

MAINE STATE LEGISLATURE

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Date: 4/1/14

L.D. 1751
(Filing No. H-785)

TAXATION

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**STATE OF MAINE
HOUSE OF REPRESENTATIVES
126TH LEGISLATURE
SECOND REGULAR SESSION**

COMMITTEE AMENDMENT "A" to H.P. 1257, L.D. 1751, Bill, "An Act To Provide Property Tax Relief to Maine Residents"

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

'Sec. 1. 22 MRSA §4301, sub-§7, as amended by PL 2013, c. 368, Pt. OO, §6, is further amended to read:

7. Income. "Income" means any form of income in cash or in kind received by the household, including net remuneration for services performed, cash received on either secured or unsecured credit, any payments received as an annuity, retirement or disability benefits, veterans' pensions, workers' compensation, unemployment benefits, benefits under any state or federal categorical assistance program, supplemental security income, social security and any other payments from governmental sources, unless specifically prohibited by any law or regulation, court ordered support payments, income from pension or trust funds, household income from any other source, including relatives or unrelated household members and any benefit received pursuant to Title 36, chapter 907 and, Title 36, section 5219-II and Title 36, section 5219-KK, unless used for basic necessities as defined in section 4301, subsection 1.

The following items are not available within the meaning of this subsection and subsection 10:

- A. Real or personal income-producing property, tools of trade, governmental entitlement specifically treated as exempt assets by state or federal law;
- B. Actual work-related expenses, whether itemized or by standard deduction, such as taxes, retirement fund contributions, union dues, transportation costs to and from work, special equipment costs and child care expenses; or
- C. Earned income of children below the age of 18 years who are full-time students and who are not working full time.

COMMITTEE AMENDMENT

R O F S

1 In determining need, the period of time used as a basis for the calculation is the 30-day
2 period commencing on the date of the application. This prospective calculation does not
3 disqualify an applicant who has exhausted income to purchase basic necessities if that
4 income does not exceed the income standards established by the municipality.
5 Notwithstanding this prospective calculation, if any applicant or recipient receives a lump
6 sum payment prior or subsequent to applying for assistance, that payment must be
7 prorated over future months. The period of proration is determined by disregarding any
8 portion of the lump sum payment that the applicant or recipient has spent to purchase
9 basic necessities, including but not limited to: all basic necessities provided by general
10 assistance; reasonable payment of funeral or burial expenses for a family member;
11 reasonable travel costs related to the illness or death of a family member; repair or
12 replacement of essentials lost due to fire, flood or other natural disaster; repair or
13 purchase of a motor vehicle essential for employment, education, training or other day-to-
14 day living necessities; repayments of loans or credit, the proceeds of which can be
15 verified as having been spent on basic necessities; and payment of bills earmarked for the
16 purpose for which the lump sum is paid. All income received by the household between
17 the receipt of the lump sum payment and the application for assistance is added to the
18 remainder of the lump sum. The period of proration is then determined by dividing the
19 remainder of the lump sum payment by the verified actual monthly amounts for all of the
20 household's basic necessities. That dividend represents the period of proration
21 determined by the administrator to commence on the date of receipt of the lump sum
22 payment. The prorated sum for each month must be considered available to the
23 household for 12 months from the date of application or during the period of proration,
24 whichever is less.

25 **Sec. 2. 36 MRSA §5219-II, first ¶**, as enacted by PL 2013, c. 368, Pt. L, §1, is
26 amended to read:

27 For tax years beginning on or after January 1, 2013 and before January 1, 2014, a
28 Maine resident individual is allowed a property tax fairness credit as computed under this
29 section against the taxes imposed under this Part.

30 **Sec. 3. 36 MRSA §5219-KK** is enacted to read:

31 **§5219-KK. Property tax fairness credit for tax years beginning on or after January**
32 **1, 2014**

33 For tax years beginning on or after January 1, 2014, a Maine resident individual is
34 allowed a property tax fairness credit as computed under this section against the taxes
35 imposed under this Part.

36 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
37 following terms have the following meanings.

38 A. "Benefit base" means property taxes paid by a resident individual during the tax
39 year on the resident individual's homestead in this State or rent constituting property
40 taxes paid by the resident individual during the tax year on a homestead in the State
41 not exceeding the following amounts:

42 (1) For persons filing as single individuals, \$2,000;

1 (2) For persons filing joint returns or as heads of households that claim no more
2 than 2 personal exemptions, \$2,600;

3 (3) For persons filing joint returns or as heads of households that claim 3 or more
4 personal exemptions, \$3,200; and

5 (4) For married individuals filing separate returns, 1/2 of the amount under
6 subparagraph (2) or (3), whichever would apply if the individual had filed a joint
7 return for the taxable year with the individual's spouse.

