

# MAINE STATE LEGISLATURE

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# 123rd MAINE LEGISLATURE

## FIRST REGULAR SESSION-2007

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Legislative Document

No. 1671

H.P. 1180

House of Representatives, March 22, 2007

### An Act To Limit Homestead Property Taxes to 5% of Income

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Reference to the Committee on Taxation suggested and ordered printed.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative WOODBURY of Yarmouth.

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

2 **PART A**

3 **Sec. A-1. 20-A MRSA §1310, sub-§6**, as repealed and replaced by PL 2003, c.  
4 212, §1, is amended to read:

5 **6. Enforcement.** If a municipal treasurer fails to pay the installment due, or any  
6 part, on the dates required, to initiate collection procedures, the treasurer of the school  
7 administrative district may notify the municipal treasurer of the failure to pay. Interest  
8 accrues on each unpaid installment at the rate established under Title 36, section 186  
9 beginning on the 60th day after the date the installment is due under subsection 4. If  
10 payment of an installment is not made within 60 days after the due date, the treasurer of  
11 the district may initiate an action in Superior Court to compel payment of the delinquent  
12 installment. The court shall determine the amount owed by the municipality to the  
13 district and shall order the municipal treasurer to pay all delinquent installments, accrued  
14 interest and any court costs and reasonable attorney's fees incurred by the district. To  
15 ensure prompt payment of the delinquent installments, the court may require that amounts  
16 due to the municipality from the State under ~~Title 30-A, section 5681~~ and Title 36,  
17 ~~sections section 578 and 685~~ be paid to the district until the amount determined by the  
18 court is satisfied. The court shall promptly notify the disbursing state agency of the  
19 determination and direct the agency to make the required change in payee and the  
20 amounts to be paid. If additional funds are needed to satisfy the amount determined by  
21 the court to be paid to the district, the court may order the attachment or trustee process  
22 and sale of real or personal property owned by the municipality or the attachment of the  
23 municipality's bank accounts or require property tax payments to the municipality to be  
24 turned over to the court and may pay the amount owed the district from the proceeds and  
25 return any excess to the municipality.

26 **Sec. A-2. 20-A MRSA §1703, sub-§6**, as repealed and replaced by PL 2003, c.  
27 212, §2, is amended to read:

28 **6. Enforcement.** If a municipal treasurer fails to pay the installment due, or any  
29 part, on the dates required, to initiate collection procedures, the treasurer of the  
30 community school district may notify the municipal treasurer of the failure to pay.  
31 Interest accrues on each unpaid installment at the rate established under Title 36, section  
32 186 beginning on the 60th day after the date the installment is due under subsection 4. If  
33 payment of an installment is not made within 60 days after the due date, the treasurer of  
34 the district may initiate an action in Superior Court to compel payment of the delinquent  
35 installment. The court shall determine the amount owed by the municipality to the  
36 district and shall order the municipal treasurer to pay all delinquent installments, accrued  
37 interest and any court costs and reasonable attorney's fees incurred by the district. To  
38 ensure prompt payment of the delinquent installments, the court may require that amounts  
39 due to the municipality from the State under ~~Title 30-A, section 5681~~ and Title 36,  
40 ~~sections section 578 and 685~~ be paid to the district until the amount determined by the  
41 court is satisfied. The court shall promptly notify the disbursing state agency of the  
42 determination and direct the agency to make the required change in payee and the  
43 amounts to be paid. If additional funds are needed to satisfy the amount determined by

1 the court to be paid to the district, the court may order the attachment or trustee process  
2 and sale of real or personal property owned by the municipality or the attachment of the  
3 municipality's bank accounts or require property tax payments to the municipality to be  
4 turned over to the court and may pay the amount owed the district from the proceeds and  
5 return any excess to the municipality.

6 **Sec. A-3. 36 MRSA c. 105, sub-c. 4-B**, as amended, is repealed.

7 **Sec. A-4. 36 MRSA §697**, as enacted by PL 2005, c. 623, §1, is amended to read:

8 **§697. Audits; determination of bureau**

9 The bureau may audit the records of a municipality to ensure compliance with this  
10 subchapter. The bureau may independently review the records of a municipality to  
11 determine if exemptions have been properly approved. If the bureau determines that an  
12 exemption was improperly approved for any of the 3 years immediately preceding the  
13 determination, the bureau shall ensure, by setoff against other payments due the  
14 municipality under this subchapter ~~or subchapter 4-B~~, that the municipality is not  
15 reimbursed for the exemption.

