

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

FIRST REGULAR SESSION-2017

Legislative Document

No. 875

H.P. 624

House of Representatives, March 7, 2017

An Act To Reduce Property Taxes

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R. B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative CEBRA of Naples.

Cosponsored by Representatives: HANINGTON of Lincoln, HARVELL of Farmington,
O'CONNOR of Berwick, STETKIS of Canaan, WARD of Dedham.

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

2 **Sec. 1. 5 MRSA §13090-K, sub-§2**, as amended by PL 2015, c. 267, Pt. OOOO,
3 §1 and affected by §7, is further amended to read:

4 **2. Source of fund.** Beginning July 1, 2003 and every July 1st thereafter, the State
5 Controller shall transfer to the Tourism Marketing Promotion Fund an amount, as
6 certified by the State Tax Assessor, that is equivalent to 5% of the 7% tax imposed on
7 tangible personal property and taxable services pursuant to Title 36, section 1811, for the
8 first 6 months of the prior fiscal year after the reduction for the transfer to the Local
9 Government Fund as described by Title 30-A, section 5681, subsection 5 or Title 30-A,
10 section 5681-A, subsection 5, except that, from October 1, 2013 to December 31, 2015,
11 the amount is equivalent to 5% of the 8% tax imposed on tangible personal property and
12 taxable services pursuant to Title 36, section 1811 and beginning July 1, 2016 the amount
13 is equivalent to 5% of the 8% tax and 5% of the 9% tax imposed on tangible personal
14 property and taxable services pursuant to Title 36, section 1811. Beginning on October 1,
15 2003 and every October 1st thereafter, the State Controller shall transfer to the Tourism
16 Marketing Promotion Fund an amount, as certified by the State Tax Assessor, that is
17 equivalent to 5% of the 7% tax imposed on tangible personal property and taxable
18 services pursuant to Title 36, section 1811, for the last 6 months of the prior fiscal year
19 after the reduction for the transfer to the Local Government Fund, except that, from
20 October 1, 2013 to December 31, 2015, the amount is equivalent to 5% of the 8% tax
21 imposed on tangible personal property and taxable services pursuant to Title 36, section
22 1811 and beginning October 1, 2016 the amount is equivalent to 5% of the 8% tax and
23 5% of the 9% tax imposed on tangible personal property and taxable services pursuant to
24 Title 36, section 1811. The tax amount must be based on actual sales for that fiscal year
25 and may not consider any accruals that may be required by law. The amount transferred
26 from General Fund sales and use tax revenues does not affect the calculation for the
27 transfer to the Local Government Fund.

28 **Sec. 2. 20-A MRSA §1310, sub-§6**, as repealed and replaced by PL 2003, c. 212,
29 §1, is amended to read:

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

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

7 **Sec. 3. 20-A MRSA §1489, sub-§6**, as enacted by PL 2007, c. 240, Pt. XXXX,
8 §13, is amended to read:

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

31 **Sec. 4. 20-A MRSA §1703, sub-§6**, as repealed and replaced by PL 2003, c. 212,
32 §2, is amended to read:

33 **6. Enforcement.** If a municipal treasurer fails to pay the installment due, or any
34 part, on the dates required, to initiate collection procedures, the treasurer of the
35 community school district may notify the municipal treasurer of the failure to pay.
36 Interest accrues on each unpaid installment at the rate established under Title 36, section
37 186 beginning on the 60th day after the date the installment is due under subsection 4. If
38 payment of an installment is not made within 60 days after the due date, the treasurer of
39 the district may initiate an action in Superior Court to compel payment of the delinquent
40 installment. The court shall determine the amount owed by the municipality to the
41 district and shall order the municipal treasurer to pay all delinquent installments, accrued
42 interest and any court costs and reasonable attorney's fees incurred by the district. To
43 ensure prompt payment of the delinquent installments, the court may require that amounts
44 due to the municipality from the State under Title 30-A, section 5681 or Title 30-A,

1 section 5681-A and Title 36, sections 578 and 685 be paid to the district until the amount
2 determined by the court is satisfied. The court shall promptly notify the disbursing state
3 agency of the determination and direct the agency to make the required change in payee
4 and the amounts to be paid. If additional funds are needed to satisfy the amount
5 determined by the court to be paid to the district, the court may order the attachment or
6 trustee process and sale of real or personal property owned by the municipality or the
7 attachment of the municipality's bank accounts or require property tax payments to the
8 municipality to be turned over to the court and may pay the amount owed the district
9 from the proceeds and return any excess to the municipality.

