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House of Representatives, April 20, 1989

Reference to the Committee on Taxation suggested and ordered printed.

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EDWIN H. PERT, Clerk

Presented by Representative ROLDE of York. Cosponsored by Senator ESTES of York.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED AND EIGHTY-NINE

An Act to Provide Property Tax Relief.

Be it enacted by the People of the State of Maine as follows:
PARTA
36 MRSA c. 105, sub-c. IV-A is enacted to read:
SUBCHAPTER IV-A
HOMESTEAD PROPERTY TAX EXEMPTION
<u>§671. Short title</u>
<u>This subchapter shall be known and may be cited as the</u> "Homestead Property Tax Exemption Act."
<u>§672. Exemption of homesteads</u>
1. Amount of exemption. Every person who has the legal title or beneficial title in equity to real property in this
<u>State and resides on that property, and in good faith makes that</u> <u>property a permanent residence or the permanent residence of</u> <u>another or others legally or naturally dependent on that person,</u>
is entitled to an exemption from all taxation, except for assessments for special benefits, of 15% of the assessed
<u>valuation of the residence and contiguous real property. The title may be held jointly or in common with others, and the</u>
exemption may be apportioned among the owners that reside on the property, as their respective interests shall appear. No
<u>exemption of more than 15% of assessed value may be allowed to any one person or on any one dwelling house.</u>
2. Applicability. The exemption provided in this section applies only to those parcels classified and assessed as
<u>owner-occupied residential property or to the portion of property</u> so classified and assessed.
3. Additional exemptions. The exemptions provided in sections 653 and 654 shall be in addition to the homestead
exemption.
<u>§673. Permanent residency; factual determination by property</u> <u>appraiser</u>
Intention to establish a permanent residence in this State
<u>is a factual determination to be made in the first instance by the municipal assessor. For the purposes of this subchapter,</u>
"permanent residence" means that place where a person has a true, fixed and permanent home and principal establishment to which,
whenever absent, the person has the intention of returning. A person may have only one permanent residence at a time. When a
permanent residence is established in a foreign state or country, that residence is presumed to continue until the person indicates

1	that a change has occurred. No one factor is conclusive evidence
3	<u>of the establishment or nonestablishment of permanent residence.</u> Relevant factors that may be considered by the municipal assessor
5	in making a determination of the intent of a person claiming a homestead exemption to establish a permanent residence in this
7	<u>State are as follows:</u>
9	 Formal declarations. Formal declarations of the applicant;
11	2. Informal statements. Informal statements of the applicant;
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15	<u>3. Place of employment. The place of employment of the applicant;</u>
17	4. Previous permanent residency. The previous permanent
19	residency by the applicant in another state or in another country and the date that residency was terminated;
21	5. Voter registration. The place where the applicant is registered to vote;
23	<u>6. Driver's license. The place of issuance of a driver's</u>
25	license to the applicant;
27	7. License tag. The place of issuance of a license tag on any motor vehicle owned by the applicant;
29	8. Federal income tax returns. The address as listed on
31	federal income tax returns filed by the applicant; or
33	<u>9. Maine intangible tax returns. The previous filing of Maine intangible tax returns by the applicant.</u>
35	§674. Forms
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39	The Bureau of Taxation shall furnish to the municipal assessor of each municipality a sufficient number of printed forms to be filed by taxpayers claiming to be entitled to the
41	exemption and shall prescribe the content of those forms by rule.
43	<u>§675. Homestead exemptions; claims</u>
45	1. Application. At the time each taxpayer files a claim
47	for a homestead exemption, the municipal assessor shall deliver to the taxpayer a receipt, signed by the municipal assessor or an
49	authorized designee, which appropriately identifies the property covered in the application and bears the date the application was
51	received by the municipal assessor. The possession of the receipt is conclusive proof of the timely filing of the application.

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2. False filing. Any person who knowingly gives false information for the purpose of claiming a homestead exemption as provided for in this subchapter is guilty of a Class E crime.

