

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 1670

H.P. 1179

House of Representatives, March 22, 2007

### An Act To Promote Tax Fairness

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative PINGREE of North Haven.  
Cosponsored by Senator BARTLETT of Cumberland and  
Representatives: CAIN of Orono, FAIRCLOTH of Bangor, KOFFMAN of Bar Harbor,  
PIOTTI of Unity, Senators: BROMLEY of Cumberland, BRYANT of Oxford, DOW of  
Lincoln, MITCHELL of Kennebec.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA §6203-A**, as enacted by PL 2003, c. 673, Pt. BB, §2, is  
4 amended to read:

5 **§6203-A. Procedure for reimbursement**

6 At least monthly on or before the last day of the month, the State Tax Assessor shall  
7 determine the benefit for each claimant under this chapter and certify the amount to the  
8 State Controller to be transferred to the so-called circuit breaker reserve established,  
9 maintained and administered by the State Controller from General Fund undedicated  
10 revenue within the individual income tax category. At least monthly, ~~the assessor shall~~  
11 ~~pay the certified amounts to each approved applicant qualifying for the benefit under this~~  
12 ~~chapter. Interest may not be allowed on any payment made to a claimant pursuant to this~~  
13 ~~chapter~~ payments of claims must be made as provided in section 6203-B.

14 **Sec. A-2. 36 MRSA §6203-B** is enacted to read:

15 **§6203-B. Payment of claim**

16 **1. Payment options.** Claimants under this chapter may select any one of the  
17 following payment options for each claim.

18 A. The claimant may choose to have payment made directly to the claimant.

19 B. Beginning with claims filed in 2008, the claimant may choose to have the  
20 payment applied against the claimant's individual income tax for the income tax year  
21 in which the claim is payable.

22 C. The claimant may choose to have payment made directly to the municipality  
23 where the claimant's homestead is located to offset an equal amount of property taxes  
24 owed by the claimant to the municipality.

25 **2. Payment procedure.** Upon approval of claims by the assessor, the assessor shall  
26 prepare and certify a list of individuals entitled to a claim under this chapter who have  
27 chosen a payment option authorized under subsection 1, paragraph A or C, together with  
28 the respective amount attributable to each individual and indicating the payment option  
29 chosen by the claimant, and shall forward the list to the State Controller on or before  
30 September 30th, except that for calendar year 2007 the certification must be made on or  
31 before October 10th. The Treasurer of State, upon direction of the State Controller, shall  
32 pay and distribute the claims certified by the assessor to the appropriate payee annually  
33 on or before October 20th. A claim of less than \$10 may not be granted. Claims not  
34 certified by the assessor by September 30th may be certified as soon as practicable  
35 thereafter, but such claims need not be paid by the State Controller by October 20th.

36 **3. Review by assessor; setoff required.** The assessor shall review every application  
37 filed pursuant to this chapter and may reject a claim if the assessor determines that no  
38 payment is due. If the assessor determines that a claim has been incorrectly determined,

1 the assessor shall adjust the claim. The assessor shall notify the claimant in writing of  
2 any rejection or adjustment and the reasons for the rejection or adjustment. The rejection  
3 or adjustment is final unless appealed by the claimant pursuant to section 6213. The  
4 assessor shall set off against the claim payment any other tax liability owed by the  
5 claimant pursuant to this Title.

6 **4. Payments made in error.** If the assessor determines that a claim has been  
7 incorrectly calculated or paid in error, the amount paid may be recovered by assessment  
8 pursuant to section 141, and the assessment bears interest, from the date of payment of  
9 the claim until refunded or paid, at the rate provided by section 186.

10 **Sec. A-3. 36 MRSA §6204**, as amended by PL 2005, c. 2, Pt. E, §3 and affected  
11 by §§7 and 8, is further amended to read:

12 **§6204. Filing date**

13 A claim may not be paid unless the claim is filed with the Bureau of Revenue  
14 Services on or after August 1st and on or before the following May 31st. For years for  
15 which relief is requested that begin after 2006, the period for filing a claim with the  
16 bureau begins on January 1st following the year for which relief is requested and ends on  
17 the following June 30th.

18 **Sec. A-4. 36 MRSA §6210**, as amended by PL 2005, c. 218, §59, is further  
19 amended to read:

20 **§6210. Administration**

21 The State Tax Assessor shall make available suitable forms with instructions for  
22 claimants. The claim must be in the form prescribed by the assessor and must be signed  
23 by the claimant.

24 ~~The assessor shall include a checkoff to request an application for~~ A claimant may  
25 apply for a benefit under the Maine Residents Property Tax Program on the that  
26 claimant's individual income tax form. The assessor shall also provide a paperless option  
27 for filing an application for the Maine Residents Property Tax Program.

