

# MAINE STATE LEGISLATURE

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# 119th MAINE LEGISLATURE

## FIRST REGULAR SESSION-1999

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Legislative Document

No. 1940

S.P. 694

In Senate, March 18, 1999

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**An Act to Create Standards of Eligibility Governing Certain Tax-exempt Organizations and to Phase in a Reduction of the Rate of Exemption to Reflect the Cost of Providing Essential Municipal Services.**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script, reading "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator DAGGETT of Kennebec.  
Cosponsored by Senators: CATHCART of Penobscot, MILLS of Somerset, RAND of Cumberland, Representative: SAXL of Bangor.

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

2           **Sec. 1. 36 MRSA §651**, as amended by PL 1981, c. 595, §4, is  
4 further amended to read:

6           **§651. Public property**

8           ~~The following public property is exempt from taxation:~~

10           **1. Public property.** Except as provided in section 652,  
12 subsection 1, paragraph M, the following public property is  
exempt from taxation:

14           A. The property of the United States so far as the taxation  
16 of such property is prohibited under the Constitution and  
laws of the United States;

18           B. The property of the State of Maine;

20           B-1. Real estate owned by the Water Resources Board of the  
22 State of New Hampshire and used for the preservation of  
recreational facilities in this State;

24           C. All property ~~which~~ that by the Articles of Separation is  
26 exempt from taxation;

28           D. The property of any public municipal corporation of this  
30 State appropriated to public uses, if located within the  
corporate limits and confines of such public municipal  
corporation;

32           E. The pipes, fixtures, hydrants, conduits, gatehouses,  
34 pumping stations, reservoirs and dams, used only for  
reservoir purposes, of public municipal corporations engaged  
36 in supplying water, power or light, if located outside of  
the limits of such public municipal corporation;

38           F. All airports and landing fields and the structures  
40 erected thereon or contained therein of public municipal  
corporations whether located within or without the limits of  
42 such public municipal corporations. Any structures or land  
contained within such airport not used for airport or  
44 aeronautical purposes shall is not be entitled to this  
exemption. Any public municipal corporation ~~which~~ that is  
46 required to pay taxes to another such corporation under this  
paragraph with respect to any airport or landing field shall  
48 must be reimbursed by the county wherein the airport is  
situated; and

50           G. The pipes, fixtures, conduits, buildings, pumping

2 stations and other facilities of a public municipal  
corporation used for sewage disposal, if located outside the  
limits of such public municipal corporation.

4  
6 **Sec. 2. 36 MRSA §652, first ¶** is amended to read:

8 The Except as provided in subsection 1, paragraph M, the  
following property of institutions and organizations is exempt  
from taxation:

10  
12 **Sec. 3. 36 MRSA §652, sub-§1, ¶A**, as amended by PL 1997, c.  
668, §20, is further amended to read:

14 A. The real estate and personal property owned and occupied  
or used solely for their own purposes by benevolent and  
16 charitable institutions incorporated by this State. Such an  
institution may not be deprived of the right of exemption by  
18 reason of the source from which its funds are derived or by  
reason of limitation in the classes of persons for whose  
20 benefit such funds are applied.

22 For the purposes of this paragraph, but subject to the  
standards provided in this section, "benevolent and  
24 charitable institutions" include, but are not limited to,  
nonprofit nursing homes and nonprofit boarding homes and  
26 boarding care facilities licensed by the Department of Human  
Services pursuant to Title 22, chapter 1665 or its  
28 successor, nonprofit community mental health service  
facilities licensed by the Commissioner of Mental Health,  
30 Mental Retardation and Substance Abuse Services pursuant to  
Title 34-B, chapter 3 and nonprofit child care centers  
32 incorporated by this State as benevolent and charitable  
institutions. For the purposes of this paragraph,  
34 "nonprofit" means a facility exempt from taxation under  
Section 501(c)(3) of the Code;

36  
38 **Sec. 4. 36 MRSA §652, sub-§1, ¶C**, as amended by PL 1997, c.  
442, §3, is further amended by enacting subparagraph (1-A) to  
read:

40  
42 (1-A) Any corporation claiming exemption under  
paragraph A shall:

44 (a) Provide a significant portion of its services  
to a substantial class of persons who are the  
46 legitimate subjects of charity; or

48 (b) Otherwise relieve the government of its  
burden to care for or advance the interests of its  
50 citizens;

2           **Sec. 5. 36 MRSA §652, sub-§1, ¶C**, as amended by PL 1997, c.  
442, §3, is further amended by amending subparagraphs (2) and (4)  
4 to read:

6           (2) A director, trustee, officer or employee of an  
8 organization claiming exemption is not entitled to  
receive directly or indirectly any pecuniary profit  
10 from the operation of that organization, excepting  
reasonable compensation for services in effecting its  
12 purposes or as a proper beneficiary of its strictly  
benevolent or charitable purposes.

