

MAINE STATE LEGISLATURE

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L.D. 2219

MAJORITY REPORT

(Filing No. H-876)

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
118TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1589, L.D. 2219, Bill, "An Act to Reduce Income and Property Taxes"

Amend the bill by inserting after section 1 the following:

'Sec. 2. 36 MRSA §507, first ¶, as amended by PL 1985, c. 376, is further amended to read:

When a municipality issues a property tax bill to each taxpayer, each bill shall must contain a statement or calculation that demonstrates the amount or percentage by which the taxpayer's tax has been reduced by the distribution of state-municipal revenue sharing, state reimbursement for the Maine resident homestead property tax exemption and state aid for education. The property tax bill must contain a statement of the assessed value of a homestead, before and after the calculation of a Maine resident homestead property tax exemption, and the amount of the exemption applied to the homestead. The State Tax Assessor shall annually provide each municipality with the amount of state-municipal revenue sharing and state aid for education subject to identification under this section.

Sec. 3. 36 MRSA c. 105, sub-c. IV-B is enacted to read:

SUBCHAPTER IV-B

MAINE RESIDENT HOMESTEAD PROPERTY
TAX EXEMPTION

COMMITTEE AMENDMENT

2 of 8

2 **§681. Definitions**

4 As used in this subchapter, unless the context otherwise
6 indicates, the following terms have the following meanings.

8 1. Applicant. "Applicant" means an individual who has
10 applied for a homestead property tax exemption pursuant to this
12 subchapter.

14 2. Homestead. "Homestead" means any residential property
16 in this State assessed as real property owned by an applicant or
18 held in a revocable living trust for the benefit of the applicant
20 and occupied by the applicant as the applicant's permanent
22 residence. A "homestead" does not include any real property used
24 solely for commercial purposes.

26 3. Permanent residence. "Permanent residence" means that
28 place where an individual has a true, fixed and permanent home
30 and principal establishment to which the individual, whenever
32 absent, has the intention of returning. An individual may have
34 only one permanent residence at a time and, once a permanent
36 residence is established, that residence is presumed to continue
38 until circumstances indicate otherwise.

40 4. Permanent resident. "Permanent resident" means an
42 individual who has established a permanent residence.

44 **§682. Permanent residency; factual determination by assessor**

46 The assessor shall determine whether an applicant has a
48 permanent residence in this State. In making a determination as
50 to the intent of an individual to establish a permanent residence
 in this State, the assessor may consider the following:

1. Formal declarations. Formal declarations of the
 applicant or any other individual;

2. Informal statements. Informal statements of the
 applicant or any other individual;

3. Place of employment. The place of employment of the
 applicant;

4. Previous permanent residence. The previous permanent
 residence of the applicant and the date the previous permanent
 residency was terminated;

5. Voter registration. The place where the applicant is
 registered to vote;

RdS.

2 6. Driver's license. The place of issuance to the
4 applicant of a driver's license and the address listed on the
 license;

6 7. Certificate of motor vehicle registration. The place of
 issuance of a certificate of registration of a motor vehicle
8 owned by the applicant and the address listed on the certificate;

10 8. Income tax returns. The residence claimed on any income
 tax return filed by the applicant;

12 9. Motor vehicle excise tax. The place of payment of a
14 motor vehicle excise tax by the applicant; or

16 10. Military residence. A declaration by the applicant of
 permanent residence registered with any branch of the Armed
18 Forces of the United States.

20 **\$683. Exemption of homesteads**

22 1. Exemption amount. The estate up to the just value of
24 \$7,500 of the homestead of a permanent resident of this State who
 has owned a homestead in this State for the preceding 12 months
26 is exempt from taxation except for assessments for special
 benefits. In determining the local assessed value of the
28 exemption, the assessor shall multiply the amount of the
 exemption by the ratio of current just value upon which the
30 assessment is based as furnished in the assessor's annual return
 pursuant to section 383. If the title to a homestead is held by
32 the applicant jointly or in common with others, the exemption may
 not exceed \$7,500 of the just value of the homestead, but may be
34 apportioned among the owners who reside on the property to the
 extent of their respective interests. A municipality responsible
36 for administering the homestead exemption has no obligation to
 create separate accounts for each partial interest in a homestead
 owned jointly or in common.