16 **Sec. A-5. 36 MRSA c. 843** is enacted to read:

17 **CHAPTER 843**

18 **HOMESTEAD TAX CREDIT**

19 **§5501. Definitions**

20 As used in this chapter, unless the context otherwise indicates, the following terms  
21 have the following meanings.

22 **1. Benefit base.** "Benefit base" means property taxes accrued or rent constituting  
23 property taxes accrued. The benefit base for rent constituting property taxes accrued may  
24 not exceed \$3,000 for persons filing as single individuals or married persons filing  
25 separate returns and \$4,000 for households with 2 or more members. In the case of a  
26 claimant paying both rent and property taxes for a homestead, "benefit base" means both  
27 property taxes accrued and rent constituting property taxes accrued, except that the limit  
28 on rent constituting property taxes accrued is adjusted by the same percentage as the  
29 percentage of the year that the claimant was a renter.

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

31 A. Has filed a claim for a credit under this chapter;

32 B. Was domiciled in this State and occupied a homestead in this State during the  
33 entire calendar year preceding the year in which a credit is requested; and

34 C. Owned or otherwise maintained a homestead in this State during the entire year  
35 for which a credit is requested and occupied the homestead for at least 6 months

1 during that year. A claimant is not excluded because the claimant rents out the  
2 homestead for less than 32 days in the aggregate during that year.

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

11 If 2 or more individuals claim the same property, the matter must be referred to the State  
12 Tax Assessor, whose decision is final. Ownership of a homestead under this chapter may  
13 be by fee, by life tenancy, by bond for deed, as mortgagee or by any other possessory  
14 interest in which the owner is personally responsible for the tax for which a refund is  
15 claimed.

16 **3. Elderly household.** "Elderly household" means a household in which:

17 A. At least one member of the household has attained 62 years of age during the year  
18 for which relief is requested;

19 B. The claimant is currently not married and has attained 55 years of age during the  
20 year for which relief is requested and is, due to disability, receiving federal disability  
21 payments, such as supplemental security income; or

22 C. The claimant is currently married and has attained 55 years of age during the year  
23 for which relief is requested and both the claimant and the claimant's spouse are, due  
24 to disability, receiving federal disability payments, such as supplemental security  
25 income.

26 **4. Gross rent.** "Gross rent" means rental paid at arm's length solely for the right of  
27 occupancy of a homestead, exclusive of separately stated charges for any utilities,  
28 services, furniture, furnishings or personal property appliances furnished by the landlord  
29 as part of the rental agreement. If the landlord and tenant have not dealt with each other at  
30 arm's length, and the State Tax Assessor is satisfied that the gross rent charged was  
31 excessive, the State Tax Assessor may adjust the gross rent to a reasonable amount for  
32 purposes of this chapter.

33 **5. Homestead.** "Homestead" means residential real property in this State that is  
34 occupied by the claimant as the claimant's permanent residence and that is owned or  
35 rented by a claimant or occupied by a claimant as a shareholder in a cooperative housing  
36 corporation.

37 **6. Inflation adjustment factor.** "Inflation adjustment factor" means one plus the  
38 annualized cost-of-living adjustment calculated under section 5403.

39 **7. Income.** "Income" means federal adjusted gross income.

40 **8. Permanent residence.** "Permanent residence" means that place where an  
41 individual has a true, fixed and permanent home and principal establishment to which the

1 individual, whenever absent, has the intention of returning. An individual may have only  
2 one permanent residence at a time and, once a permanent residence is established, that  
3 residence is presumed to continue until circumstances indicate otherwise.

4 **9. Property taxes accrued.** "Property taxes accrued" means property taxes  
5 exclusive of special assessment, delinquent interest and charges for service levied on a  
6 claimant's homestead in this State as of April 1st. If a homestead is owned by 2 or more  
7 persons or entities as joint tenants or tenants in common, and one or more persons or  
8 entities are not members of the claimant's household, "property taxes accrued" is that part  
9 of property taxes levied on the homestead that reflects the ownership percentage of the  
10 claimant and the claimant's household. If a claimant and spouse own their homestead for  
11 part of the year for which relief is requested and rent it or a different homestead for part  
12 of the same tax year, "property taxes accrued" means taxes levied on the homestead on  
13 April 1st, multiplied by the percentage of 12 months that the property was owned and  
14 occupied by the household as its homestead during the year for which relief is requested.  
15 When a household owns and occupies 2 or more different homesteads in this State in the  
16 same tax year, property taxes accrued relate only to that property occupied by the  
17 household as a homestead on April 1st. If a homestead is an integral part of a larger unit  
18 such as a farm or a multipurpose or multidwelling building, "property taxes accrued"  
19 means that percentage of the total property taxes accrued that the value of the homestead  
20 is of the total value, except that property taxes accrued do not include any portion of taxes  
21 claimed as a business expense for federal income tax purposes. For purposes of this  
22 chapter, "unit" refers to the parcel of property separately assessed of which the homestead  
23 is a part. If a homestead is occupied by a claimant as a shareholder in a cooperative  
24 housing corporation, "property taxes accrued" means the amount assessed by the  
25 cooperative housing corporation as the claimant's share of the property taxes of the  
26 cooperative housing project.