28 **Sec. A-5. Modification of income tax form.** The State Tax Assessor within the  
29 Bureau of Revenue Services, Department of Administrative and Financial Services shall  
30 modify the individual income tax form to include the ability of an individual to use the  
31 form to submit a claim under the Maine Residents Property Tax Program and to indicate  
32 the method of payment of the claim as described in the Maine Revised Statutes, Title 36,  
33 section 6203-B.

34 **Sec. A-6. Application.** This Part applies to applications for the Maine Residents  
35 Property Tax Program, under the Maine Revised Statutes, Title 36, chapter 907, filed on  
36 or after January 1, 2008, exclusive of applications filed on extension from the prior filing  
37 period.

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## PART B

**Sec. B-1. 36 MRSA §6207, sub-§1, ¶A-1**, as amended by PL 2005, c. 2, Pt. E, §4 and affected by §§7 and 8, is further amended to read:

A-1. Fifty percent of that portion of the benefit base that exceeds 4% but does not exceed 8% of income plus 100% of that portion of the benefit base that exceeds 8% of income to a maximum payment of ~~\$2,000~~ \$3,000.

**Sec. B-2. Application.** This Part applies to claims for benefits under the Maine Residents Property Tax Program, under the Maine Revised Statutes, Title 36, chapter 907, filed for application periods that begin on or after August 1, 2008.

## PART C

**Sec. C-1. 36 MRSA §6201, sub-§1**, as amended by PL 2005, c. 2, Pt. E, §1 and affected by §§7 and 8, is further amended to read:

**1. Benefit base.** "Benefit base" means property taxes accrued or rent constituting property taxes accrued. In the case of a claimant paying both rent and property taxes for a homestead, benefit base means both property taxes accrued and rent constituting property taxes accrued. When calculating the benefit base when a homestead was rented out for not more than 30 days in the aggregate, property taxes accrued and rent constituting property taxes accrued must be adjusted to exclude a percentage of the property taxes accrued or rent constituting property taxes accrued that is equal to the percentage of the year during which the homestead was rented out by the claimant. The benefit base may not exceed \$3,000 for single-member households and \$4,000 for households with 2 or more members.

**Sec. C-2. 36 MRSA §6201, sub-§2**, as amended by PL 2001, c. 396, §40, is repealed and the following enacted in its place:

**2. Claimant.** "Claimant" means an individual who:

A. Has filed a claim under this chapter;

B. Was domiciled in this State during the entire calendar year for which relief is requested; and

C. Owned or otherwise maintained a homestead in this State during the entire year for which relief is requested, occupied that homestead for at least 6 months during that year and did not rent out that homestead for more than 30 days in the aggregate during that year.

Regardless of how many names of individuals appear on the property deed, the person who meets the qualifications described in this subsection and proves sole responsibility for the payment of the property taxes on the subject property is the claimant with respect to that property. If 2 or more individuals meet the qualifications in this subsection and share the payment of rent or responsibility for the payment of property taxes, each individual may apply on the basis of the rent paid or the property taxes levied on the homestead that reflects the ownership percentage of the claimant and the claimant's

1 household. If 2 or more individuals claim the same property, the matter must be referred  
2 to the State Tax Assessor, whose decision is final.

3 Ownership of a homestead under this chapter may be by fee, by life tenancy, by bond for  
4 deed, as mortgagee or by any other possessory interest in which the owner is personally  
5 responsible for the tax for which a refund is claimed.

6 **Sec. C-3. Application.** This Part applies to claims for benefits under the Maine  
7 Residents Property Tax Program filed for application periods that begin on or after  
8 August 1, 2008.

9 **PART D**

10 **Sec. D-1. 36 MRSA §683, sub-§1,** as repealed and replaced by PL 2005, c. 2, Pt.  
11 F, §1 and affected by §5, is amended to read:

12 **1. Exemption amount.** Except for assessments for special benefits, the just value of  
13 ~~\$13,000~~ \$20,000 of the homestead of a permanent resident of this State who has owned a  
14 homestead in this State for the preceding 12 months is exempt from taxation. In  
15 determining the local assessed value of the exemption, the assessor shall multiply the  
16 amount of the exemption by the ratio of current just value upon which the assessment is  
17 based as furnished in the assessor's annual return pursuant to section 383. If the title to  
18 the homestead is held by the applicant jointly or in common with others, the exemption  
19 may not exceed ~~\$13,000~~ \$20,000 of the just value of the homestead, but may be  
20 apportioned among the owners who reside on the property to the extent of their respective  
21 interests. A municipality responsible for administering the homestead exemption has no  
22 obligation to create separate accounts for each partial interest in a homestead owned  
23 jointly or in common.

