

# MAINE STATE LEGISLATURE

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STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
108TH LEGISLATURE  
FIRST SPECIAL SESSION

(Filing No. H-1267)

COMMITTEE AMENDMENT "B" to H.P. 2346, L.D. 2213,  
RESOLUTION, Proposing an Amendment to the Constitution to  
Limit the Maximum Property Tax which can be Levied.

Amend the Resolution by striking out all of the Title and  
inserting in its place the following:

'AN ACT to Establish Spending and Taxation Limits and to  
Provide Property Tax Relief.'

Further amend the Resolution by striking out everything  
after the Title and inserting in its place the following:

'Be it enacted by the People of the State of Maine, as follows:

36 MRSA c. 905 is enacted to read:

CHAPTER 905

MAINE SPENDING AND TAXATION LIMIT AND PROPERTY TAX RELIEF ACT

SUBCHAPTER I

STATE APPROPRIATIONS

§6171. Purpose

The purpose of this Act is to:

1. Limit the rate of growth. Limit the rate of growth in State and local Government spending and taxes.
2. Decrease reliance on the property tax. Decrease reliance on the property tax for financing governmental services while preserving local control; and
3. Provide property tax relief. Provide property tax relief to Maine residents who have been forced to pay a disproportionate percentage of their income in state and local taxes.

§6172. Limit on state appropriations

A state spending ceiling is hereby established. In each fiscal year, total appropriations of state funds, excluding those for debt service, and total allocations of funds referred to in the Constitution, Article IX, Section 19, excluding those for debt service, shall not exceed those for the previous year plus an increase to reflect the <sup>change</sup> in Maine personal income as reported by the United States Department of Commerce for the most recent 12-month period prior to January of the calendar year in which the fiscal year commences.

§6173. Procedures for appropriations exceeding spending ceiling

The Legislature may not make appropriations or allocations for any fiscal year that exceed the spending ceiling set pursuant to section 6172 except after notice and hearing conducted pursuant to a joint order of the Legislature and following the public hearing upon 2/3 roll call votes of the members of each House present and voting.

The notice shall be published at least once through the State in such a manner that the notice appears in a newspaper of general circulation in each of the counties of the State. It shall be printed in large bold type and surrounded by a <sup>heavy</sup> black border and be no less than 1/8 page in size of a standard newspaper. It shall not be placed where legal notices and

classified advertisements appear.

The notice shall specify the dollar amounts of appropriations and allocations for the fiscal year prior to that for which the ceiling is being set; the dollar amounts of the existing spending ceiling; the dollar amount of the proposed new ceiling; and the percentage change in the proposed new spending ceiling over the total appropriations and allocations for the prior fiscal year. The notice shall also state the percentage change in Maine personal income as reported by the United States Department of Commerce for that period specified in section 6172. A statement that the ceiling will or will not require new taxes or increases in the rates of existing taxes shall be contained in the notice.

Public hearings shall be held in no fewer than 5 places throughout the State.

**\$6174. Notice and hearing on taxes**

The Legislature may not impose any new or increase any existing tax accruing to the General Fund or to the Highway Fund unless it provides public notice and hearing pursuant to a joint order and following the hearing upon 2/3 roll call votes of the members of each House present and voting. Notice shall be provided in the manner described in section 6173. The notice shall describe the proposed new or increased tax, specify the amount of new revenue to be raised by it and who will pay it. The public hearings shall be held in no fewer places than Augusta, Bangor, Lewiston-Auburn, Portland and Presque Isle.

SUBCHAPTER II

OTHER GOVERNMENTAL UNITS

§6175. Municipalities

A municipality may not increase its taxes unless it provides notice of the increase and within 10 days thereafter holds a public hearing at which the tax increase is <sup>the</sup> priority agenda item. Tax increase means any increase, including increases in property tax revenues, over the previous year, except for changes in valuation occasioned by new construction, improvements or deletions.

The notice shall be published in a newspaper of general paid circulation in the area served by the unit. It shall be printed in large bold type and be surrounded by a heavy black border and be no less than 1/8 page in size of a standard newspaper. The notice shall not be placed in that portion of the newspaper where legal notices and classified advertisements appear. The notice shall be in the following form:

NOTICE OF TAX INCREASE

The (name of the municipality) proposes to increase this year's property tax revenues by (percentage of increase over the prior year) percent. The purpose for this increase is:

Example of the effect on a typical tax bill:

A public hearing on the proposed increase will be held on (date and time) at (meeting place).

The notice may also be broadcast on radio or television serving the area of the unit.

In lieu of publishing the notice set out in this section, the taxing unit may mail a copy of the notice to each elector residing within the jurisdiction of the taxing authority.

§6176. Other governmental units

The total amount authorized for expenditure for any fiscal year of county, vocational technical region, School Administrative District, community school district or school union may not exceed the following spending ceiling except after public notice and hearing. (

) The governing body is the body having ultimate power to authorize expenditures. In the case of a county, "governing body" shall mean the Legislature. The spending ceiling for any fiscal year shall be the prior year's total amount authorized for expenditure, plus an increase to reflect the change in Maine personal income as reported by the United States Department of Commerce, for the most recent 12-month period ending 6 months prior to the beginning of the fiscal year. In the case of a School Administrative District or community school district the ceiling shall be the amount increased or decreased by a ratio, the numerator of which is the fiscal year's estimated pupil count and the denominator of which is the prior year's pupil count.