38 2. Exemption in addition to other exemptions. The
40 exemption provided in this subchapter is in addition to the
 exemptions provided in sections 653 and 654.

42 3. Effect on state valuation. The just value of homesteads
44 exempt under this subchapter must be included in the annual
 determination of state valuation under sections 208 and 305.

46 4. Property tax rate. The value of homestead exemptions
48 under this subchapter must be included in the total municipal
 valuation used to determine the municipal tax rate. The
50 municipal tax rate as finally determined may be applied to only
 the taxable portion of each homestead qualified for that tax year.

2 **§684. Forms; application**

4 1. Generally. The bureau shall furnish to the assessor of
6 each municipality a sufficient number of printed forms to be
8 filed by applicants for an exemption under this subchapter and
10 shall determine the content of the forms. A municipality shall
12 provide to its inhabitants reasonable notice of the availability
14 of application forms. An individual claiming an exemption under
16 this subchapter for the first time shall file the application
 form with the assessor or the assessor's representative. For an
 exemption from taxes based on the status of property on April 1,
 1998, the application must be filed by May 15, 1998. For taxes
 based on the status of property after April 1, 1998, the
 application must be filed by April 1st of the year on which the
 taxes are based.

18 2. False filing. An individual who knowingly gives false
20 information for the purpose of claiming a homestead exemption
22 under this subchapter commits a Class E crime. An individual who
24 claims to be a permanent resident of this State under this
 subchapter who also claims to be a permanent resident of another
 state for the tax year for which an application for a homestead
 exemption is made commits a Class E crime.

26 3. Continuation of eligibility. The assessor shall
28 evaluate annually the ongoing eligibility of property for which a
30 homestead exemption has been approved under this subchapter. The
32 evaluation must be based on the status of the property on April
34 1st of the year on which the homestead exemption is based. The
36 evaluation must include, but is not limited to, a review of
38 whether the ownership of the property has changed in any manner
40 that would disqualify the property for an exemption under this
 subchapter or whether the owner has ceased to use the property as
 a homestead. If the assessor determines that the property is no
 longer entitled to an exemption under this subchapter, the
 assessor shall notify the owner as provided in section 686 that
 the property is no longer entitled to an exemption under this
 subchapter.

42 4. Owner notification. An owner of property receiving an
44 exemption under this subchapter shall notify the assessor
46 promptly when the ownership or use of the property changes so as
 to change the qualification of the property for an exemption
 under this subchapter.

48 **§685. Duty of assessor; reimbursement by State**

50 1. Examination and identification. The assessor shall
 examine each application for homestead exemption that is timely

filed with the assessor, determine whether the property is entitled to an exemption under this subchapter and identify the exemption in the municipal valuation.

2. Entitlement to reimbursement by the State; calculation.

A municipality that has approved homestead exemptions under this subchapter may recover from the State 100% of the taxes lost by reason of the exemptions upon proof in a form satisfactory to the bureau. The bureau shall reimburse the Unorganized Territory Education and Services Fund for 100% of taxes lost by reason of the exemption.

3. Information provided to State; deviations in assessment ratio. The assessor shall provide by June 1st, annually, any relevant information requested by the bureau for the purpose of determining the actual assessment ratio for developed parcels in use in a municipality. The certified ratio declared by the municipality must be considered accurate by the bureau if it is within 10% of the assessment ratio last determined by the bureau in its annual report of ratio studies involving developed parcels of property. The assessor may submit additional information on the relevant assessment ratio to the bureau in order to prove that a different ratio should apply. The bureau may accept a certified ratio that deviates more than 10% from the last reported developed parcel ratio only if the information submitted by the municipality clearly indicates that the certified ratio is more accurate than the assessment ratio contained in the bureau's most recent annual report.

4. Estimated and final payments by the State. Reimbursement to municipalities must be made in the following manner.

A. The bureau shall estimate the amount of reimbursement required under this section for each municipality and certify 80% of the estimated amount to the Treasurer of State by August 1st, annually. The Treasurer of State shall pay by August 15th, annually, the amount certified to each municipality entitled to reimbursement.