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3. Reapplication. Any municipality may, at the request of 7 the municipal assessor and by majority vote of its governing body, waive the requirement that an annual application be made 9 for exemption for property within the municipality after an initial application is made and exemption granted, except that reapplication shall be required when any property granted an 11 exemption is sold or otherwise disposed of, when the ownership 13 changes in any manner or when the applicant for homestead exemption ceases to use the property as a homestead. In deliberating on whether to waive the annual application 15 requirement, the governing body shall consider the possibility of 17 fraudulent homestead exemption claims which may occur due to the waiver of the annual application requirement. It is the duty of 19 any property owner granted an exemption who is not required to file an annual application to notify promptly the municipal 21 assessor when the use of the property changes so that the municipal assessor may change the exempt status of the property. 23 Any property owner who fails to notify the municipal assessor shall be subject to section 678. This subsection shall apply 25 only to exemptions requested pursuant to this section.

27 <u>§676. Duty of municipal assessor</u>

29 The municipal assessor shall examine each claim for exemption filed with the municipal assessor and if the claim is 31 found to be in accordance with law, shall mark the claim approved and make the proper deductions on the tax books.

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§677. Homestead exemptions; approval, refusal, hearings

The municipal assessors of the several municipalities of the 37 State shall, as soon as practicable after April 1st of each year and on or before July 1st of the same year, carefully consider 39 all applications for tax exemptions that have been filed in their respective offices on or before March 1st of that year. If, upon investigation, the municipal assessor finds that the taxpayer 41 applicant is entitled to the tax exemption applied for under the 43 law, the municipal assessor shall make any entries upon the tax rolls of the municipality necessary to allow the exemption to the taxpayer applicant. If, after due consideration, the municipal 45 assessor finds that the applicant is not entitled under the law 47 to the exemption asked for, the municipal assessor shall immediately make out a notice of disapproval, giving the reasons for disapproval, a copy of which shall be served on the taxpayer 49 applicant by the municipal assessor either by personal delivery or by registered mail to the post office address given by the 51 taxpayer applicant and shall file the notice with the clerk of

the State Board of Property Tax Review. The notice of 1 disapproval of application for the exemption, when filed with the board, shall constitute an appeal of the taxpayer applicant to 3 the board from the decision of the municipal assessor refusing to 5 allow the exemption for which application was made and the board shall review the application and evidence presented to the municipal assessor upon which the taxpayer applicant based the 7 claim for exemption and hear the taxpayer applicant in person or by agent on behalf of the taxpayer applicant's right to an 9 exemption. The board shall reverse the decision of the municipal 11 assessor and grant exemption to the applicant if, in its judgment, the taxpayer applicant is entitled to the exemption or shall affirm the decision of the municipal assessor. That action 13 of the board is final unless the taxpayer applicant, within 15 15 days from the date of refusal of the application by the board, files in the District Court of the county in which the homestead is situated a proceeding against the municipal assessor for a 17 declaratory judgment or other appropriate proceeding. The failure of the taxpayer to appear before the municipal assessor 19 or State Board of Property Tax Review or to file any paper other than the application under section 675 shall not constitute any 21 bar or defense to further proceedings.

§678. Homestead exemptions; lien imposed on property of person claiming exemption although not a permanent resident

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27 1. Tax lien. When the estate of any person is being probated or administered in another state under an allegation that that person was a resident of that state and the estate of 29 that person contains real property situated in this State for which homestead exemption has been allowed pursuant to section 31 675 for any year or years within 10 years immediately prior to the death of that person, then within 3 years after the death of 33 that person, the assessor of the municipality where the real property is located shall, upon knowledge of that fact, record a 35 notice of tax lien against the property in the public records of that municipality and the property shall be subject to the 37 payment of all taxes for which an exemption was allowed, plus 15% interest per year, unless the District Court having jurisdiction 39 over the ancillary administration in this State determines that 41 the decedent was a permanent resident of this State during the year or years an exemption was allowed, in which case the lien 43 shall not be filed or, if filed, shall be canceled of record by the municipal assessor of the municipality where the real estate is located. 45

 47 2. Property subject to tax. In addition to subsection 1, upon determination by the municipal assessor that for any year or years within the prior 10 years a person who was not entitled to a homestead exemption was granted a homestead exemption from ad
 51 valorem taxes, that person's property situated in this State 1 <u>shall be subject to the taxes exempted plus 15% interest per</u> <u>annum.</u>

3. Collection. Taxes provided in this section shall be collected in the same manner as existing ad valorem taxes and the procedure in this section for recapturing taxes shall be supplemental to any existing provision under the laws of this State.

4. Notice. The lien provided for in this section shall not
 attach to the property until the notice of tax lien is filed in the public records of the municipality where the property is
 located. Prior to the filing of the notice of lien, any purchaser for value of the subject property shall purchase that
 property free and clear of the lien.

