

MAINE STATE LEGISLATURE

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ONE HUNDRED AND SIXTH LEGISLATURE

Legislative Document

No. 2038

H. P. 1620

House of Representatives, June 15, 1973

Reported by the Committee on Taxation pursuant to Joint Order (H. P. 1582).

E. LOUISE LINCOLN, Clerk

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SEVENTY-THREE

**AN ACT to Provide Property Tax Reduction, Rent Relief and Equalization
of Municipal Revenues.**

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

Sec. 1. R. S., T. 36, § 381, amended. The 2nd sentence of section 381 of Title 36 of the Revised Statutes, as amended by section 1 of chapter 107 of the public laws of 1971, is further amended to read as follows:

The valuation thus determined shall be the basis for the computation and apportionment of the state and county taxes, ~~and~~ school subsidy formulae as defined in Title 20, and **tax reduction and revenue equalization formulae** as defined in chapter 105, subchapter X, until the next biennial assessment and equalization.

Sec. 2. R. S., T. 36, c. 105, sub-c. X, additional. Chapter 105 of Title 36 of the Revised Statutes is amended by adding a new subchapter X to read as follows:

SUBCHAPTER X

TAX REDUCTION AND REVENUE EQUALIZATION

§ 1090. Intent

It is declared to be the intent of the Legislature to provide a minimum revenue base for each municipality on a per capita per mill basis, to achieve a reduction of property tax rates, and to allow local determination of priorities in the use of allocations received under this subchapter. The Legislature intends that a limit be placed upon additional local taxes that may be imposed on property in municipalities receiving these allocations in order to

ensure continuance of property tax relief and in order to ensure efficient management of resources.

§ 1091. Definitions

As used in this subchapter unless the context otherwise indicates, the following words shall have the following meanings.

1. **General aid.** "General aid" shall refer to the sum of the aid to which the municipality is entitled from the following sources during the current fiscal year:

- A. General purpose aid to education as provided by Title 20, chapter 512;
- B. State-municipal revenue sharing as provided by Title 30, section 5055;
- C. Federal revenue sharing as provided by the State and Local Fiscal Assistance Act of 1972 (Title 1, P. L. 92-512);
- D. Federal aid to federally affected areas as provided by P. L. 81-874, as amended.

2. **Population.** "Population" used in computations in this chapter shall mean the population as determined under Title 30, section 5055.

3. **Revenue base index.** The revenue base index of each municipality shall be computed annually as the sum of paragraphs A and B:

- A. Divide the valuation of the municipality by the product of the population, and 1,000;
- B. Divide the general aid to the municipality by the product of the population, the tax rate, and 1,000.

4. **Target index.** The target index shall be \$14.

5. **Tax rate.** The tax rate for each municipality shall be the full value tax rate computed by the State Tax Assessor from the annual return of municipal assessors pursuant to section 383.

6. **Valuation.** The valuation of a municipality shall be full valuation of the taxable property in the municipality as determined by the State Tax Assessor, as set forth in the statement filed by him as provided by section 381. The valuation used in all computations shall be the most recent available.

§ 1092. Computation of allocation

The allocation of funds to each municipality shall be computed by the Bureau of Taxation as follows.

1. A municipality whose revenue base index is equal to or greater than the target index shall receive no allocation.

2. A municipality whose revenue base index is less than the target index shall receive an allocation based upon an increment determined as follows.

A. The increment shall be \$2 for the computation of the allocation for the fiscal year 1974-75, except that for a municipality where the difference between the revenue base index and the target index is less than \$2 the increment shall be that difference. In each succeeding year the increment shall be increased by \$2, except that the total increment shall not be increased to a total greater than the difference between the revenue base index and the target index.

B. When the sum of the increment of the preceding year and the revenue base index for the current year equals or exceeds the target index, the increment of the preceding year shall be employed in the computation of the allocation. In each succeeding year, the increment shall remain the same, except that it shall be increased when necessary to ensure that the sum of the increment and the revenue base index equal the target index.

3. The allocation shall be computed as the product of the increment, the population, an adjusted tax rate and 1,000. The adjusted tax rate shall be that rate such that the sum of the revenue derived from the product of such rate and valuation and the allocation computed as provided by this subsection equals 107% of the revenue derived from the sum of the product of the tax rate as defined in section 1091, subsection 3 and valuation, and the preceding year's allocation as received under this subsection. The municipality shall establish a tax rate not exceeding the adjusted tax rate.

4. The computation of the allocation for any unit may be appealed in writing to the Municipal Valuation Appeals Board by the legislative body of the municipality within 30 days from the date of notification of the computed amount. The board shall review the appeal and make an adjustment, if in its judgment such an adjustment is fully justified. The board's decision shall be final as to facts supported by the records of the appeal.

§ 1093. Payment of allocation; use of allocation

1. The Treasurer of State shall pay the allocation to the treasurer of each municipality in equal quarterly installments payable on or before the 15th day of July, October, January and April of each fiscal year.

