

MAINE STATE LEGISLATURE

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128th MAINE LEGISLATURE

FIRST REGULAR SESSION-2017

Legislative Document

No. 1521

H.P. 1045

House of Representatives, April 25, 2017

An Act To Amend the Property Tax Laws

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 204.

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 HILLIARD of Belgrade.
Cosponsored by Representative: BICKFORD of Auburn.

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

2 **PART A**

3 **Sec. A-1. 36 MRSA §652, sub-§1, ¶C**, as amended by PL 2007, c. 627, §20, is
4 further amended to read:

5 C. Further conditions to the right of exemption under paragraphs A and B are that:

6 (1) Any corporation claiming exemption under paragraph A must be organized
7 and conducted exclusively for benevolent and charitable purposes. For the
8 purposes of this subsection, holding land primarily for conservation purposes or
9 public access purposes is not a benevolent or charitable purpose;

10 (2) A director, trustee, officer or employee of an organization claiming
11 exemption may not receive directly or indirectly any pecuniary profit from the
12 operation of that organization, except as reasonable compensation for services in
13 effecting its purposes or as a proper beneficiary of its strictly benevolent or
14 charitable purposes;

15 (3) All profits derived from the operation of an organization claiming exemption
16 and the proceeds from the sale of its property must be devoted exclusively to the
17 purposes for which it is organized;

18 (4) The institution, organization or corporation claiming exemption under this
19 section must file with the assessors upon their request a report for its preceding
20 fiscal year in such detail as the assessors may reasonably require;

21 (5) An exemption may not be allowed under this section in favor of an
22 agricultural fair association holding pari-mutuel racing meets unless it has
23 qualified the next preceding year as a recipient of a stipend from the Stipend
24 Fund provided in Title 7, section 86;

25 (6) An exemption allowed under paragraph A or B for real or personal property
26 owned and occupied or used to provide federally subsidized residential rental
27 housing is limited as follows: Federally subsidized residential rental housing
28 placed in service prior to September 1, 1993 by other than a nonprofit housing
29 corporation that is acquired on or after September 1, 1993 by a nonprofit housing
30 corporation and the operation of which is not an unrelated trade or business to
31 that nonprofit housing corporation is eligible for an exemption limited to 50% of
32 the municipal assessed value of that property.

33 An exemption granted under this subparagraph must be revoked for any year in
34 which the owner of the property is no longer a nonprofit housing corporation or
35 the operation of the residential rental housing is an unrelated trade or business to
36 that nonprofit housing corporation.

37 (a) For the purposes of this subparagraph, the following terms have the
38 following meanings.

39 (i) "Federally subsidized residential rental housing" means residential
40 rental housing that is subsidized through project-based rental assistance,

1 operating assistance or interest rate subsidies paid or provided by or on
2 behalf of an agency or department of the Federal Government.

3 (ii) "Nonprofit housing corporation" means a nonprofit corporation
4 organized in the State that is exempt from tax under Section 501(c)(3) of
5 the Code and has among its corporate purposes the provision of services
6 to people of low income or the construction, rehabilitation, ownership or
7 operation of housing.

8 (iii) "Residential rental housing" means one or more buildings, together
9 with any facilities functionally related and subordinate to the building or
10 buildings, located on one parcel of land and held in common ownership
11 prior to the conversion to nonprofit status and containing 9 or more
12 similarly constructed residential units offered for rental to the general
13 public for use on other than a transient basis, each of which contains
14 separate and complete facilities for living, sleeping, eating, cooking and
15 sanitation.

16 (iv) "Unrelated trade or business" means any trade or business whose
17 conduct is not substantially related to the exercise or performance by a
18 nonprofit corporation of the purposes or functions constituting the basis
19 for exemption under Section 501(c)(3) of the Code.

20 (b) Eligibility of the following property for exemption is not affected by the
21 provisions of this subparagraph:

22 (i) Property used as a nonprofit nursing home, residential care facility
23 licensed by the Department of Health and Human Services pursuant to
24 Title 22, chapter 1663 or a community living arrangement as defined in
25 Title 30-A, section 4357-A or any property owned by a nonprofit
26 organization licensed or funded by the Department of Health and Human
27 Services to provide services to or for the benefit of persons with mental
28 illness or mental retardation;

29 (ii) Property used for student housing;

30 (iii) Property used for parsonages;

31 (iv) Property that was owned and occupied or used to provide residential
32 rental housing that qualified for exemption under paragraph A or B prior
33 to September 1, 1993; or

34 (v) Property exempt from taxation under other provisions of law; and

35 (7) In addition to the requirements of subparagraphs (1) to (4), an exemption is
36 not allowed under paragraph A or B for real or personal property owned and
37 occupied or used to provide residential rental housing that is transferred or placed
38 in service on or after September 1, 1993, unless the property is owned by a
39 nonprofit housing corporation and the operation of the residential rental housing
40 is not an unrelated trade or business to the nonprofit housing corporation.