B. A municipality claiming reimbursement under this section shall submit a claim to the bureau by November 1st of the year in which the exemption applies or within 30 days of commitment of taxes, whichever occurs later. The bureau shall review the claims and determine the total amount to be paid. The bureau shall certify and the Treasurer of State shall pay by December 15th of the year in which the exemption applies the difference between the estimated payment issued and the amount that the bureau finally determines for that tax year. Municipal claims that are

timely filed after November 1st must be paid as soon as reasonably possible after the December 15th payment date. If the total amount of reimbursement to which a municipality is entitled is less than the amount received under paragraph A, the municipality shall repay the excess to the State by December 30th of the year, or the amount may be offset against the amount of state-municipal revenue sharing due the municipality under Title 30-A, section 5681.

5. Reimbursement for state mandated costs. The bureau shall reimburse municipalities and the Unorganized Territory Education and Services Fund for state mandated costs in the manner provided in Title 30-A, section 5685.

§686. Denial of homestead exemption; appeals

If the assessor determines that a property is not entitled to a homestead exemption under this subchapter, the assessor shall promptly provide a notice of denial, including the reasons for the denial, to the applicant by either personal delivery or regular mail. An applicant may appeal a denial of an exemption under this subchapter using the procedures provided in subchapter VIII. If the assessor determines that a property receiving an exemption under this subchapter any year within the 10 preceding years was not eligible for the exemption, the assessor shall immediately notify the bureau in writing.

§687. Supplemental assessment

If the assessor notifies the bureau under section 686, or the bureau otherwise determines that a property improperly received an exemption under this subchapter for any of the 10 years immediately preceding the determination, the assessor shall supplementally assess the property for which the exemption was improperly received, plus costs and interest. The supplemental assessment must be assessed and collected pursuant to section 713-B. The bureau shall deduct the value of the portion of the supplemental assessment that pertains to any funds previously reimbursed to the municipality under section 685 from the next reimbursement issued to the municipality.

§688. Effect of determination of residence

A determination of permanent residence made for purposes of this subchapter is not binding on the bureau with respect to the administration of Part 8 and has no effect on determination of domicile for purposes of the Maine individual income tax.

§689. Audits; determinations of bureau

The bureau has the authority to audit the records of a municipality to ensure compliance with this subchapter. The bureau may independently review the records of a municipality to determine if homestead exemptions have been properly approved. If the bureau determines that a homestead exemption was improperly approved, the bureau shall ensure, either by setoff against other payments due the municipality or otherwise, that the municipality is not reimbursed for the exemption. A municipality that is aggrieved by a determination of the bureau under this subchapter may appeal pursuant to section 151.'

Further amend the bill by striking out all of section 4 and inserting in its place the following:

'Sec. 4. 36 MRSA §6201, sub-§11-A, as enacted by PL 1987, c. 839, §2, is amended to read:

11-A. Rent constituting property taxes accrued for nonelderly household. "Rent constituting property taxes accrued for nonelderly household" means ~~15%~~ 19% of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and the claimant's 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 chapter by the claimant.

Sec. 5. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.

1998-99

**Administrative and Financial Services,
Department of**

Bureau of Revenue Services

Positions - Legislative Count	(3.000)
Personal Services	\$88,979
All Other	60,000

TOTAL	\$148,979
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Provides funds for a Revenue

Agent position and 2 Property
Tax Appraiser I positions and
related administrative
expenses to implement the
Maine Resident Homestead
Property Tax Exemption
program.

10 Homestead Property Tax Exemption
12 Reimbursement

All Other \$49,404,420

Provides funds for 100% of
the estimated amount of
property tax exempted under
the Maine Resident Homestead
Property Tax Exemption
program.

22 Homestead Property Tax Exemption -
24 Mandate Reimbursement

All Other \$715,000

Provides funds to reimburse
municipalities for 90% of the
estimated local costs
incurred to implement the
Maine Resident Homestead
Property Tax Exemption
program.

38 DEPARTMENT OF ADMINISTRATIVE AND
40 FINANCIAL SERVICES
TOTAL

\$50,268,399

Sec. 6. Retroactivity. This Act applies retroactively to April
1, 1998.'

Further amend the bill by relettering or renumbering any
nonconsecutive Part letter or section number to read
consecutively.