PART B

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Sec. 1. 36 MRSA §1811, first ¶, as repealed and replaced by PL 1987, c. 497, §40, is amended to read:

A tax is imposed at the rate of 5% <u>6%</u> on the value of all
tangible personal property, on telephone and telegraph service, on extended cable television service, on fabrication services and
on custom computer programming sold at retail in this State and at the rate of 7% on the value of all other taxable services sold
at retail in this State. Value shall be measured by the sale price, except as otherwise provided.

Sec. 2. 36 MRSA §1812, sub-§1, ¶A, as repealed and replaced by 31 PL 1987, c. 402, Pt. A, §181, is repealed and the following enacted in its place:

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<u>A. If the tax rate is 6%:</u>

Amount of Sale Price

Amount of Tax

0.	\$.01 to \$.09, inclusive	<u>0¢</u>
39	.10 to .16, inclusive	<u>1¢</u>
	.17 to .33, inclusive	<u>2¢</u>
41	.34 to .50, inclusive	<u>3¢</u>
	<u>.51 to .66, inclusive</u>	<u>4¢</u>
43	<u>.67 to .83, inclusive</u>	<u>5¢</u>
	<u>.84 to 1.00, inclusive</u>	<u>6¢</u>
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47 <u>One-sixth of the amount collected under this paragraph shall</u> 47 <u>be deposited into the block grant fund established in</u> <u>section 1812-A.</u> 49

Sec. 3. 36 MRSA §1812, sub-§2, as repealed and replaced by PL 1987, c. 402, Pt. A, §181, is amended to read:

2. Several items. When several purchases are made together and at the same time, the tax shall be computed on the total amount of the several items, except that purchases taxed at 5% 6% and 7% shall be separately totaled.

Sec. 4. 36 MRSA §1812-A is enacted to read:

<u>§1812-A. Block grant fund established</u>

There is established a block grant fund. The Treasurer of 11 State shall apportion and distribute the fund monthly to the municipalities from which these funds are collected.

PART C

Sec. 1. 30-A MRSA §5681, sub-§2, as enacted by PL 1987, c. 17 737, Pt. A, §2 and Part C, §106, and as amended by PL 1989, cc. 6 and 9, is repealed.

Sec. 2. 30-A MRSA §5681, sub-§4, as enacted by PL 1987, c. 737, Pt. A, §2 and Part C, §106, and as amended by PL 1989, cc. 6 and 9, is repealed and the following enacted in its place: 23

4. Sharing the Local Government Fund. Money credited to
25 the Local Government Fund shall be distributed in proportion to the population of each municipality. For the purposes of this
27 section, "population" means the population as determined by the latest Federal Decennial Census or the population as determined
29 and certified by the Department of Human Services, whichever is most current. For the purposes of this section, the Department
31 of Human Services shall determine the population of each municipality at least once every 2 years.

PART D

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36 MRSA §307 is enacted to read:

<u>§307. Municipal Property Tax Relief Program</u>

<u>1. Municipal Property Tax Relief Program established.</u> The
 <u>41 Municipal Property Tax Relief Program is established and is to be</u>
 <u>administered by the Bureau of Taxation.</u>

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2. Application; forms. On or before June 30th of any year, any municipality may apply, on forms provided by the Bureau of Taxation, to the Bureau of Taxation for reimbursement under the Municipal Property Tax Relief Program.

 49 <u>3. Distribution of funds; reimbursement formula. The</u> <u>Bureau of Taxation shall distribute funds to municipalities as</u>
 51 <u>determined by the following reimbursement formula.</u>