41 For the purposes of this subparagraph, the following terms have the following
42 meanings.

1 (a) "Nonprofit housing corporation" means a nonprofit corporation
2 organized in the State that is exempt from tax under Section 501(c)(3) of the
3 Code and has among its corporate purposes the provision of services to
4 people of low income or the construction, rehabilitation, ownership or
5 operation of housing.

6 (b) "Residential rental housing" means one or more buildings, together with
7 any facilities functionally related and subordinate to the building or
8 buildings, containing one or more similarly constructed residential units
9 offered for rental to the general public for use on other than a transient basis,
10 each of which contains separate and complete facilities for living, sleeping,
11 eating, cooking and sanitation.

12 (c) "Unrelated trade or business" means any trade or business whose conduct
13 is not substantially related to the exercise or performance by a nonprofit
14 organization of the purposes constituting the basis for exemption under
15 Section 501(c)(3) of the Code.

16 **Sec. A-2. 36 MRSA §1102, sub-§5-B** is enacted to read:

17 **5-B. Land trust organization.** "Land trust organization" means a nonprofit entity
18 organized under Section 501(c)(3) of the Code and established for purposes of land
19 conservation.

20 **Sec. A-3. 36 MRSA §1106-A, sub-§2-A** is enacted to read:

21 **2-A. Valuation method for land owned by land trust organization.**
22 Notwithstanding any other provision of law to the contrary, an assessor shall reduce the
23 ordinary assessed valuation of the land owned by a land trust organization that meets the
24 requirements of this subsection by 90%, as adjusted by the municipality's certified ratio.
25 An alternate method of valuation is not allowed. In order for land to qualify for this
26 reduction, the following requirements must be met:

27 A. The land must be regularly and substantially accessible to the public in the same
28 manner as described in subsection 3, paragraph C;

29 B. Public access to the land must be advertised broadly;

30 C. The land must meet the criteria specified in section 1109, subsection 3, paragraph
31 C, J or K; and

32 D. The land must be permanently protected in the same manner as described in
33 subsection 3, paragraph A.

34 If the land meets all of the requirements of this subsection and the requirements set forth
35 in subsection 3, paragraph B, that land is eligible for an additional 5% reduction in
36 valuation.

37 Land owned by a land trust organization on which any activity is conducted that is not
38 directly related to requirements of this section, including the harvesting of trees, does not
39 qualify for valuation reduction under this section.

40 **Sec. A-4. 36 MRSA §1114**, as enacted by PL 1975, c. 726, §2, is repealed.

1 **Sec. A-5. Application.** This Part applies to property tax years beginning on or
2 after April 1, 2018.

3 **PART B**

4 **Sec. B-1. 36 MRSA §508, sub-§1,** as enacted by PL 2007, c. 627, §12, is
5 amended to read:

6 **1. Imposition.** A municipality may impose service charges on the owner of
7 ~~residential real property, other than student housing or parsonages, that is totally exempt~~
8 ~~from taxation under section 652 and that is used to provide rental income, other than~~
9 property exempt under section 652, subsection 1, paragraph G. Such service charges
10 must be calculated according to the actual cost of providing municipal services connected
11 to that real property and to the persons who use that property, and revenues derived from
12 ~~the charges must be used to fund, to the extent possible, the costs of those services or an~~
13 estimate of that cost based on factors other than the value of the property. The municipal
14 legislative body shall identify those institutions and organizations upon which service
15 charges are to be levied.

16 A municipality that imposes service charges on any institution or organization must
17 impose those service charges on every similarly situated institution or organization. For
18 the purposes of this section, "municipal services" means all fire protection, police
19 protection and snow removal services provided by a municipality ~~other than education~~
20 ~~and welfare.~~

21 **Sec. B-2. 36 MRSA §508, sub-§2,** as enacted by PL 2007, c. 627, §12, is
22 amended to read:

23 **2. Limitation.** The service charges authorized by subsection 1 may be levied only
24 against an owner that has total real estate assets in the municipality with a just value of
25 \$10,000,000 or more. The total service charges levied by a municipality on any institution
26 or organization under this section may not exceed 2% of the gross annual revenues of the
27 institution or organization. In order to qualify for ~~this~~ the 2% limitation, the institution or
28 organization must file with the municipality an audit of the revenues of the institution or
29 organization for the year immediately prior to the year in which the service charge is
30 levied. The municipal officers shall abate the portion of the service charge that exceeds
31 2% of the gross annual revenues of the institution or organization.