10 **Sec. 5. 21-A MRSA §1124, sub-§2, ¶B**, as amended by IB 2015, c. 1, §14, is
11 further amended to read:

12 B. Three million dollars of the revenues from the taxes imposed under Title 36, Parts
13 3 and 8 and credited to the General Fund, transferred to the fund by the State
14 Controller on or before January 1st of each year, beginning January 1, 1999. These
15 revenues must be offset in an equitable manner by an equivalent reduction in tax
16 expenditures as defined in Title 36, section 199-A, subsection 2. This section may
17 not affect the funds distributed to the Local Government Fund under Title 30-A,
18 section 5681 or Title 30-A, section 5681-A.

19 **Sec. 6. 30-A MRSA §5681, sub-§§9 and 10** are enacted to read:

20 **9. Limitation.** This section applies to the calculation of state-municipal revenue
21 sharing for fiscal years beginning before July 1, 2018.

22 **10. Repeal.** This section is repealed September 1, 2018.

23 **Sec. 7. 30-A MRSA §5681-A** is enacted to read:

24 **§5681-A. State-municipal revenue sharing; fiscal years on or after July 1, 2018**

25 **1. Findings and purpose.** The Legislature finds that:

26 A. The principal problem of financing municipal services is the burden on the
27 property tax; and

28 B. To stabilize the municipal property tax burden and to aid in financing all
29 municipal services, it is necessary to provide funds from the broad-based taxes of
30 State Government.

31 **2. Definitions.** As used in this section, unless the context otherwise indicates, the
32 following terms have the following meanings.

33 A. "Adjusted property tax burden" means the property tax burden of a municipality
34 multiplied by the property tax burden adjustment factor for the municipality.

35 B. "Population" means the population as determined by the latest Federal Decennial
36 Census or the population as determined and certified by the Department of Health
37 and Human Services, whichever is later. For the purposes of this section, the
38 Department of Health and Human Services shall determine the population of each

1 municipality at least once every 2 years. For the purposes of the distributions
2 required by this section, "population" means the most current population data
3 available as of the January 1st prior to the fiscal year of distribution.

4 C. "Property tax burden" means the total real and personal property taxes assessed in
5 the municipal fiscal year pertaining to the latest state valuation, except the taxes
6 assessed on captured value within a tax increment financing district, divided by the
7 latest state valuation certified to the Secretary of State and reduced by 0.01.

8 D. "Property tax burden adjustment factor" for a municipality means one divided by
9 a fraction equal to the property tax burden of the municipality divided by the average
10 property tax burden for that municipality over the preceding 5 years.

11 E. "Statewide average property tax rate" means the total real and personal property
12 taxes assessed in all municipalities in the municipal fiscal year pertaining to the latest
13 state valuation, except the taxes assessed on captured value within a tax increment
14 financing district, divided by the total latest state valuation certified to the Secretary
15 of State.

16 **3. Revenue-sharing funds.** To strengthen the state-municipal fiscal relationship
17 pursuant to the findings and objectives of subsection 1, there is established the Local
18 Government Fund.

19 **4. Distribution of Local Government Fund.** The Treasurer of State shall transfer
20 the balance in the Local Government Fund on the 20th day of each month. Money in the
21 Local Government Fund must be distributed to each municipality in proportion to the
22 product of the population of the municipality multiplied by the adjusted property tax
23 burden of the municipality.