8 B. "Dwelling" means an individual house or apartment, duplex unit, cooperative unit,
9 condominium unit, mobile home or mobile home pad.

10 C. "Homestead" means the dwelling owned or rented by a taxpayer or held in a
11 revocable living trust for the benefit of the taxpayer and occupied by the taxpayer and
12 the taxpayer's dependents as a home and may consist of a part of a multidwelling or
13 multipurpose building and a part of the land, up to 10 acres, upon which it is built.
14 For purposes of this paragraph, "owned" includes a vendee in possession under a land
15 contract, one or more joint tenants or tenants in common and possession under a
16 legally binding agreement that allows the owner of the dwelling to transfer the
17 property but continue to occupy the dwelling as a home until some future event stated
18 in the agreement.

19 D. "Income" means federal adjusted gross income increased by the following
20 amounts:

21 (1) Trade or business losses; capital losses; any net loss resulting from
22 combining the income or loss from rental real estate and royalties, the income or
23 loss from partnerships and S corporations, the income or loss from estates and
24 trusts, the income or loss from real estate mortgage investment conduits and the
25 net farm rental income or loss; any loss associated with the sale of business
26 property; and farm losses included in federal adjusted gross income;

27 (2) Interest received to the extent not included in federal adjusted gross income;

28 (3) Payments received under the federal Social Security Act and railroad
29 retirement benefits to the extent not included in federal adjusted gross income;
30 and

31 (4) The following amounts deducted in arriving at federal adjusted gross income:

32 (a) Educator expenses pursuant to the Code, Section 62(a)(2)(D);

33 (b) Certain business expenses of performing artists pursuant to the Code,
34 Section 62(a)(2)(B);

35 (c) Certain business expenses of government officials pursuant to the Code,
36 Section 62(a)(2)(C);

37 (d) Certain business expenses of reservists pursuant to the Code, Section
38 62(a)(2)(E);

- 1 (e) Health savings account deductions pursuant to the Code, Section
 2 62(a)(16) and Section 62(a)(19);
- 3 (f) Moving expenses pursuant to the Code, Section 62(a)(15);
- 4 (g) The deductible part of self-employment tax pursuant to the Code, Section
 5 164(f);
- 6 (h) The deduction for self-employed SEP, SIMPLE and qualified plans
 7 pursuant to the Code, Section 62(a)(6);
- 8 (i) The self-employed health insurance deduction pursuant to the Code,
 9 Section 162(1);
- 10 (j) The penalty for early withdrawal of savings pursuant to the Code, Section
 11 62(a)(9);
- 12 (k) Alimony paid pursuant to the Code, Section 62(a)(10);
- 13 (l) The IRA deduction pursuant to the Code, Section 62(a)(7);
- 14 (m) The student loan interest deduction pursuant to the Code, Section
 15 62(a)(17);
- 16 (n) The tuition and fees deduction pursuant to the Code, Section 62(a)(18);
 17 and
- 18 (o) The domestic production activities deduction pursuant to the Code,
 19 Section 199.

20 E. "Rent constituting property taxes" means 15% of the gross rent actually paid in
 21 cash or its equivalent during the tax year solely for the right of occupancy of a
 22 homestead in the State. For the purposes of this paragraph, "gross rent" means rent
 23 paid at arm's length solely for the right of occupancy of a homestead, exclusive of
 24 charges for any utilities, services, furniture, furnishings or personal property
 25 appliances furnished by the landlord as part of the rental agreement, whether or not
 26 expressly set out in the rental agreement. If the landlord and tenant have not dealt
 27 with each other at arm's length, and the assessor is satisfied that the gross rent
 28 charged was excessive, the assessor may adjust the gross rent to a reasonable amount
 29 for purposes of this section.

30 2. Credit. A resident individual is allowed a credit against the taxes imposed under
 31 this Part in an amount equal to 50% of the amount by which the benefit base for the
 32 resident individual exceeds 6% of the resident individual's income. The credit may not
 33 exceed \$600 for resident individuals under 65 years of age as of the last day of the
 34 taxable year or \$900 for resident individuals 65 years of age and older as of the last day
 35 of the taxable year. In the case of married individuals filing a joint return, only one
 36 spouse is required to be 65 years of age or older to qualify for the \$900 credit limitation.
 37 In the case of resident married individuals filing separate returns, each of whom claims
 38 the credit on the same homestead, the credit for each spouse may not exceed \$300 if, for
 39 the taxable year, neither spouse was a resident individual 65 years of age or older or \$450
 40 if, for the taxable year, at least one spouse was 65 years of age or older.

1 3. Refundability of credit. The tax credit under this section is refundable after the
2 application of nonrefundable credits.