27 **10. Rent constituting property taxes accrued.** "Rent constituting property taxes  
28 accrued" means 20% of the gross rent actually paid in cash or its equivalent in any tax  
29 year by a claimant and the claimant's household solely for the right of occupancy of their  
30 Maine homestead in the tax year and which rent constitutes the basis, in the succeeding  
31 calendar year, of a claim for relief under this chapter by the claimant.

32 **§5502. Homestead tax credit**

33 **1. Credit calculation.** A homestead tax credit is equal to 50% of that portion of the  
34 benefit base that exceeds 4% but does not exceed 6% of income plus 100% of that portion  
35 of the benefit base that exceeds 6% of income.

36 **2. Maximum credit for rent constituting property taxes accrued.** The maximum  
37 credit for rent constituting property taxes accrued is \$2,000.

38 **3. Minimum benefit.** The minimum credit that may be allowed is:

39 A. Ten dollars for rent constituting property taxes accrued; or

40 B. One hundred dollars for property taxes accrued.

1 4. Manner of claiming credit. A claim for a credit may be made on a claimant's  
2 individual income tax return or on a separate form filed with the Bureau of Revenue  
3 Services on or after January 1st and on or before the following April 15th. A person  
4 claiming a credit based on property taxes accrued shall specify the municipality where  
5 that person resides or intends to reside on April 1st of the year in which the claim is  
6 made.

7 5. Provision of credit. The credit must be provided as follows.

8 A. A person claiming a credit based on rent constituting property taxes is entitled to  
9 a refundable credit toward the tax owed under this Part. If the claimant is not  
10 required to file a return under this Part, the Bureau of Revenue Services shall issue  
11 payment in the amount of the credit to the claimant by June 1st of the year in which  
12 the claim is filed.

13 B. A person claiming a credit based on property taxes accrued may choose one of  
14 the following options.

15 (1) The Bureau of Revenue Services shall pay the amount of the credit to the  
16 municipality specified by the claimant on the claim for credit by June 1st of the  
17 year in which the claim is filed to be applied against property taxes assessed on  
18 the claimant's homestead.

19 (2) The claimant may receive a refundable credit against the tax assessed under  
20 this Part equal to 50% of the amount of the credit calculated under subsections 1  
21 to 3.

22 **§5503. Elderly option**

23 1. Elderly option. If a claimant representing an elderly household would qualify for  
24 a larger credit under this section than the claimant would receive under section 5502, the  
25 claimant may choose to receive the credit calculated under this section.

26 2. Single-member elderly households. For single-member elderly households, the  
27 credit is calculated as follows:

<u>If income equals:</u>	<u>The credit equals:</u>
<u>\$0 to \$12,000</u>	<u>100% of the benefit base up to a maximum of \$400</u>
<u>\$12,001 to \$12,400</u>	<u>75% of the benefit base up to a maximum of \$300</u>
<u>\$12,401 to \$12,800</u>	<u>50% of the benefit base up to a maximum of \$200</u>
<u>\$12,801 to \$13,200</u>	<u>25% of the benefit base up to a maximum of \$100</u>

1 **3. Elderly households with 2 or more members.** For elderly households with 2 or  
2 more members, the credit is calculated as follows:

3 <u>If income equals:</u>	4 <u>The credit equals:</u>
5 <u>\$0 to \$14,700</u>	6 <u>100% of the benefit base up to a</u> 7 <u>maximum of \$400</u>
8 <u>\$14,701 to \$15,200</u>	9 <u>75% of the benefit base up to a maximum</u> 10 <u>of \$300</u>
11 <u>\$15,201 to \$15,800</u>	12 <u>50% of the benefit base up to a maximum</u> 13 <u>of \$200</u>
14 <u>\$15,801 to \$16,300</u>	15 <u>25% of the benefit base up to a maximum</u> <u>of \$100</u>

16 **§5504. Annual adjustment**

17 Beginning September 15, 2007, the State Tax Assessor shall annually multiply the  
18 inflation adjustment factor by the household income levels in section 5503 and the  
19 maximum benefit base amounts specified in section 5501, subsection 1, as previously  
20 adjusted. The result must be rounded to the nearest \$50 and applies to the application  
21 period beginning the next January 1st.