The notice shall be published in the manner specified in section 6175.

The notice shall be in the following form:

NOTICE OF SPENDING

INCREASE

The (name of unit of government) proposes to increase the amount authorized for expenditure by (percent of increase over prior year). The increase in Maine personal income last year was (percent of increase in Maine personal income for period specified previously). A public hearing on the increase will be held on (date and time) at (meeting place).

The procedures set forth in section 6175 ———> shall ———, be effective for a → municipality → if a majority of the electors of the unit voting so determine in a referendum.

SUBCHAPTER III  
PROPERTY TAX RELIEF

§6181. Exemption

Commencing with a municipality's fiscal year which begins after June 30, 1979, \$5,000 of the just value of the principal place of residence owned and occupied by any person shall be exempt from real property taxation.

§6182. Reimbursement of municipalities

Six percent of the undedicated revenues of the State each year shall be set aside in a property tax relief fund and shall be used to fund tenants' relief and to reimburse municipalities for revenue that would have been collected from taxes on real

estate but for this exemption. Revenues accumulated in the property tax relief fund in excess of those needed to reimburse municipalities and fund the tenants' relief shall be credited to the local government fund and distributed to municipalities for the sole purpose of reducing property taxes, unless a majority of a municipality's voters by referendum approve other purposes.

The Bureau of Taxation shall be responsible for administration of both the municipal reimbursement and the tenants' relief program and shall process applications for funds from tenants and municipalities and oversee reimbursement and tenants' relief.

§6183. Protection of local government for state required costs

The State is prohibited from requiring that local units of government finance from local taxes <sup>on</sup> that portion of existing activities financed in full or in part by the State or any new or expanded activities. The State is prohibited from increasing the local taxes by reducing total state aid to local units as adjusted annually for changes in the cost of goods and services.

§6184. Renters' relief

Effective June 30, 1979 property tax relief in the amount of \$50 per residence shall be provided by the State to tenants who are paying a portion of their rental fees for local property taxes on their principal place of residence. The term "principal residence" shall mean the single place which the owner or tenant intends as his main place of abode; "principal residence," thus is defined here as in the present Internal Revenue Code.



Tenants occupying housing receiving rent subsidies from other branches of government shall not be entitled to this relief. Any person entitled to rent relief under chapter 901 shall reduce the rent constituting property taxes accrued by the amount of relief qualified for hereunder.

§6185. Tax information on tax bills

Tax collectors shall annually prepare and mail a tax bill to each taxpayer who is named on the list provided by the assessors or municipal officers pursuant to sections 709 and 709-A. The bill shall state the amount of tax saved by the exemption and that the exemption was provided by the Legislature of Maine.

Statutory referendum procedure; submission at general election; form of question; effective date. This Act shall be submitted to the legal voters of the State of Maine at the next general election in the month of November following passage of this Act. The city aldermen, town selectmen and plantation assessors of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Act by voting on the following question:

"Shall 'AN ACT to Establish Spending and Taxation Limits and to Provide/<sup>Property</sup>Tax Relief,' as passed by the first special session of the 108th Legislature, be accepted?"

The legal voters of each city, town and plantation shall vote by ballot on this question, and shall designate their choice by a cross or check mark placed within a corresponding square below the words "Yes" or "No." The ballots shall be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns, and, if it appears that a majority of the legal votes are in favor of the Act, the Governor shall proclaim that fact without delay, and the Act shall become effective 30 days after the date of the proclamation.

The Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this Act necessary to carry out the purpose of this referendum.

#### Fiscal Note

The cost of the tax exemption program is estimated at \$22 million and the renters program at \$6 million for a total of \$28 million. Both programs are not to become effective until state fiscal year 1979-80. No tax increases will be necessary to fund these programs.

Statement of Fact

This amendment creates spending ceilings at both the state and local levels. It permits the State to exceed its ceiling, defined as last year's total appropriations increased by the change in Maine personal income, only after prominent advertising of the proposed increase and the holding of public hearings around the State. The same procedure would apply to the Highway Fund allocations. Further, it would take a 2/3 vote of each House of the Legislature to exceed the ceiling. By referring to total state appropriations the ceiling would apply to both current services and new or expanded services for the fiscal year.

At the municipal level tax increases as defined must be preceded by notice of the increase followed by a public hearing and a 2/3 vote of the governing bodies. Wider latitude is provided for different municipalities to accommodate the mandate; thus, the hearing could be the annual town meeting where that was appropriate. School districts are subject to a total budget ceiling similar to the State's, that may be overridden only after notice and hearings and a 2/3 vote of the district's governing body (that is the body having ultimate power to authorize expenditures). The governing body of a county is deemed the Legislature.

This / <sup>amendment</sup> also creates a homestead property tax relief program and a program of tenants' property tax relief. The term "principal residence" is understood to be the single place which the owner or tenant intends as his main place of abode; "principal residence," thus is defined here as in the present Internal Revenue Code.

The entire Act would become effective only after a referendum. Units of local government would be permitted to opt out from its provisions.

Filed by Two Members of the Committee on Appropriations and  
Financial Affairs

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the House  
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