14           For the purposes of this subparagraph, "reasonable  
16 compensation" means compensation levels falling within  
the salary ranges pertinent to the employment and  
18 compensation classifications listed in a publication of  
the Department of Labor that lists Maine occupational  
20 wages. With respect to benefits, the standard of  
"reasonable compensation" is met if the aggregate value  
22 of all benefits, perquisites, bonuses and other  
employee incentives do not exceed 30% of the aggregate  
24 salary provided to all compensated directors, trustees,  
officers, employees and agents of the organization;

26           (4) The Between January 1st and April 1st of each  
28 year, the institution, organization or corporation  
claiming exemption under this subsection shall file  
30 with the tax assessors upon their request and cause to  
be published in a daily newspaper of general  
32 circulation in the community a report for its preceding  
fiscal year in such detail as the tax assessors may  
34 reasonably require, including at a minimum: a  
description of the actual charitable services provided  
36 by that organization; a demonstration of how that  
organization publicizes the availability of the  
38 charitable services it provides; a breakdown of the  
sources of the resources used by the organization to  
40 provide the charitable services, including both private  
contributions and federal, state and local revenues;  
42 tax expenditures; and such accounting as may be  
44 necessary to calculate the total value of unreimbursed  
gifts to the community, the region and the State, as  
applicable;

46           **Sec. 6. 36 MRSA §652, sub-§1, ¶L**, as enacted by PL 1977, c.  
487, is repealed.

48           **Sec. 7. 36 MRSA §652, sub-§1, ¶M** is enacted to read:

2           M. Beginning with property tax year 2000, all property  
4           described in this subsection, except paragraph G, and all  
6           property described in section 651, subsection 1, paragraphs  
8           B, B-1, C, E, F and G is eligible for an exemption of no  
10           more than 96% of its just value. For each subsequent  
12           property tax year, the exemption provided to these  
14           properties is decreased by an additional 4% of just value  
              until property tax year 2009, when these properties are  
              eligible for a maximum exemption of 60% of just value. This  
              subsection does not apply to parcels of real estate upon  
              which structures have not been built and properties  
              described in paragraph C, subparagraph (6) that are limited  
              to an exemption of 50% of their just value.

16  
18

### SUMMARY

20           This bill repeals the service charge section of the State's  
22           property tax law that authorized municipalities to adopt  
24           ordinances that would govern the application of a service charge  
26           against a limited category of tax-exempt property. That service  
28           charge was calculated as the portion of the property tax  
30           commitment related to the municipal services being provided to  
32           the exempt property. This bill creates a phased-in system that  
34           gradually limits the exemption for all property that is currently  
36           100% exempt from taxation. The phased-in limitation does not  
              apply to municipal, federal or church property or parcels of real  
              estate that do not have structures built on them. The system of  
              limited exemption begins with property tax year 2000, when the  
              qualifying exempt property receives an exemption of 96% of its  
              just value. Each subsequent year, the exemption decreases by 4%  
              of the property's just value until the exemption reaches 60% of  
              the property's just value in the year 2009, where it remains.  
              This would be the equivalent of the property being assessed at  
              40% of its just value.

38           This bill also establishes 3 standards of eligibility or  
40           performance criteria that benevolent and charitable organizations  
42           have to meet to obtain or retain their tax-exempt status. Those  
              3 standards of criteria are:

44           1. The organization must provide a significant portion of  
46           its services to a substantial class of persons who are legitimate  
              subjects of charity or otherwise relieve the government of its  
              burden;

48           2. The organization must report on its charitable  
50           performance annually to the municipal assessors and publish that  
              report in a daily newspaper of general circulation; and

2           3. The organization must provide a salary and benefit  
3 package to its directors, trustees, officers, employees and  
4 agents that falls within a definition of "reasonable  
5 compensation" that is measured by a publication of the Department  
6 of Labor that lists Maine occupational wages.