22 **§5505. Administration**

23 The State Tax Assessor shall make available suitable forms with instructions for  
24 claimants. The claim must be in the form prescribed by the assessor and must be signed  
25 by the claimant. The assessor shall also provide a paperless option for filing an  
26 application under this chapter.

27 **§5506. Coordination required**

28 The bureau shall seek the advice and cooperation of the Department of Health and  
29 Human Services, Bureau of Elder and Adult Services, Bureau of Family Independence  
30 and Bureau of Child and Family Services; advocates for elderly and low-income  
31 individuals; municipal officials; and other interested agencies and organizations in  
32 developing the application form and instructions for the credit provided in this chapter  
33 and in achieving full participation by those persons eligible for the credit.

34 **Sec. A-6. 36 MRSA §6204**, as amended by PL 2005, c. 2, Pt. E, §3 and affected  
35 by §§7 and 8, is further amended to read:

36 **§6204. Filing date**

37 A claim may not be paid unless the claim is filed with the Bureau of Revenue  
38 Services on or after August 1st and on or before the following May 31st, except that



1 claims filed for the period beginning August 1, 2007 must be filed on or before December  
2 31, 2007.

3 **Sec. A-7. 36 MRSA §6221** is enacted to read:

4 **§6221. Repeal**

5 This chapter is repealed January 1, 2008.

6 **PART B**

7 **Sec. B-1. 21-A MRSA §1124, sub-§2, ¶B**, as amended by PL 2003, c. 673, Pt.  
8 EE, §1, is further amended to read:

9 B. Two million dollars of the revenues from the taxes imposed under Title 36, Parts  
10 3 and 8 and credited to the General Fund, transferred to the fund by the State  
11 Controller on or before January 1st of each year, beginning January 1, 1999. These  
12 revenues must be offset in an equitable manner by an equivalent reduction within the  
13 administrative divisions of the legislative branch and executive branch agencies.  
14 ~~This section may not affect the funds distributed to the Local Government Fund~~  
15 ~~under Title 30-A, section 5681.~~

16 If the commission determines that the fund will not have sufficient revenues to cover  
17 the likely demand for funds from the Maine Clean Election Fund in an upcoming  
18 calendar year, by January 1st the commission shall provide a report of its projections  
19 of the balances in the Maine Clean Election Fund to the Legislature and the Governor  
20 and may request that the State Controller make the following transfers to the Maine  
21 Clean Election Fund from the General Fund:

22 (1) Up to \$2,000,000 no later than February 28, 2006, reflecting an advance of  
23 the transfer of the amounts that would be received on or before January 1, 2007  
24 pursuant to this paragraph;

25 (2) Up to \$2,000,000 no later than July 31, 2006, reflecting an advance of the  
26 transfer of the amounts that would be received on or before January 1, 2008  
27 pursuant to this paragraph; and

28 (3) Up to \$1,500,000 no later than September 1, 2004, reflecting a partial  
29 advance of the transfer of the amounts that would be received on or before  
30 January 1, 2005 pursuant to this paragraph;

31 **Sec. B-2. 30-A MRSA §5681**, as amended by PL 2005, c. 266, §1, is repealed.

32 **Sec. B-3. 30-A MRSA §6201, sub-§6**, as enacted by PL 2005, c. 266, §2, is  
33 repealed.

34 **Sec. B-4. 30-A MRSA §6202**, as enacted by PL 2005, c. 266, §2, is amended to  
35 read:

1     **§6202. Fund source; nonlapsing; dedicated, special revenue account**

2             The fund consists of revenues transferred from ~~the Local Government Fund pursuant~~  
3 ~~to section 5681, subsection 5-B~~ and any funds received as contributions from private and  
4 public sources. Eligible investment earnings credited to the assets of the fund become part  
5 of the assets of the fund. Any balance remaining in the fund at the end of any fiscal year  
6 must be carried forward to the next fiscal year. The fund is a dedicated, special revenue  
7 account.