Further amend the bill by inserting at the end before the
summary the following:

FISCAL NOTE

1998-99

APPROPRIATIONS/ALLOCATIONS

General Fund \$50,268,399

REVENUES

Other Funds (\$30,614,185)

This bill will have a combined total cost to the General Fund and the Tax Relief Fund for Maine Residents of \$79,321,261 in fiscal year 1998-99, \$86,498,974 in fiscal year 1999-2000 and \$89,955,750 in fiscal year 2000-01.

The increase in the personal exemption will reduce individual income tax collections. The decrease in individual income tax collections will be partially offset by an increase in individual income tax collections as a result of the homestead property tax exemption program which will reduce itemized deductions. This will reduce the amount set aside in the Tax Relief Fund for Maine Residents by \$29,052,862 in fiscal year 1998-99 and will result in net reductions of General Fund revenue from the individual income tax of \$34,079,216 in fiscal year 1999-2000 and \$34,936,351 in fiscal year 2000-01. The corresponding decreases in dedicated revenue to the Local Government Fund for state-municipal revenue sharing will be \$1,561,323, \$1,831,444 and \$1,877,507 in fiscal years 1998-99, 1999-2000 and 2000-01, respectively.

The Maine Resident Homestead Property Tax Exemption Program will require additional General Fund appropriations of \$49,404,420 in fiscal year 1998-99, \$51,874,641 in fiscal year 1999-2000 and \$54,468,373 in fiscal year 2000-01 for the estimated reimbursements to Maine municipalities.

The reduction in property taxes resulting from the homestead exemption under this new program will reduce future payments under the Maine Resident Property Tax Program, the "circuitbreaker" program. The estimated General Fund savings in "circuitbreaker" payments will be \$4,019,767 in fiscal year 1999-2000 and \$4,220,179 in fiscal year 2000-01. This bill also increases the reimbursements for renters under the "circuitbreaker" program by \$4,088,767 in fiscal year 1999-2000 and \$4,293,205 in fiscal year 2000-01. This results in net costs to this program of \$69,549 in fiscal year 1999-2000 and \$73,026 in fiscal year 2000-01.

In addition to the homestead tax reimbursement costs, the Bureau of Revenue Services will require additional General Fund appropriations of \$148,979 in fiscal year 1998-99. This amount includes funding for a Revenue Agent position and 2 Property Appraiser I positions and related administrative expenses to review and certify reimbursements under the homestead exemption program, including printing and mailing costs that will be incurred by the bureau in fiscal year 1997-98. The estimated future administrative costs to the bureau in fiscal years 1999-2000 and 2000-01 will be approximately \$115,500 and \$118,000, respectively.

This bill includes several new requirements on municipalities as part of implementing the Maine Resident Homestead Property Tax Exemption. The costs associated with this state mandate can not be determined at this time. This bill includes a General Fund appropriation of \$715,000 in fiscal year 1998-99 to reimburse municipalities for 90% of the estimated local costs pursuant to the Constitution of Maine and the Maine Revised Statutes, Title 30-A, section 5685. This estimate of the costs is based on a \$2.20 per homestead cost in the first year of implementation. Costs in the subsequent years will be approximately half of the first-year costs.

This bill may increase prosecutions for Class E crimes. If a jail sentence is imposed, the additional costs to the counties are estimated to be \$86.45 per day per prisoner. These costs are not reimbursed by the State. The number of prosecutions that may result in a jail sentence and the resulting costs to the county jail system are expected to be insignificant.

The additional workload, administrative costs and indigent defense costs associated with the minimal number of new cases filed in the court system can be absorbed within the budgeted resources of the Judicial Department. The collection of additional fines may also increase General Fund revenue by minor amounts.'

SUMMARY

This amendment removes those provisions of the original bill providing for a homestead property tax rebate program administered by the State and replaces it with a Maine resident homestead property tax exemption administered by municipalities. The amendment requires state reimbursement for property taxes lost as a result of the exemption. The amendment requires municipal property tax bills to identify the amount of the

exemption and the amount by which property taxes are reduced as a result of state reimbursement for the homestead exemption.

The amendment increases benefits for renters under the Maine Residents Property Tax Program by increasing the percentage of rent constituting property taxes from 15% to 19% of rent paid.

The amendment adds an appropriation to provide reimbursement for property taxes lost because of the homestead exemption and for the administrative costs resulting from mandating the homestead exemption. The amendment also adds a fiscal note.