24 **Sec. D-2. 36 MRSA §683, sub-§3,** as amended by PL 2005, c. 2, Pt. F, §3 and  
25 affected by §5, is further amended to read:

26 **3. Effect on state valuation.** ~~Fifty~~ Seventy-two and one-half percent of the just  
27 value of homesteads exempt under this subchapter must be included in the annual  
28 determination of state valuation under sections 208 and 305.

29 **Sec. D-3. 36 MRSA §683, sub-§4,** as amended by PL 2005, c. 2, Pt. F, §3 and  
30 affected by §5, is further amended to read:

31 **4. Property tax rate.** ~~Fifty~~ Seventy-two and one-half percent of the value of  
32 homestead exemptions under this subchapter must be included in the total municipal  
33 valuation used to determine the municipal tax rate. The municipal tax rate as finally  
34 determined may be applied to only the taxable portion of each homestead qualified for  
35 that tax year.

36 **Sec. D-4. 36 MRSA §685, sub-§2,** as amended by PL 2005, c. 2, Pt. F, §4 and  
37 affected by §5, is further amended to read:

38 **2. Entitlement to reimbursement by the State; calculation.** A municipality that  
39 has approved homestead exemptions under this subchapter may recover from the State

1 50% 27.5% of the taxes lost by reason of the exemptions upon proof in a form  
2 satisfactory to the bureau. The bureau shall reimburse the Unorganized Territory  
3 Education and Services Fund for ~~50%~~ 27.5% of taxes lost by reason of the exemption.

4 **Sec. D-5. Application.** This Part applies to property tax valuations determined on  
5 or after April 1, 2008.

6 **PART E**

7 **Sec. E-1. 36 MRSA §5111, sub-§1-B**, as enacted by PL 1999, c. 731, Pt. T, §3,  
8 is amended to read:

9 **1-B. Single individuals and married persons filing separate returns; tax years**  
10 **beginning 2002 to 2007.** For tax years beginning on or after January 1, 2002 but before  
11 January 1, 2008, for single individuals and married persons filing separate returns:

12 If Maine Taxable income is:	13 The tax is:
14 Less than \$4,200	15 2% of the Maine taxable income
16 At least \$4,200 but less than \$8,350	17 \$84 plus 4.5% of the excess over \$4,200
18 At least \$8,350 but less than \$16,700	19 \$271 plus 7% of the excess over \$8,350
20 \$16,700 or more	21 \$856 plus 8.5% of the excess over 22 \$16,700

23 **Sec. E-2. 36 MRSA §5111, sub-§1-C** is enacted to read:

24 **1-C. Single individuals and married persons filing separate returns; tax years**  
25 **beginning 2008.** For tax years beginning on or after January 1, 2008, for single  
26 individuals and married persons filing separate returns:

27 <u>If Maine Taxable income is:</u>	28 <u>The tax is:</u>
29 <u>Less than \$4,750</u>	30 <u>2% of the Maine taxable income</u>
31 <u>At least \$4,750 but less than \$9,450</u>	32 <u>\$95 plus 4.5% of the excess over \$4,750</u>
33 <u>At least \$9,450 but less than \$18,950</u>	34 <u>\$307 plus 7% of the excess over \$9,450</u>
35 <u>\$18,950 or more</u>	36 <u>\$972 plus 7.9% of the excess over</u> 37 <u>\$18,950</u>

1       **Sec. E-3. 36 MRSA §5111, sub-§2-B**, as enacted by PL 1999, c. 731, Pt. T, §5,  
2 is amended to read:

3       **2-B. Heads of households; tax years beginning 2002 to 2007.** For tax years  
4 beginning on or after January 1, 2002 but before January 1, 2008, for unmarried  
5 individuals or legally separated individuals who qualify as heads of households:

6	7	8	9	10	11	12	13	14	15	16
	If Maine Taxable income is:								The tax is:	
	Less than \$6,300								2% of the Maine taxable income	
	At least \$6,300 but less than \$12,500								\$126 plus 4.5% of the excess over \$6,300	
	At least \$12,500 but less than \$25,050								\$405 plus 7% of the excess over \$12,500	
	\$25,050 or more								\$1,284 plus 8.5% of the excess over \$25,050	

17       **Sec. E-4. 36 MRSA §5111, sub-§2-C** is enacted to read:

18       **2-C. Heads of households; tax years beginning 2008.** For tax years beginning on  
19 or after January 1, 2008, for unmarried individuals or legally separated individuals who  
20 qualify as heads of households:

21	22	23	24	25	26	27	28	29	30	31
	<u>If Maine Taxable income is:</u>								<u>The tax is:</u>	
	<u>Less than \$7,150</u>								<u>2% of the Maine taxable income</u>	
	<u>At least \$7,150 but less than \$14,200</u>								<u>\$143 plus 4.5% of the excess over \$7,150</u>	
	<u>At least \$14,200 but less than \$28,450</u>								<u>\$460 plus 7% of the excess over \$14,200</u>	
	<u>\$28,450 or more</u>								<u>\$1,458 plus 7.9% of the excess over \$28,450</u>	

32       **Sec. E-5. 36 MRSA §5111, sub-§3-B**, as enacted by PL 1999, c. 731, Pt. T, §7,  
33 is amended to read:

34       **3-B. Individuals filing married joint return or surviving spouses; tax years**  
35 **beginning 2002 to 2007.** For tax years beginning on or after January 1, 2002 but before  
36 January 1, 2008, for individuals filing married joint returns or surviving spouses  
37 permitted to file a joint return:

38	39		
	If Maine taxable income is:		The tax is:



1		
2	Less than \$8,400	2% of the Maine taxable income
3		
4	At least \$8,400 but less than \$16,700	\$168 plus 4.5% of the excess over \$8,400
5		
6	At least \$16,700 but less than \$33,400	\$542 plus 7% of the excess over \$16,700
7		
8	\$33,400 or more	\$1,711 plus 8.5% of the excess over
9		\$33,400

10       **Sec. E-6. 36 MRSA §5111, sub-§3-C** is enacted to read:

11       **3-C. Individuals filing married joint return or surviving spouses; tax years**  
12 **beginning 2008.** For tax years beginning on or after January 1, 2008, for individuals  
13 filing married joint returns or surviving spouses permitted to file a joint return:

14		
15	<u>If Maine Taxable income is:</u>	<u>The tax is:</u>
16		
17	<u>Less than \$9,500</u>	<u>2% of the Maine taxable income</u>
18		
19	<u>At least \$9,500 but less than \$18,950</u>	<u>\$190 plus 4.5% of the excess over \$9,500</u>
20		
21	<u>At least \$18,950 but less than \$37,950</u>	<u>\$615 plus 7% of the excess over \$18,950</u>
22		
23	<u>\$37,950 or more</u>	<u>\$1,945 plus 7.9% of the excess over</u>
24		<u>\$37,950</u>

25       **Sec. E-7. 36 MRSA §5403**, as repealed and replaced by PL 1999, c. 731, Pt. T,  
26 §10 and affected by §11, is amended to read:

27       **§5403. Annual adjustments for inflation**

28       Beginning in ~~2002~~ 2008, and each subsequent calendar year thereafter, on or about  
29 September 15th, the State Tax Assessor shall multiply the cost-of-living adjustment for  
30 taxable years beginning in the succeeding calendar year by the dollar amounts of the tax  
31 rate tables specified in section 5111, subsections ~~1-B~~ 1-C, ~~2-B~~ 2-C and ~~3-B~~ 3-C. If the  
32 dollar amounts of each rate bracket, adjusted by application of the cost-of-living  
33 adjustment, are not multiples of \$50, any increase must be rounded to the next lowest  
34 multiple of \$50. If the cost-of-living adjustment for any taxable year is 1.000 or less, no  
35 adjustment may be made for that taxable year in the dollar bracket amounts of the tax rate  
36 tables. The assessor shall incorporate such changes into the income tax forms,  
37 instructions and withholding tables for the taxable year.





1 Part A amends the Maine Residents Property Tax Program, also known as the  
2 Circuitbreaker Program, by allowing an individual to apply for a benefit using the  
3 individual income tax form. Due to the difference in the time period covered by the  
4 Circuitbreaker Program and individual income taxes, the filing period of August 1st to the  
5 following May 31st for benefits under the Circuitbreaker Program is changed to January  
6 1st to the following June 30th, beginning with benefit years beginning after 2007.

7 Part B also amends the Circuitbreaker Program to increase the maximum refund  
8 under the program from \$2,000 to \$3,000.

9 Part C amends the Circuitbreaker Program, by allowing certain homeowners who rent  
10 their homesteads for a maximum of 30 days in the aggregate during the year to qualify for  
11 benefits under the program and prorating benefits to reflect the rental period.

12 Part D increases the amount of the exemption under the Maine resident homestead  
13 property tax exemption program from \$13,000 to \$20,000 and increases the State  
14 reimbursement to 72.5% of the municipal property taxes lost as a result of the exemption,  
15 beginning in 2008.

16 Part E decreases the top income tax rate, beginning with tax year 2008, from 8.5% to  
17 7.9%.

18 Part F increases the earned income credit from 5% of the federal credit to 25% and  
19 makes it refundable.

20 Part G increases the general sales tax rate from 5% to 6%, effective January 1, 2008.

21 Part H sends the proposals in this bill out to referendum to be voted on in November  
22 2007.