8             **Sec. B-5. 30-A MRSA §6204, first ¶**, as enacted by PL 2005, c. 266, §2, is  
9 amended to read:

10            Except as otherwise provided by this section ~~and section 5681, subsection 3~~, the fund  
11 is available solely for grants for qualifying projects. The department may use the fund to  
12 cover its costs of administration, including contracting for services to administer the  
13 grants.

14            **Sec. B-6. 36 MRSA §699, sub-§2**, as enacted by PL 2005, c. 623, §1, is amended  
15 to read:

16            **2. Intent.** It is the intent of the Legislature to fund fully ~~transfers to the~~  
17 ~~Disproportionate Tax Burden Fund under section 700-A, subsection 1~~ and  
18 reimbursements under the business equipment tax reimbursement program under section  
19 6652, subsection 4, paragraph B.

20            **Sec. B-7. 36 MRSA §700-A**, as enacted by PL 2005, c. 623, §1, is repealed.

21            **Sec. B-8. 36 MRSA §700-B**, as enacted by PL 2005, c. 623, §1, is amended to  
22 read:

23     **§700-B. Adjustments to revenue**

24            **1. Certification.** By June 30, 2009 and each subsequent year, the State Tax  
25 Assessor shall certify to the State Controller amounts certified to the Treasurer of State as  
26 reimbursements to be paid to municipalities during the fiscal year under section 694,  
27 subsection 5. ~~The Treasurer of State shall certify to the State Controller payments due~~  
28 ~~under section 700-A.~~

29            **2. Transfer.** The State Controller shall transfer amounts certified under subsection 1  
30 to the Business Equipment Tax Reimbursement reserve account established, maintained  
31 and administered by the State Controller from the General Fund undedicated revenue  
32 within the individual income tax category ~~after the reduction for the transfer to the Local~~  
33 ~~Government Fund required by Title 30-A, section 5681, subsection 5.~~ The assessor and  
34 the Treasurer of State shall pay amounts required under section 694, subsection 5 ~~and~~  
35 ~~section 700-A.~~

36            **Sec. B-9. 36 MRSA §714**, as amended by PL 1987, c. 737, Pt. C, §§78 and 106  
37 and PL 1989, c. 6; c. 9, §2; and c. 104, Pt. C, §§8 and 10, is repealed.



1       **Sec. C-6. 5 MRSA §1534, sub-§2**, as enacted by PL 2005, c. 2, Pt. A, §5 and  
2 affected by §14, is repealed and the following enacted in its place:

3       **2. Spending growth limitation factor.** The spending growth limitation factor is the  
4 total income growth factor multiplied by the tax burden reduction factor. The spending  
5 growth limitation factor may not be less than zero.

6       **Sec. C-7. 20-A MRSA §15671-A, sub-§3**, as amended by PL 2005, c. 2, Pt. D,  
7 §35 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

8       **Sec. C-8. 20-A MRSA §15671-A, sub-§5**, as amended by PL 2005, c. 519, Pt.  
9 AAAA, §2, is repealed.

10       **Sec. C-9. 20-A MRSA §15671-A, sub-§6** is enacted to read:

11       **6. Exceeding EPS local growth factor.** If the sum of a school administrative unit's  
12 required local contribution determined pursuant to section 15688, subsection 3-A plus the  
13 state contribution as calculated pursuant to section 15688, subsection 3-A, paragraph D  
14 plus any state funds resulting from a transition adjustment pursuant to section 15686 plus  
15 any additional local amount proposed to be raised pursuant to section 15690, subsection 3  
16 exceeds the amount permitted to be spent by the school administrative unit for the  
17 preceding year by more than the education spending growth limit factor, the following  
18 provisions govern approval of that additional amount.

19       A. The article approving the additional amount must conform to the requirements of  
20 section 15690, subsection 3, paragraph B.

21       B. For all school administrative units that finally approve the school budget at a town  
22 meeting or district meeting, and notwithstanding section 1304, subsection 6; section  
23 1701, subsection 7; Title 30-A, section 2528, subsection 5; or any other provision of  
24 law, municipal charter provision or ordinance, the article must be approved by at  
25 least 2/3 of the school administrative unit's legislative body or, if the legislative body  
26 votes to approve the article by a simple majority but not by at least a 2/3 majority,  
27 the article must be finally approved by a majority of voters at referendum.

28       C. For all school administrative units with a legislative body that adopts the school  
29 budget by a referendum process, the article must be approved by a majority of voters  
30 at referendum.

