

MAINE STATE LEGISLATURE

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Date: 3/26/08

TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
123RD LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT "A" to H.P. 1520, L.D. 2140, Bill, "An Act To Protect Sellers in Residential Real Estate Transactions"

Amend the bill by striking out the title and substituting the following:

'An Act To Protect Parties to Real Estate Transactions'

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

'Sec. 1. 36 MRSA §558-A is enacted to read:

§558-A. Liability for failure to pay prorated property taxes

1. Civil action authorized. If after a real estate closing in which the parties have prorated property taxes pursuant to section 558, any party knowingly fails to pay that party's share of the taxes, which results in a lien being filed, any other party to the transaction who pays the taxes that are owed by the delinquent party may recover in a civil action from the delinquent party the amount of unpaid taxes, costs incurred in releasing the lien and reasonable attorney's fees.

2. Effect on credit rating. If a party prevails in an action filed under subsection 1 and a record of a lien in that party's name has been placed in that party's file with a consumer reporting agency, that lien must be considered inaccurate information under Title 10, section 1317 if the party requesting relief submits a copy of the court judgment and proof of payment of the lien to the consumer reporting agency.

Sec. 2. Guidance document. The Department of Administrative and Financial Services, Bureau of Revenue Services shall prepare a guidance document for sellers and buyers of real estate to provide information about problems that can arise as the result of the allocation of responsibility for the payment of property taxes among the parties when property is transferred. The guidance document must take substantially the following form.

COMMITTEE AMENDMENT

R.O.S.

1 IMPORTANT NOTICE ABOUT PROPERTY TAXES FOR BUYERS AND
2 SELLERS

- 3 1. UNDER MAINE LAW PAYMENT OF PROPERTY TAXES IS THE
- 4 RESPONSIBILITY OF THE PERSON WHO OWNS THE PROPERTY ON APRIL
- 5 1ST.
- 6 2. THE BUYER AND SELLER MAY AGREE TO DIVIDE THE TAXES BETWEEN
- 7 THEM, BUT IF ANY PART OF THE TAXES IS NOT PAID, A LIEN WILL BE FILED
- 8 IN THE NAME OF THE PERSON WHO OWNED THE PROPERTY ON APRIL 1ST.

9 PLEASE BE AWARE

10 IF YOU ARE THE SELLER -- EVEN IF YOU NO LONGER OWN THE
11 PROPERTY, A LIEN MAY HAVE A NEGATIVE EFFECT ON YOUR CREDIT
12 RATING.

13 IF YOU ARE THE BUYER -- IF A LIEN IS FILED IN THE SELLER'S NAME,
14 THE MUNICIPALITY MAY FORECLOSE ON YOUR PROPERTY UNLESS THE
15 TAXES ARE PAID.

16 3. MUNICIPALITIES HAVE DIFFERENT FISCAL YEARS AND TAX DUE DATES.

17 4. MAKE SURE YOU UNDERSTAND THE BUYER'S AND SELLER'S
18 OBLIGATIONS WITH REGARD TO PROPERTY TAXES AND WHAT MAY
19 HAPPEN IF TAXES ARE NOT PAID AS AGREED.

20 5. IF YOU FEEL A LIEN HAS BEEN FILED INCORRECTLY IN YOUR NAME,
21 PLEASE CONTACT THE BUREAU OF CONSUMER PROTECTION TO
22 DETERMINE WHAT REMEDIES ARE AVAILABLE TO YOU TO REPAIR YOUR
23 CREDIT RATING.

24 THESE POTENTIAL PROBLEMS CAN BE AVOIDED BY PROVIDING THAT
25 FUNDS ARE SET ASIDE IN ESCROW AT THE TIME OF CLOSING TO ENSURE
26 THAT PROPERTY TAXES WILL BE PAID.

27 Seller:..... Buyer:.....
28 Date:..... Date:.....

29 **Sec. 3. Distribution.** The Department of Administrative and Financial Services,
30 Bureau of Revenue Services shall provide a copy of the guidance document prepared
31 pursuant to section 2 to each municipal office and to real estate agents, real estate lenders,
32 settlement agents, the Maine State Housing Authority and any other person the bureau
33 determines is likely to be involved in a professional capacity in the transfer of property
34 subject to property tax in this State and request that those persons make a copy of the
35 guidance document available to buyers and sellers at any point in the process of the

R.O.S.

COMMITTEE AMENDMENT "A" to H.P. 1520, L.D. 2140

1 transfer of property when the allocation of property taxes is discussed and with any
2 notices relating to property tax liens.

3 **Sec. 4. Appropriations and allocations.** The following appropriations and
4 allocations are made.

5 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
6 **Revenue Services - Bureau of 0002**

7 Initiative: Provides one-time funds for the printing and mailing costs associated with the
8 required guidance notice to buyers and sellers of real estate.

9	GENERAL FUND	2007-08	2008-09
10	All Other	\$0	\$1,250
11			
12	GENERAL FUND TOTAL	\$0	\$1,250
13			

14 **SUMMARY**

15 This amendment requires the Department of Administrative and Financial Services,
16 Bureau of Revenue Services to prepare and distribute a guidance document to sellers and
17 buyers of real estate to provide information about problems that can arise as the result of
18 the proration of responsibility for the payment of property taxes among the parties when
19 property is transferred in order to ensure that the parties are better informed about the
20 potential implications of the allocation of property taxes incident to the transfer. It also
21 authorizes a party to a property tax proration to bring legal action against a party who
22 does not pay that party's share of the property taxes and to recover the costs of
23 discharging a lien and attorney's fees. A party who prevails in such an action who pays
24 delinquent taxes may have information about a lien in that party's credit report designated
25 as inaccurate information. The amendment also adds an appropriations and allocations
26 section.

FISCAL NOTE REQUIRED
(See attached)

COMMITTEE AMENDMENT



123rd MAINE LEGISLATURE

LD 2140

LR 2785(02)

An Act To Protect Sellers in Residential Real Estate Transactions

Fiscal Note for Bill as Amended by Committee Amendment "A"

Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	2007-08	2008-09	Projections 2009-10	Projections 2010-11
Net Cost (Savings)				
General Fund	\$0	\$1,250	\$0	\$0
Appropriations/Allocations				
General Fund	\$0	\$1,250	\$0	\$0

Fiscal Detail and Notes

This bill includes a one-time General Fund appropriation in fiscal year 2008-09 for Maine Revenue Services for the printing and mailing costs associated with the required guidance notice to buyers and sellers of real estate.