

PLEASE NOTE: Legislative Information **cannot** perform research, provide legal advice, or interpret Maine law. For legal assistance, please contact a qualified attorney.

## **An Act To Improve the Process for Adjustment for Sudden and Severe Disruption of Valuation**

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

**Sec. 1. 5 MRSA §1532, sub-§7** is enacted to read:

**7. State valuation adjustments.** The State Controller shall transfer to general purpose aid for local schools within the Department of Education amounts certified by the Commissioner of Education to be necessary to make the payments required under Title 36, section 208-A.

**Sec. 2. 36 MRSA §208-A**, as amended by PL 2005, c. 332, §11, is repealed and the following enacted in its place:

### **§ 208-A. Adjustment for sudden and severe disruption of valuation**

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

**2. Sudden and severe disruption.** A municipality experiences a sudden and severe disruption in its municipal valuation if:

- A. The municipality experiences an equalized net reduction in valuation of at least 2% from the equalized valuation that would apply without adjustment under this section;
- B. The equalized net reduction is attributable to the closure, removal, replacement, retrofit, obsolescence, disaster or abatement attributable to a single taxpayer; and
- C. The municipality's equalized tax rate of residential property exceeds the state average.

**3. Procedure.** On receipt of a request by a municipality for adjustment under this section, the State Tax Assessor shall examine the documentation provided by the municipality and determine if the municipality qualifies for an adjustment under this section. If the State Tax Assessor determines that a municipality qualifies for an adjustment under this section, the State Tax Assessor shall calculate the amount of the adjustment for the municipality by determining the amount by which the state valuation determined under section 208 would be reduced as a result of the net sudden and severe disruption of

equalized valuation and the time period to which adjustments under subsection 5 should apply. The State Tax Assessor may limit the time period or amount of adjustments to reflect the circumstances of the sudden and severe loss of valuation.

**4. Notifications.** The State Tax Assessor shall notify the Commissioner of Education and the Treasurer of State of any adjustment to state valuation determined under this section and the time period to which the adjustment applies.

**5. Effect of modified state valuation.** The determination of an adjustment to state valuation has the following effect.

A. The Commissioner of Education shall calculate the amount by which the local share of education funding under Title 20-A, chapter 606-B would have been increased if the adjusted state valuation amount had been used for the applicable time period in calculating education funding obligations. The commissioner shall certify to the State Controller the amount required to make the necessary payments and pay that amount to the municipality.

B. The Treasurer of State shall use the adjusted state valuation amount instead of the valuation certified under section 305 in calculating future distributions of state-municipal revenue sharing.

## SUMMARY

This bill changes the procedures for providing relief to municipalities that have experienced a sudden and severe loss of taxable valuation attributable to a single property taxpayer. The procedures in current law have become outdated because of recent changes to the school funding formula and are not flexible enough to deal with the variety of situations presented. The bill replaces the current procedures for adjustment of state valuation by permitting municipalities to apply to the State Tax Assessor for a determination at any time and requiring the State Tax Assessor to determine not only the amount of the adjustment but also the appropriate time period to which the adjustment should apply. The bill affects distributions for general purpose aid for local schools and state-municipal revenue sharing. The bill provides that funds needed to relieve affected municipalities will be paid from the Maine Budget Stabilization Fund rather than risking reductions in distributions to other municipalities.