tax Relief Program

Revises & simplifies income calculation

Changes filing periods for 2011 and beyond

Makes application form part of income tax package in 2010

### Leased Personal Property

Changes point of tax on most property to lease payments when property leased to customer by the lessor

### Interstate & International Telecommunications

5% tax on service to non-business customers

## TAXABLE SERVICES @ 5% – (Effective January 1, 2010)

### Transportation and courier services

"Transportation and courier services" means in-state transportation of persons or property by

- limousine
- courier services
- \$1 fee per passenger for taxi or limo rides to/from a commercial airport

### Installation, repair, maintenance

"Installation, repair or maintenance services" means *all services* involved in the installation, repair or maintenance of

- jewelry
- cameras
- guns
- musical instruments
- electronic & mechanical equipment
- lawn and garden equipment
- computer hardware & office equipment
- vehicles (except commercial trucks)
- appliances

Service and maintenance contracts of above property

- tailoring
- clothing
- shoe repair
- furniture repair and restoration

### ***Does not include:***

- 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”
- 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

## Amusement, entertainment, recreation

### Tickets to

- theaters
- movies
- lectures
- concerts
- festivals
- amusement parks
- water parks
- fairgrounds (except licensed agricultural fairs)
- race tracks
- carnivals
- circuses
- sports activities
- stadiums
- amphitheaters
- museums
- planetariums
- animal parks
- petting zoos
- aquariums
- historical sites
- convention centers

### Fees charged for participation in or entry to

- miniature golf courses
- billiard parlors
- go-cart courses
- paintball

### Admission fees for exhibition shows such as

- auto
- boat
- camping
- home
- garden
- animal
- antique shows

### Scenic and sightseeing excursions including

- aircraft
- helicopter
- balloon
- blimp
- watercraft
- railroad

- bus
- trolley
- wagon rides
- whitewater rafting and guided recreation (but excluding scenic and sightseeing excursions on federally navigable waters)

### Entertainment services such as those provided by

- bands
- orchestras
- disc jockeys
- comedians
- clowns
- jugglers
- children's entertainers
- ventriloquists

### **Does not include:**

- Admission to licensed agricultural fairs or charges for participation in any events/activities occurring at the fair
- Events organized by a school or incorporated nonprofit if all the proceeds from the event/activity are used for the charitable purposes of the school or nonprofit
- Fees charged by health clubs, fitness centers

### Admission to:

- Museums and aquariums operated by a governmental entity or incorporated, nonprofit organization;
- 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;
- Festivals and special events organized by governmental entities, schools or incorporated, nonprofit organizations if all the proceeds of the festival or special event are directed to support a charitable purpose.

### **Personal property**

"Personal property services" means the following services related to 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
  - boarding for nonmedical purposes

- picture framing
- domestic services, *including*
- house cleaning
- 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
- boat mooring

***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”
- services performed on aircraft including refurbishing of aircraft

**INCOME TAX CHANGES: Effective January 1, 2010**

- Implements a 6.5% flat rate income tax (abolishes previous 2%-8.5% brackets)
- Adds a .35% surtax on incomes >\$250,000 (6.85% tax)
- Household credit replaces personal exemptions, standard deductions, itemized

deductions that phases out (See next bullet)

Household credit for Maine residents (phased out by income)

- Single - \$700 base credit
- Head of Household - \$1,050 base credit
- Married Filing Jointly - \$1,200 base credit
- Married Filing Separately - \$600 base credit
- \$250 additional credit per federal exemption

Credits phased out by \$1.50 for every \$100 of income that exceeds

- \$27,500 single
- \$41,250 head of household
- \$55,000 married filing jointly
- \$27,500 married filing separately

Household credits & alternative option: refundable up to \$70 married filing jointly; \$50 for all other individuals not claimed as a dependent on another person’s tax return

Alternative credit for Maine itemizers (phased out by income)

- 5.5% of federal itemized deductions as modified plus
- Single - \$400 up to \$1,150
- Head of Household - \$600 up to \$1,750
- Married Filing Jointly - \$800 up to \$2,300
- Married Filing Separately - \$400 up to \$1,150
- \$250 additional credit per federal exemption

Credit of 5% on charitable contributions exceeding \$250,000

Elderly Credit – additional credit of \$60 per person for people over 65 (phased out by income)

- No credits for non-resident filers
- Credit amounts & phase-out thresholds indexed starting 2014
- Alternative minimum tax (AMT) on individuals abolished

Refundable earned income tax credit (EITC)

- Up to \$150 (married joint filers) or \$125 (all other filers)