24 **5. Transfers to fund.** No later than the 10th day of each month, the State Controller
25 shall transfer to the Local Government Fund 5% of the receipts during the previous
26 month from the taxes imposed under Title 36, Parts 3 and 8, and Title 36, section 2552,
27 subsection 1, paragraphs A to F and L, and credited to the General Fund without any
28 reduction, except that for fiscal year 2018-19 the amount transferred is 2% of the receipts
29 during the previous month from the taxes imposed under Title 36, Parts 3 and 8, and Title
30 36, section 2552, subsection 1, paragraphs A to F and L, and credited to the General Fund
31 without any reduction, and except that the postage, state cost allocation program and
32 programming costs of administering state-municipal revenue sharing may be paid by the
33 Local Government Fund.

34 **6. Plantations and unorganized territory.** For purposes of state-municipal revenue
35 sharing, plantations and the unorganized territory must be treated as if they were
36 municipalities.

37 **7. Indian territory.** For purposes of state-municipal revenue sharing, the
38 Passamaquoddy Tribe and the Penobscot Nation Indian Territories must be treated as if
39 they were municipalities. In the absence of a levy of real and personal property taxes in
40 either or both Indian territories, the property tax assessment is computed by multiplying
41 the state valuation for the Indian territory for the period for which revenue sharing is

1 being determined by the most current average equalized property tax rate of all
2 municipalities in the State at that time as determined by the State Tax Assessor.

3 **8. Posting of revenue-sharing projections.** For the purpose of assisting
4 municipalities in a timely manner in their budget development process and in the
5 determination of their property tax levy limits as required by section 5721-A, the
6 Treasurer of State shall post no later than April 15th of each year on the Treasurer of
7 State's website the projected revenue-sharing distributions as required by this section
8 according to the most recently issued state revenue forecasts issued by the Revenue
9 Forecasting Committee pursuant to Title 5, chapter 151-B for the subsequent fiscal year
10 beginning on July 1st.

11 **9. Application.** This section applies to the distribution of state-municipal revenue
12 sharing for fiscal years beginning on or after July 1, 2018.

13 **Sec. 8. 36 MRSA §208-A, sub-§1,** as amended by PL 2013, c. 368, Pt. O, §2 and
14 affected by §11; c. 385, §§1 and 3; and c. 544, §§6 and 7, is further amended to read:

15 **1. Request for adjustment.** A municipality that has experienced a sudden and
16 severe disruption in its municipal valuation may request an adjustment to the equalized
17 valuation determined by the State Tax Assessor under section 208 for the purposes of
18 calculating distributions of education funding under Title 20-A, chapter 606-B and state-
19 municipal revenue sharing under Title 30-A, section 5681 or Title 30-A, section 5681-A.
20 A municipality requesting an adjustment under this section must file a petition, with
21 supporting documentation, with the State Tax Assessor by March 31st of the year
22 following the tax year in which the sudden and severe disruption occurred and indicate
23 the time period for which adjustments to distributions are requested under subsection 5.

24 **Sec. 9. 36 MRSA §685, sub-§4, ¶B,** as amended by PL 2009, c. 571, Pt. MM, §1
25 and affected by §2, is further amended to read:

26 B. A municipality claiming reimbursement under this section shall submit a claim to
27 the bureau by November 1st of the year in which the exemption applies or within 30
28 days of commitment of taxes, whichever occurs later. The bureau shall review the
29 claims and determine the total amount to be paid. The bureau shall certify and the
30 Treasurer of State shall pay by July 15th of the year following the year in which the
31 exemption applies the difference between the estimated payment issued and the
32 amount that the bureau finally determines for the year in which the exemption
33 applies. If the total amount of reimbursement to which a municipality is entitled is
34 less than the amount received under paragraph A, the municipality shall repay the
35 excess to the State by December 30th of that year, or the amount may be offset
36 against the amount of state-municipal revenue sharing due the municipality under
37 Title 30-A, section 5681 or Title 30-A, section 5681-A.

38 **Sec. 10. 36 MRSA §699, sub-§2,** as enacted by PL 2005, c. 623, §1, is amended
39 to read:

40 **2. Intent.** It is the intent of the Legislature to fund fully transfers to the
41 Disproportionate Tax Burden Fund or the Local Government Fund under section 700-A,

1 subsection 1 and reimbursements under the business equipment tax reimbursement
2 program under section 6652, subsection 4, paragraph B.