31       D. For all school administrative districts and community school districts that have  
32 adopted the budget validation process established in sections 1305-A or 1701-A, the  
33 article must be approved by a majority of the voters at the open district meeting and a  
34 majority of voters at the budget validation referendum.

35       E. In a municipality where the responsibility for final adoption of the school budget  
36 is vested by the municipal charter in a council, this paragraph applies, except that the  
37 petition and referendum provisions apply only if the municipal charter does not  
38 otherwise provide for or prohibit a petition and referendum process with respect to  
39 the matters described in this paragraph.

1           (1) A majority of the entire membership of the school board or committee must  
2           approve the additional amount in a regular budget meeting.

3           (2) An article approving the additional amount must conform to the requirements  
4           of section 15690, subsection 3, paragraph B and be approved by at least 2/3 of  
5           the entire membership of the council in a vote taken in accordance with section  
6           15690, subsection 5 or, if the council votes to approve the article by a simple  
7           majority of the council but not by at least a 2/3 majority of the entire  
8           membership, by a majority of voters at referendum.

9           (3) If an article is approved by at least 2/3 of the entire membership of the  
10           council pursuant to subparagraph (2), the voters may petition for a referendum  
11           vote on the same article in accordance with subparagraph (4). If a petition is filed  
12           in accordance with subparagraph (4), the vote of the council is suspended  
13           pending the outcome of the referendum vote. Upon approval of the article by a  
14           majority of the voters voting in that referendum, the article takes effect. If the  
15           article is not approved by a majority of the voters voting in that referendum, the  
16           article does not take effect. Subsequent to the vote, the school committee or  
17           board may again propose an additional amount, subject to the requirements of  
18           this section.

19           (4) If a written petition, signed by at least 10% of the number of voters voting in  
20           the last gubernatorial election in the municipality, requesting a vote on the  
21           additional amount is submitted to the municipal officers within 30 days of the  
22           council's vote pursuant to subparagraph (2), the article voted on by the council  
23           must be submitted to the legal voters in the next regular election or a special  
24           election called for the purpose. The election must be held within 45 days of the  
25           submission of the petition. The election must be called, advertised and conducted  
26           according to the law relating to municipal elections, except that the registrar of  
27           voters is not required to prepare or the clerk to post a new list of voters and  
28           absentee ballots must be prepared and made available at least 14 days prior to the  
29           date of the referendum. For the purpose of registration of voters, the registrar of  
30           voters must be in session the secular day preceding the election. The voters shall  
31           indicate by a cross or check mark placed against the word "Yes" or "No" their  
32           opinion on the article. The results must be declared by the municipal officers and  
33           entered upon the municipal records.

34           **Sec. C-10. 20-A MRSA §15672, sub-§3-A** is enacted to read:

35           **3-A. Education spending growth limit factor.** "Education spending growth limit  
36           factor" means the EPS local growth factor multiplied by the tax burden reduction factor  
37           as defined in Title 5, section 1531, subsection 10. The education spending growth limit  
38           factor may not be less than zero.

39           **Sec. C-11. 20-A MRSA §15672, sub-§7-B** is enacted to read:

40           **7-B. EPS local growth factor.** "EPS local growth factor" means the percentage  
41           increase in the state-determined cost of essential programs and services for a school  
42           administrative unit over the preceding year.

1       **Sec. C-12. 30-A MRSA §706-A, sub-§1, ¶C-1** is enacted to read:

2       C-1. "Local distribution factor" means the figure determined by dividing the property  
3       growth factor by the average of the property growth factors for all municipalities.

4       **Sec. C-13. 30-A MRSA §706-A, sub-§1, ¶F** is enacted to read:

5       F. "Tax burden reduction factor" means:

6             (1) For fiscal years 2008-09 and 2009-10, 50%;

7             (2) For fiscal years 2010-11 and 2011-12, 60%;

8             (3) For fiscal years 2012-13 and 2013-14, 70%;

9             (4) For fiscal years 2014-15 and 2015-16, 80%;

10            (5) For fiscal years 2016-17 and 2017-18, 90%; and

11            (6) For fiscal year 2018-19 and later, 100%.