1	<u>A. The State Tax Assessor shall determine annually the statewide average dollar increase in valuation. For the</u>
3	<u>purposes of this section, the "average dollar increase in</u>
	valuation" means the quotient of the actual dollar increase
5	<u>in valuation in any given year as compared to the previous</u>
	year divided by the total number of municipalities.
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9	<u>B. The State Tax Assessor shall multiply the average dollar increase in valuation by 7%.</u>
11	C. Each municipality shall receive from the State the
	<u>difference between the product resulting from paragraph B</u>
13	and the municipality's actual dollar increase in valuation.
15	<u>In no case may this formula result in an obligation on the part</u>
	of the municipality to pay money to the State.
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	PART E
19	26 BATT CLA 9660 .
	36 MRSA §662 is enacted to read:
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	<u>§662. Reimbursement to municipalities for exempt state-owned</u>
23	property
25	1. Reimbursement. The Treasurer of State shall annually on
	November 1st make payments to municipalities to reimburse them
27	for property tax losses resulting from the presence of certain
20	exempt state-owned property located within the municipality.
29	2. Property subject to reimbursement. The following
31	categories of exempt state-owned property are subject to
71	reimbursement under this section:
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55	A. Property subject to supervision by the Department of
35	<u>Corrections; and</u>
	<u></u>
37	B. Property subject to supervision by the Department of
	Mental Health and Mental Retardation.
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	3. Amount of payment. The amount of reimbursement shall be
41	equal to 50% of the property tax loss to each municipality for
	the preceding state fiscal year. That loss shall be determined
43	by multiplying the estimated municipal value of reimbursable
	property times the municipal mill rate and dividing by 2.
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	4. Estimation of value of reimbursable property. The State
47	Tax Assessor shall, by August 1st, annually estimate the
	municipal value of reimbursable property in each municipality for
49	the preceding state fiscal year and certify that amount to the
	Treasurer of State.
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5. Appeals. A municipality that disagrees with the determination of municipal value made by the State Tax Assessor may appeal that determination to the State Board of Property Tax Review.

PART F

Sec. 1. Commission created. The Commission to Study Problems with the Municipal Assessment and Collection of Property Taxes is created.

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Sec. 2. Commission duties. The commission shall:

 Tax collection methods. Examine the method the State
 and the municipalities use to collect property taxes and explore whether alternative methods, such as quarterly or more often
 payment schedules, would be more acceptable to taxpayers;

19 **2. Uniform valuation.** Analyze the utility of uniform valuation and revaluation methods;

3. Assessment of property. Study whether the inequities in the assessment of residential property within a municipality and among residential and other types of property within a municipality can be reduced; and

4. Long-term concerns. Determine the effects of long-term ownership and rising valuations.

Sec. 3. Appointment. The commission shall consist of 15 31 members: 4 members of the House of Representatives appointed by the Speaker of the House of Representatives; 2 Senators appointed by the President of the Senate; one town official appointed by 33 the Speaker of the House of Representatives and one town official 35 appointed by the President of the Senate; one municipal assessor appointed by the President of the Senate and one municipal assessor appointed by the Governor; 2 school superintendents, 37 including one from an individual district appointed by the 39 President of the Senate and one from a school administrative district appointed by the Governor; one representative of the Maine Municipal Association appointed by the Governor; 41 the Director of the Property Tax Division of the Department of Finance; and the Commissioner of Educational 43 and Cultural Services. At least 1/2 of the commission's members shall be from communities with higher than average valuations. The commission 45 members shall select a chair at their first meeting.

Sec. 4. Convening of commission. When the appointment of all commission members is completed, the chair of the Legislative Council shall call the first meeting. The first meeting shall be called on or before August 1, 1989. Sec. 5. Report. The commission shall present its findings, together with any recommended legislation to the 114th
 Legislature by December 1, 1989.

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Sec. 6. Assistance. If staff assistance is desired, assistance shall be requested from the Legislative Council.

Sec. 7. Compensation. The members of the commission who are Legislators shall receive the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, for each day's attendance at commission meetings. All members of the commission shall receive reimbursement for expenses upon application to the Executive Director of the Legislative Council.

STATEMENT OF FACT

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The purpose of this bill is to provide property tax relief.

21 Part A establishes a homestead property tax exemption of 15% of the assessed valuation of a permanent residence. The bill also establishes the application, approval and appeal procedures associated with the tax exemption as well as the remedies available against property owners who claim the exemption without being permanent residents.

Part B raises the Maine sales tax from 5% to 6%. The additional sales tax collected as a result of this increase shall be returned to the municipality from which the tax was collected through a block grant fund.

Part C changes the state and municipal revenue-sharing formula by removing valuation as a factor. Under this bill,
 revenue sharing would be based entirely on municipal population.

 Part D establishes a Municipal Property Tax Relief Program that requires the State to reimburse municipalities that
 experience a 7% or greater increase over the statewide average in property valuations.

Part E requires the State to reimburse municipalities with 43 state-owned property for the property taxes lost as a result of the presence of state property which is not subject to property 45 taxes.

Part F establishes a commission to study local property tax assessment and collection practices.