3 **Sec. 11. 36 MRSA §700-A, sub-§1**, as enacted by PL 2005, c. 623, §1, is
4 amended to read:

5 **1. Transfers to Local Government Fund.** Pursuant to section 699, subsection 2
6 and in order to provide additional compensation to municipalities affected by property tax
7 exemptions provided under this subchapter, the Treasurer of State shall ~~make the~~
8 ~~following transfers~~ transfer \$4,000,000 in each fiscal year as provided in section 700-B to
9 the Disproportionate Tax Burden Fund established in Title 30-A, section 5681, subsection
10 3; ~~except that, for fiscal years beginning on or after July 1, 2018, the transfer must be~~
11 ~~made to the Local Government Fund established in Title 30-A, section 5681-A,~~
12 ~~subsection 3.~~

13 ~~A. In fiscal year 2009-10, \$2,000,000;~~

14 ~~B. In fiscal year 2010-11, \$2,500,000;~~

15 ~~C. In fiscal year 2011-12, \$3,000,000;~~

16 ~~D. In fiscal year 2012-13, \$3,500,000; and~~

17 ~~E. In fiscal year 2013-14 and subsequent fiscal years, \$4,000,000.~~

18 **Sec. 12. 36 MRSA §714**, as amended by PL 1987, c. 737, Pt. C, §§78 and 106 and
19 PL 1989, c. 6; c. 9, §2; and c. 104, Pt. C, §§8 and 10, is further amended to read:

20 **§714. State-municipal revenue sharing aid**

21 The assessors shall deduct from the total amount required to be assessed an amount
22 equal to the amount that the municipal officers estimate will be received under Title
23 30-A, section 5681 ~~or Title 30-A, section 5681-A~~, during the municipal fiscal year.

24 **Sec. 13. 36 MRSA §1815, sub-§2**, as enacted by PL 1999, c. 477, §1, is amended
25 to read:

26 **2. Monthly transfer.** By the 20th day of each month, the assessor shall notify the
27 State Controller and the Treasurer of State of the amount of revenue attributable to the tax
28 collected under this Part in the previous month on sales occurring on the Passamaquoddy
29 reservation at either Pleasant Point or Indian Township reduced by the transfer to the
30 Local Government Fund required by Title 30-A, section 5681 ~~or Title 30-A, section~~
31 ~~5681-A~~. When notified by the assessor, the State Controller shall transfer that amount to
32 the Passamaquoddy Sales Tax Fund.

33 **Sec. 14. 36 MRSA §2559**, as amended by PL 2015, c. 300, Pt. A, §35, is further
34 amended to read:

35 **§2559. Application of revenues**

36 Revenues derived by the tax imposed by this chapter must be credited to a General
37 Fund suspense account. On or before the last day of each month, the State Controller

1 shall transfer a percentage of the revenues received by the State Tax Assessor during the
2 preceding month pursuant to the tax imposed by section 2552, subsection 1, paragraphs A
3 to F and L to the Local Government Fund as provided by Title 30-A, section 5681,
4 subsection 5 or Title 30-A, section 5681-A, subsection 5. The balance remaining in the
5 General Fund suspense account must be transferred to service provider tax General Fund
6 revenue. On or before the 15th day of each month, the State Controller shall transfer all
7 revenues received by the assessor during the preceding month pursuant to the tax
8 imposed by section 2552, subsection 1, paragraphs G to J and M to the Medical Care
9 Services Other Special Revenue Funds account, the Other Special Revenue Funds Mental
10 Health Services - Community Medicaid program, the Medicaid Services - Adult
11 Developmental Services program and the Office of Substance Abuse - Medicaid Seed
12 program within the Department of Health and Human Services.

13

SUMMARY

14 This bill changes the formula for calculating distributions of state-municipal revenue-
15 sharing funds. The bill provides that revenue-sharing funds will be distributed only to
16 municipalities with mill rates exceeding 10 mills. The bill also provides an adjustment
17 that results in greater reimbursements to municipalities that have a lower mill rate than
18 their average mill rate for the preceding 5 years than to municipalities that do not. The
19 new distribution formula applies beginning in the 2018-19 fiscal year.