12       **Sec. C-14. 30-A MRSA §706-A, sub-§1, ¶G** is enacted to read:

13       G. "Total income growth factor" means average real personal income growth plus  
14       forecasted inflation.

15       **Sec. C-15. 30-A MRSA §706-A, sub-§3**, as enacted by PL 2005, c. 2, Pt. B, §1  
16       and affected by §§2 and 4 and c. 12, Pt. WW, §14, is repealed and the following enacted  
17       in its place:

18       3. Growth limitation factor. The growth limitation factor is the total income  
19       growth factor multiplied by the local distribution factor and the tax burden reduction  
20       factor. The growth limitation factor may not be less than zero.

21       **Sec. C-16. 30-A MRSA §706-A, sub-§5, ¶B**, as enacted by PL 2005, c. 2, Pt. B,  
22       §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is amended to read:

23       B. The county assessment limit may be exceeded only as provided in subsection 7  
24       7-A.

25       **Sec. C-17. 30-A MRSA §706-A, sub-§5, ¶D**, as enacted by PL 2005, c. 348, §1,  
26       is amended to read:

27       D. For fiscal years 2005-06 and 2006-07 in Sagadahoc County, and fiscal years  
28       2006 and 2007 in Lincoln County, that portion of the county assessment that is  
29       attributable to the costs of construction, debt service, operation and maintenance of a  
30       new jail facility authorized under chapter 17 is not subject to paragraphs A, B and C  
31       or to subsections 2, 6 and 7 7-A. Notwithstanding subsection 2, paragraph A, the  
32       county assessment limit for fiscal year 2007-08 for Sagadahoc County and fiscal year  
33       2008 in Lincoln County is the county assessment for each county for the previous  
34       fiscal year, multiplied by one plus the growth limitation factor pursuant to subsection  
35       3. Notwithstanding subsection 2, paragraph C, the county assessments for Sagadahoc  
36       County in fiscal year 2008-09 and subsequent fiscal years and for Lincoln County in  
37       fiscal year 2009 and subsequent fiscal years are subject to subsection 2, paragraph B.

1       **Sec. C-18. 30-A MRSA §706-A, sub-§6**, as enacted by PL 2005, c. 2, Pt. B, §1  
2 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is amended to read:

3       **6. Increase in county assessment limit.** The county assessment limit established in  
4 subsection 2 may be increased for other purposes only as provided in subsection 7 7-A.

5       **Sec. C-19. 30-A MRSA §706-A, sub-§7**, as affected by PL 2005, c. 2, Pt. B, §4  
6 and amended by c. 12, Pt. WW, §10 and affected by §§13 and 14, is repealed.

7       **Sec. C-20. 30-A MRSA §706-A, sub-§7-A** is enacted to read:

8       **7-A. Process for exceeding county assessment limit.** A county may exceed or  
9 increase the county assessment limit only if approved by a vote of a majority of all the  
10 members of both the county budget committee or county budget advisory committee and  
11 the county commissioners and the approval is ratified at referendum. For the purposes of  
12 conducting the referendum election, the article voted on by the commissioners and budget  
13 advisory committee must be submitted to the legal voters in the next regular election or a  
14 special election called for that purpose. The election must be called, advertised and  
15 conducted according to the law relating to municipal elections, except that the registrar of  
16 voters is not required to prepare or the clerk to post a new list of voters, the filing  
17 requirement contained in section 2528 does not apply and absentee ballots must be  
18 prepared and made available at least 14 days prior to the date of the referendum. For the  
19 purpose of registration of voters, the registrar of voters must be in session the business  
20 day preceding the election. The voters shall indicate by a cross or check mark placed  
21 against the word "Yes" or "No" their opinion on the article. The results must be declared  
22 by the county commissioners and entered upon the county records.

23       **Sec. C-21. 30-A MRSA §5721-A, sub-§1, ¶B-1** is enacted to read:

24       B-1. "Local distribution factor" means the figure determined by dividing the property  
25 growth factor by the average of the property growth factors for all municipalities.

26       **Sec. C-22. 30-A MRSA §5721-A, sub-§1, ¶F** is enacted to read:

27       F. "Tax burden reduction factor" means:

28           (1) For fiscal years 2008-09 and 2009-10, 50%;

29           (2) For fiscal years 2010-11 and 2011-12, 60%;

30           (3) For fiscal years 2012-13 and 2013-14, 70%;

31           (4) For fiscal years 2014-15 and 2015-16, 80%;

32           (5) For fiscal years 2016-17 and 2017-18, 90%; and

33           (6) For fiscal year 2018-19 and later, 100%.