32 **Sec. B-3. Application.** This Part applies to property tax years beginning on or
33 after April 1, 2018.

34 **PART C**

35 **Sec. C-1. 36 MRSA §1482, sub-§1, ¶C,** as amended by PL 2013, c. 263, §1, is
36 further amended to read:

37 C. For the privilege of operating a motor vehicle or camper trailer on the public
38 ways, each motor vehicle, other than a stock race car, or each camper trailer to be so
39 operated is subject to excise tax as follows, except as specified in subparagraph (3),
40 (4) or (5): a sum equal to ~~24~~ 18 mills on each dollar of the maker's list price for the

1 first or current year of model, ~~17-1/2~~ 16 mills for the 2nd year, ~~13-1/2~~ 14 mills for the
2 3rd year, ~~10~~ 11.5 mills for the 4th year, ~~6-1/2~~ 10 mills for the 5th year, 6 mills for the
3 6th year and 4 mills for the ~~6th~~ 7th and succeeding years. The minimum tax is \$5 for
4 a motor vehicle other than a bicycle with motor attached, \$2.50 for a bicycle with
5 motor attached, \$15 for a camper trailer other than a tent trailer and \$5 for a tent
6 trailer. The excise tax on a stock race car is \$5.

7 (1) On new registrations of automobiles, trucks and truck tractors, the excise tax
8 payment must be made prior to registration and is for a one-year period from the
9 date of registration.

10 (2) Vehicles registered under the International Registration Plan are subject to an
11 excise tax determined on a monthly proration basis if their registration period is
12 less than 12 months.

13 (3) For commercial vehicles manufactured in model year 1996 and after, the
14 amount of excise tax due for trucks or truck tractors registered for more than
15 26,000 pounds and for Class A special mobile equipment, as defined in Title
16 29-A, section 101, subsection 70, is based on the purchase price in the original
17 year of title rather than on the list price. Verification of purchase price for the
18 application of excise tax is determined by the initial bill of sale or the state sales
19 tax document provided at point of purchase. The initial bill of sale is that issued
20 by the dealer to the initial purchaser of a new vehicle.

21 (4) For buses manufactured in model year 2006 and after, the amount of excise
22 tax due is based on the purchase price in the original year of title rather than on
23 the list price. Verification of purchase price for the application of excise tax is
24 determined by the initial bill of sale or the state sales tax document provided at
25 point of purchase. The initial bill of sale is that issued by the dealer to the initial
26 purchaser of a new vehicle.

27 (5) For trucks or truck tractors registered for more than 26,000 pounds that have
28 been reconstructed using a prepackaged kit that may include a frame, front axle
29 or body but does not include a power train or engine and for which a new
30 certificate of title is required to be issued, the amount of excise tax due is based
31 on the maker's list price of the prepackaged kit.

32 For motor vehicles being registered pursuant to Title 29-A, section 405, subsection 1,
33 paragraph C, the excise tax must be prorated for the number of months in the
34 registration.

35 SUMMARY

36 Part A specifies that holding land primarily for conservation or public access
37 purposes is not a benevolent and charitable purpose, which is a condition necessary to
38 obtaining an exemption from property tax. This Part allows a land trust organization to
39 enroll land owned by it in the open space tax law program, which would provide up to a
40 95% reduction in the assessed value of that land as long as certain conditions are met.
41 This Part also removes the 15,000-acre limit on the size of land that may be enrolled in
42 the open space tax law program.

1 Part B expands the authorization for municipal assessment of service charges for
2 certain municipal costs against certain property exempt from property tax to remove the
3 exemption for student housing and parsonages and to remove the limit on application of
4 the charge to residential property used for rental income. The service charges may be
5 levied only against an owner that has total real estate assets in the municipality with an
6 assessed value of \$10,000,000 or more. The existing cap of 2% of the gross annual
7 revenues of the institution or organization is retained.

8 Part C reduces the rate of the excise tax imposed on motor vehicles for the first and
9 2nd year from 24 mills to 18 mills and 17 1/2 to 16 mills, respectively; and increases the
10 excise tax for the 3rd, 4th, 5th and 6th year from 13 1/2 mills to 14 mills, 10 mills to 11.5
11 mills, 6 1/2 mills to 10 mills and 4 mills to 6 mills, respectively. After the 6th year, the
12 mill rate reverts to 4 mills.