2. The treasurer of each municipality shall disburse the allocations received under this subchapter for necessary expenses of local government as determined or appropriated for the public welfare within the purposes specified in Title 30.

3. Balances of allocations at the end of the fiscal year may be carried forward to the next year in an amount not to exceed 10% of the total allocation of the year just completed. Any excess above this amount shall be returned to the Treasurer of State.

Sec. 3. R. S., T. 36, § 5111, repealed and replaced. Section 5111 of Title 36 of the Revised Statutes, as enacted by Section F of chapter 154 of the private and special laws of 1969, is repealed and the following enacted in place thereof:

§ 5111. Imposition and rate of tax

A tax is hereby imposed for each taxable year on the entire taxable income of every resident individual of this State and on the taxable income of every nonresident individual which is derived from sources within this State. The amount of the tax shall be determined for 1974 in accordance with the following table:

If the taxable income is:	The tax is:
Not over \$2,000	1.5% of the taxable income
\$2,000 but not over \$5,000	\$30 plus 3% of excess over \$2,000
\$5,000 but not over \$10,000	\$110 plus 4.5% of excess over \$5,000
\$10,000 but not over \$25,000	\$335 plus 6% of excess over \$10,000
\$25,000 but not over \$50,000	\$1,235 plus 7.5% of excess over \$25,000
\$50,000 or more	\$3,110 plus 9% of excess over \$50,000

The amount of the tax shall be determined for 1975 and each year thereafter in accordance with the following table:

If the taxable income is:	The tax is:
Not over \$2,000	2% of the taxable income
\$2,000 but not over \$5,000	\$40 plus 4% of excess over \$2,000
\$5,000 but not over \$10,000	\$160 plus 6% of excess over \$5,000
\$10,000 but not over \$25,000	\$460 plus 8% of excess over \$10,000
\$25,000 but not over \$50,000	\$1,660 plus 10% of excess over \$25,000
\$50,000 or more	\$4,160 plus 12% of excess over \$50,000

Sec. 4. R. S., T. 36, § 5200, repealed and replaced. Section 5200 of Title 36 of the Revised Statutes, as enacted by Section F of chapter 154 of the private and special laws of 1969, is repealed and the following enacted in place thereof:

§ 5200. Imposition and rate of tax

A tax is hereby imposed upon the entire taxable income of every "Taxable Corporation." The tax shall consist of a normal tax computed under subsection 1 and a surtax computed under subsection 2.

1. Normal tax. Six percent of the Maine net income of the corporation;
2. Surtax. Four percent of Maine net income in excess of \$25,000.

Sec. 5. R. S., T. 36, § 6101, amended. Section 6101 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is amended to read as follows:

§ 6101. Short title

This Part may be cited as the "~~Elderly~~ Householders Tax and Rent Relief Refund Act."

Sec. 6. R. S., T. 36, § 6102, amended. Section 6102 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is amended to read as follows:

§ 6102. Purpose

The purpose of this Part is to provide relief, through a system of ~~grants~~ tax credits or rebates, to certain ~~elderly~~ persons who own or rent their homestead.

Sec. 7. R. S., T. 36, § 6103, sub-§§ 1-A, 5-A and 5-B, additional. Section 6103 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is amended by adding 3 new subsections, to be numbered 1-A, 5-A and 5-B, to read as follows:

1-A. Gross rent. "Gross rent" means rental paid at arms-length for the right to occupy a homestead, upon which ad valorem taxes were levied, exclusive of charges for utilities or food furnished by the landlord as part of the rental agreement, whether or not expressly set out in the rental agreement. If the landlord and tenant have not dealt with each other at arms-length, and the State Tax Assessor is satisfied that the gross rent charged was excessive, he may adjust the gross rent to a reasonable amount for purposes of this subchapter.

5-A. Property taxes accrued. "Property taxes accrued" means property taxes exclusive of special assessment, delinquent interest and charges for service levied on a claimant's homestead in this State as of April 1, 1974 or any tax year thereafter. If a homestead is owned by 2 or more persons or entities as joint tenants or tenants in common, and one or more persons or entities are not a member of claimant's household, "property taxes accrued" is that part of property taxes levied on the homestead which reflects the ownership percentage of the claimant and his household. If a claimant and spouse own their homestead part of the preceding tax year and rent it or a different homestead for part of the same tax year, "property taxes accrued" means only taxes levied on the homestead when both owned and occupied by the claimant on April 1st, multiplied by the percentage of 12 months that such property was owned and occupied by the household as its homestead during the preceding tax year. When a household owns and occupies 2 or more different homesteads in this State in the same tax year, property taxes accrued shall relate only to that property occupied by the household as a homestead on April 1st. If a homestead is an integral part of a larger unit such as a farm, or a multi-purpose or multi-dwelling building, property taxes accrued shall be that percentage of the total property taxes accrued as the value of the homestead is of the total value. For purposes of this subchapter, "unit" refers to the parcel of property separately assessed of which the homestead is a part.