34       **Sec. C-23. 30-A MRSA §5721-A, sub-§1, ¶G** is enacted to read:

35       G. "Total income growth factor" means average real personal income growth plus  
36 forecasted inflation.

1       **Sec. C-24. 30-A MRSA §5721-A, sub-§5, ¶B**, as enacted by PL 2005, c. 2, Pt.  
2 C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is amended to read:

3       B. The property tax levy limit may be exceeded only as provided in subsection 7 7-  
4 A.

5       **Sec. C-25. 30-A MRSA §5721-A, sub-§6**, as enacted by PL 2005, c. 2, Pt. C, §1  
6 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is amended to read:

7       **6. Increase in property tax levy limit.** The property tax levy limit established in  
8 subsection 2 may be increased for other purposes only as provided in subsection 7 7-A.

9       **Sec. C-26. 30-A MRSA §5721-A, sub-§7**, as affected by PL 2005, c. 2, Pt. C, §5  
10 and amended by c. 12, Pt. WW, §12 and affected by §§15 and 16, is repealed.

11       **Sec. C-27. 30-A MRSA §5721-A, sub-§7-A** is enacted to read:

12       **7-A. Process for exceeding property tax levy limit.** A municipality may exceed or  
13 increase the property tax levy limit only by the following means.

14       A. If the municipal budget is adopted by town meeting, the property tax levy limit  
15 may be exceeded only if approved by at least 2/3 of the assembled membership of the  
16 town meeting or, if the legislative body votes to approve the article by a simple  
17 majority but not by at least a 2/3 majority, the property tax levy limit may be  
18 exceeded only if finally approved by a majority of voters at referendum.

19       B. If the municipal budget is adopted by referendum, the property tax levy limit may  
20 be exceeded only if a separate article that specifically identifies the intent to exceed  
21 the property tax levy limit is approved by a simple majority of the referendum voters.

22       C. In a municipality where the responsibility for final adoption of the budget is  
23 vested by the municipal charter in a council, this paragraph applies, except that the  
24 petition and referendum provisions apply only if the municipal charter does not  
25 otherwise provide for or prohibit a petition and referendum process with respect to  
26 the matters described in this paragraph.

27       (1) An article approving the property tax levy limit must be approved by at least  
28 2/3 of the entire membership of the council or, if the council votes to approve the  
29 article by a simple majority of the council but not by at least a 2/3 majority of the  
30 entire membership, by a majority of voters at referendum.

31       (2) If an article is approved by at least 2/3 of the entire membership of the  
32 council pursuant to subparagraph (1), the voters may petition for a referendum  
33 vote on the same article in accordance with subparagraph (3). If a petition is filed  
34 in accordance with subparagraph (3), the vote of the council is suspended  
35 pending the outcome of the referendum vote. Upon approval of the article by a  
36 majority of the voters voting in that referendum, the article takes effect. If the  
37 article is not approved by a majority of the voters voting in that referendum, the  
38 article does not take effect. Subsequent to the vote, the school committee or  
39 board may again propose an additional amount, subject to the requirements of  
40 this section.





1 **SUMMARY**

2 This bill proposes a homestead tax credit program that would limit property taxes to  
3 no more than 5% of income for property taxes on a home. The homestead tax credit is  
4 distributed to municipalities as a prepayment toward the tax assessment on homestead  
5 property so that the net tax bill imposed on homeowners is reduced accordingly. The  
6 homestead tax credit program replaces the Maine Residents Property Tax Program, the  
7 Maine Resident Homestead Property Tax Exemption and the state-municipal revenue  
8 sharing program and redirects funds previously allocated to those programs to support the  
9 cost of the homestead credits.

10 Administration of the program is simplified and made concurrent with the income tax  
11 filing period. For homeowners, credits are calculated based on the previous year's  
12 income and property taxes accrued. Credit payments are made to the municipality where  
13 the home is located as a credit against the current year's property taxes. Renters are also  
14 eligible for a credit in an amount comparable to the benefit available under current law,  
15 which would be paid as a refundable income tax credit. Benefits in current law for low-  
16 income elderly persons are preserved.

17 To prevent the homestead tax credit from translating into increased spending at the  
18 municipal level, the bill would redefine and make it harder to override the spending limits  
19 on municipal, county and school government units. It would incorporate tax burden  
20 reduction factors into the spending limits imposed on government at all levels, and it  
21 would change the override process for exceeding county, municipal and school growth  
22 limits to require either a 2/3 vote of the local body proposing the increase or approval by  
23 the voters at referendum.

24 The changes proposed by this bill are subject to approval by the voters at a  
25 referendum vote in November of 2007.