3 **Sec. 4. 36 MRSA §5403**, as amended by PL 2013, c. 368, Pt. Q, §11 and affected
4 by §12 and amended by Pt. TT, §19, is repealed and the following enacted in its place:

5 **§5403. Annual adjustments for inflation**

6 Beginning in 2015, and each calendar year thereafter, on or about September 15th,
7 the assessor shall multiply the cost-of-living adjustment for taxable years beginning in the
8 succeeding calendar year by the dollar amounts of the tax rate tables specified in section
9 5111, subsections 1-D, 2-D and 3-D and of the benefit base amounts in section 5219-KK,
10 subsection 1, paragraph A. Beginning in 2013, and each calendar year thereafter, on or
11 about September 15th, the assessor shall multiply the cost-of-living adjustment for
12 taxable years beginning in the succeeding calendar year by the dollar amount of the
13 itemized deduction limitation amount in section 5125, subsection 4. If the benefit base
14 amounts, itemized deduction limitation amount or the dollar amounts of each rate bracket,
15 adjusted by application of the cost-of-living adjustment, are not multiples of \$50, any
16 increase must be rounded to the next lowest multiple of \$50. If the cost-of-living
17 adjustment for any taxable year would be less than the cost-of-living adjustment for the
18 preceding calendar year, the cost-of-living adjustment is the same as for the preceding
19 calendar year. The assessor shall incorporate such changes into the income tax forms,
20 instructions and withholding tables for the taxable year.

21 **Sec. 5. Appropriations and allocations.** The following appropriations and
22 allocations are made.

23 **ADMINISTRATIVE AND FINANCIAL SERVICES, DEPARTMENT OF**
24 **Revenue Services, Bureau of 0002**

25 Initiative: Provides one-time funding to implement changes to the property tax fairness
26 credit.

| | | | |
|----|---------------------------|----------------|------------------|
| 27 | GENERAL FUND | 2013-14 | 2014-15 |
| 28 | All Other | \$0 | \$124,650 |
| 29 | | | |
| 30 | GENERAL FUND TOTAL | \$0 | \$124,650 |
| 31 | | | |

32 **SUMMARY**

33 This amendment strikes the bill and makes the following changes to the Maine
34 resident property tax fairness credit for tax years beginning on or after January 1, 2014.

35 The amendment changes the definition of "income" that is considered in determining
36 eligibility for the credit by starting with an adjustment to federal adjusted gross income,
37 corresponding to federal total income as reported on the individual's federal income tax
38 return, increased by nontaxable social security and railroad retirement benefits, tax
39 exempt interest, certain deductions and certain business and capital losses.

1 The amendment changes the formula for calculating the amount of the credit by
 2 providing that benefits are equal to 50% of the amount by which the benefit base exceeds
 3 6% of the individual's income up to a maximum benefit of \$600 for filers under 65 years
 4 of age and \$900 for filers 65 years of age and older. The benefit base is the amount of
 5 property taxes or rent constituting property taxes up to a maximum of \$2,000 for single
 6 filers, \$2,600 for joint filers and head of household filers claiming no more than 2
 7 personal exemptions, \$3,200 for joint filers and head of household filers claiming 3 or
 8 more personal exemptions and, for married individuals filing separately, 1/2 of the benefit
 9 base limitation amount applicable to married individuals filing jointly.

10 The amendment changes the portion of rent constituting property taxes from 25% to
 11 15% and removes the exclusion of persons whose rent is subsidized by government
 12 programs.

13 The amendment provides that the benefit base maximum amounts will be adjusted
 14 annually for inflation for tax years beginning after 2015.

15 The amendment provides funding to cover administrative costs to implement the
 16 changes to the property tax fairness credit.

FISCAL NOTE REQUIRED

(See attached)

17
 18



126th MAINE LEGISLATURE

LD 1751

LR 2258(02)

An Act To Provide Property Tax Relief to Maine Residents

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-785)
Committee: Taxation
Fiscal Note Required: Yes

Fiscal Note

| | FY 2013-14 | FY 2014-15 | Projections FY 2015-16 | Projections FY 2016-17 |
|-----------------------------------|------------|-------------|---------------------------|---------------------------|
| Net Cost (Savings) | | | | |
| General Fund | \$0 | (\$326,600) | (\$123,876) | \$211,896 |
| Appropriations/Allocations | | | | |
| General Fund | \$0 | \$124,650 | \$0 | \$0 |
| Revenue | | | | |
| General Fund | \$0 | \$451,250 | \$123,876 | (\$211,896) |
| Other Special Revenue Funds | \$0 | \$23,750 | \$6,520 | (\$11,152) |

Fiscal Detail and Notes

This bill makes various changes to the property tax fairness credit and would result in an increase in General Fund and Local Government Fund revenue of \$451,250 and 23,750, respectively, in fiscal year 2014-15. The bill includes a General Fund appropriation to the Department of Administrative and Financial Services of \$124,650 in fiscal year 2014-15 for administrative costs associated with these changes.