5-B. Rent constituting property taxes accrued. "Rent constituting property taxes accrued" means 20% of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and his household solely for the right of occupancy of their Maine homestead in the tax year, and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this subchapter by the claimant.

Sec. 8. R. S., T. 36, § 6105, repealed and replaced. Section 6105 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is repealed and the following enacted in place thereof:

§ 6105. Claim against income tax

Subject to the limitations provided in this subchapter, a claimant may claim as a credit against Maine income taxes otherwise due on his income, Maine property taxes accrued, or rent constituting property taxes accrued, or both. If the allowable amount of claim exceeds the income taxes otherwise due on claimant's income or if there are no Maine income taxes due on claimant's income, the amount of the claim not used as an offset against income taxes, after audit by the Bureau of Taxation, shall be certified to the Treasurer of State for payment to the claimant by check drawn on the General Fund. No interest shall be allowed on any payment made to a claimant pursuant to this Part.

Sec. 9. R. S., T. 36, § 6106, repealed. Section 6106 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is repealed.

Sec. 10. R. S., T. 36, § 6108, amended. Section 6108 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is amended to read as follows:

§ 6108. Income limitation

No relief otherwise available shall be granted to claimants with household income in excess of ~~\$4,000~~ \$15,000 in the year for which relief is requested.

Sec. 11. R. S., T. 36, §§ 6109 and 6111, repealed. Sections 6109 and 6111 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, are repealed.

Sec. 12. R. S., T. 36, § 6112, repealed and replaced. Section 6112 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is repealed and the following enacted in place thereof:

§ 6112. Amount of claim

1. Computation. There shall be granted to each taxpayer for the calendar year immediately preceding the year in which a claim is filed under this subchapter property tax relief in an amount by which his property taxes on his homestead exceed a percentage of his household income and not to exceed certain dollar limitations, all in accordance with the following schedule:

On any amount of household income exceeding	But not exceeding	Rate (in percent)	But not exceeding in dollars of relief
\$ 0	\$ 3,000	3	\$400
\$ 3,000	\$ 7,000	4	\$300
\$ 7,000	\$10,000	5	\$200
\$10,000	\$15,000	6	\$100

2. No claim of less than \$5 shall be paid.

3. The State Tax Assessor shall prepare a table under which claims under this subchapter shall be determined. The amount of claim as shown in the table for each bracket shall be computed only to the nearest dollar.

4. The claimant, at his election, shall not be required to record on his claim the amount claimed by him. The claim allowable to persons making this election shall be computed by the Bureau of Taxation, which shall notify the claimant by mail of the amount of his allowable claim.

Sec. 13. R. S., T. 36, § 6113, repealed and replaced. Section 6113 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is repealed and the following enacted in place thereof:

§ 6113. Administration

A claimant required to make returns of income under section 5220 shall file the claim as part of the income tax return. A claimant not required to file such return shall file the claim in accordance with the provisions for filing income tax returns in section 5227 on suitable forms with instructions for claimants which the State Tax Assessor shall make available. The claim shall be in such form as the State Tax Assessor may prescribe and shall be signed by the claimant under the pains and penalties of perjury.

Sec. 14. R. S., T. 36, § 6120, repealed. Section 6120 of Title 36 of the Revised Statutes, as enacted by section 1 of chapter 503 of the public laws of 1971, is repealed.

Sec. 15. Appropriation. There is appropriated from the General Fund to the Treasurer of State the sum of \$70,000,000 to carry out the purposes of this Act. The breakdown shall be as follows:

	1973-74	1974-75
TREASURER OF STATE	\$20,000,000	\$50,000,000

Sec. 16. Effective date. This Act shall become effective January 1, 1974.

STATEMENT OF FACT

The purpose of this Act is to provide guaranteed reduction of property tax rates through provision to the municipalities of subsidies which make up for the loss of revenues due to such reductions. Since these subsidies are computed on a per capita per mill basis, they also provide an equalization of revenues for most municipalities. Three-fourths of the municipalities containing 85% of the population benefit from this provision. Municipalities will retain discretion in setting their own priorities for expenditure of the subsidies. Furthermore, individual taxpayers and renters receive relief when the property tax bill or the portion of rent attributable to property taxes exceeds a percentage of the household income of the taxpayer or renter.

This Act recognizes that reduction in one tax requires replacement of revenues through other sources. This Act raises individual and corporate income taxes to finance this program. It is estimated that the 50% increase in individual income taxes in 1974 will raise sufficient additional revenues, which, in addition to other sources of revenue, will pay for the tax reduction portion of this program. In 1975 the tax would be double the current rate because our current favorable situation regarding surplus and accumulation of federal revenue sharing funds would no longer exist. The increase in the corporate tax will raise approximately \$10.9 million, which will pay for the part of this program which provides relief for individual taxpayers and renters.