

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 1242

S.P. 428

March 8, 2007

### **An Act To Increase Relief Provided under the Homestead Property Tax Exemption**

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Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "Joy J. O'Brien".

JOY J. O'BRIEN  
Secretary of the Senate

Presented by Senator ROTUNDO of Androscoggin. (BY REQUEST)

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

2 **Sec. 1. 36 MRSA §685, sub-§2**, as amended by PL 2005, c. 2, Pt. F, §4 and  
3 affected by §5, is repealed and the following enacted in its place:

4 **2. Entitlement to reimbursement by the State; calculation; use of Homestead**  
5 **Exemption Surcharge Fund.** The state reimbursement to municipalities for tax revenue  
6 lost by reason of the homestead exemptions under this subchapter is determined pursuant  
7 to this subsection.

8 A. There is established in the bureau the Homestead Exemption Surcharge Fund, a  
9 nonlapsing account into which the Treasurer of State shall deposit the revenue  
10 generated by section 1811, subsection 4.

11 B. The assessor annually shall determine the amount of revenue in the Homestead  
12 Exemption Surcharge Fund and calculate the percentage of state reimbursement. In  
13 determining the percentage of reimbursement, the assessor shall start with a  
14 minimum reimbursement of 50% and then use the revenue in the fund to increase the  
15 percentage of reimbursement above 50%.

16 C. A municipality that has approved homestead exemptions under this subchapter  
17 may recover from the State a percentage of the taxes lost by reason of the exemptions  
18 upon proof in a form satisfactory to the bureau as calculated annually pursuant to  
19 paragraph B. The bureau shall reimburse the Unorganized Territory Education and  
20 Services Fund the same percentage of taxes lost by reason of the exemption as it  
21 reimburses municipalities. The percentage of reimbursement may not be less than  
22 50%.

23 **Sec. 2. 36 MRSA §1811**, as amended by PL 2003, c. 510, Pt. C, §12 and affected  
24 by §13 and amended by c. 673, Pt. V, §23 and affected by §29, is repealed and the  
25 following enacted in its place:

26 **§1811. Sales tax**

27 **1. Personal property and services.** A tax is imposed on the value of all tangible  
28 personal property and taxable services sold at retail in this State. The rate of tax is:

29 A. Seven percent on the value of liquor sold in licensed establishments as defined in  
30 Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43;

31 B. Seven percent on the value of rental of living quarters in any hotel, rooming house  
32 or tourist or trailer camp.

33 C. Ten percent on the value of rental for a period of less than one year of an  
34 automobile;

35 D. Seven percent on the value of prepared food; and

36 E. Five percent on the value of all other tangible personal property and taxable  
37 services.

38 Value is measured by the sale price, except as otherwise provided.

1 2. Gas, water and electricity. The tax imposed upon the sale and distribution of  
2 gas, water or electricity by any public utility, the rates for which sale and distribution are  
3 established by the Public Utilities Commission, must be added to the rates so established.  
4 A tax may not be imposed upon the sale or use of electrical energy, or water stored for  
5 the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary  
6 by or to its parent corporation, except for electrical energy or water purchased for resale  
7 to or by such wholly owned subsidiary.

8 3. Rental or lease of automobile for one year or more. Rental or lease of an  
9 automobile for one year or more must be taxed at the time of the lease or rental  
10 transaction at 5% of the following: the total monthly lease payment multiplied by the  
11 number of payments in the lease or rental, the amount of equity involved in any trade-in  
12 and the value of any cash down payment. Collection and remittance of the tax is the  
13 responsibility of the person that negotiates the lease transaction with the lessee.

14 4. Homestead property tax exemption surcharge. In addition to the tax imposed  
15 pursuant to subsection 1, paragraph E, an additional tax is imposed at the rate of 1% of  
16 the value of tangible personal property and taxable services subject to tax under  
17 subsection 1, paragraph E. Revenue generated by this subsection must be deposited by  
18 the Treasurer of State in the Homestead Exemption Surcharge Fund, a dedicated account  
19 established in section 685, subsection 2 and maintained and used by the bureau to  
20 reimburse municipalities for lost revenue due to the homestead property tax exemption as  
21 specified in section 685, subsection 2.

22 **Sec. 3. Application.** That section of this Act that repeals and replaces the Maine  
23 Revised Statutes, Title 36, section 685, subsection 2 applies to property tax years  
24 beginning on or after April 1, 2008.

## 25 SUMMARY

26 This bill establishes an additional 1% general sales tax. The revenue generated by the  
27 additional tax is used to increase the state reimbursement to municipalities to more than  
28 50% of the tax revenue lost by those municipalities due to the Maine homestead property  
29 tax exemption program.