

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 Establish a Local Option Real Estate Transfer Tax for Homestead Tax Relief**

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

### **PART A**

**Sec. A-1. 36 MRSA c. 712-A** is enacted to read:

#### **CHAPTER 712-A**

#### **LOCAL OPTION REAL ESTATE TRANSFER TAX**

##### **§ 4681. Definitions**

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings. Other terms have the same meanings as in chapter 711-A.

**1. Eligible property.** “Eligible property” means a unit of real property designed to be occupied as a residence by a single family.

**2. Local option real estate transfer tax.** “Local option real estate transfer tax” means the real estate transfer tax imposed by a participating municipality on eligible property pursuant to section 4682.

**3. Participating municipality.** “Participating municipality” means a municipality that elects to impose a local option real estate transfer tax pursuant to section 4682.

##### **§ 4682. Imposition and collection of local option real estate transfer tax**

A participating municipality may impose a local option real estate transfer tax of up to 2% on the transferor of eligible property. The local option real estate transfer tax must be collected in the same manner and at the same time as the tax collected pursuant to section 4641-B, subsection 1. The tax imposed pursuant to this section is in addition to the real estate transfer tax imposed pursuant to section 4641-A.

##### **§ 4683. Determination and payment of municipal share; administrative costs**

On the last day of each month, the register of deeds shall identify the amount of revenue under this chapter attributable to each participating municipality, based on the location of the properties being transferred and the amount of tax collected under section 4682 for those properties, and certify the net amount due the municipality to the county treasurer. Each county treasurer shall, on or before the 10th

day of each month, pay over to each municipality that municipality's share of the tax collected pursuant to this chapter for the previous month. If the tax collected is not paid over by the 10th day of the month, the municipality may impose interest pursuant to section 186.

#### **§ 4684. Use of revenue for homestead tax relief programs**

Funds received pursuant to section 4683 by a participating municipality must be managed as prescribed in this section.

**1. Use for homestead tax relief.** Each participating municipality shall deposit the revenue received pursuant to section 4683 in a segregated account. Funds within the segregated account must be disbursed to:

- A. A municipal property tax assistance program established within the municipality pursuant to chapter 907-A;
- B. A local option homestead property tax exemption program established within the municipality pursuant to chapter 907-B; or
- C. Fund that portion of the municipality's approved homestead exemptions under chapter 105, subchapter 4-B not recovered from the State pursuant to section 685, subsection 2.

If the municipality does not have either of the programs listed in paragraphs A and B, then the municipality shall use the funds received pursuant to section 4683 for the purpose specified in paragraph C.

**2. Prohibited use.** A municipality shall determine its annual budget and assessment without consideration of the amount received pursuant to section 4683. Revenue generated pursuant to this section may not be used to supplant local funds.

#### **§ 4685. Referendum**

The question of whether to impose a local option real estate transfer tax, the amount of the tax and the use of the revenue must be submitted to the legal voters of a municipality that seeks to impose the local option real estate transfer tax.

The petition process and the voting at elections must be held and conducted in accordance with Title 30-A, sections 2528, 2529 and 2532 even if the municipality has not accepted the provisions of section 2528. The voting at elections held in municipalities must be held and conducted in accordance with Title 21-A. The municipal clerk shall make a return of the results, certify the results and send them to the Secretary of State. The Secretary of State shall forward the results to the register of deeds for that municipality.

The local option real estate transfer tax may be discontinued by referendum conducted in the same manner as the referendum adopting the tax under this section.

A vote by a municipality to adopt or repeal a local option real estate transfer tax may not be held more often than once each year. The municipality must notify the assessor and the county register of deeds within 30 days of the outcome of any election.

### **§ 4686. Effective date of tax**

The local option real estate transfer tax authorized by this chapter takes effect 120 days after the municipal referendum vote under section 4685 if it is accepted by a majority of the local voters voting at the election and the total number of votes cast equals or exceeds 20% of the total number of votes cast in that municipality in the most recent gubernatorial election.

## **PART B**

**Sec. B-1. 36 MRSA §683, sub-§2**, as enacted by PL 1997, c. 643, Pt. HHH, §3 and as affected by §10, is amended to read:

**2. Exemption in addition to other exemptions.** The exemption provided in this subchapter is in addition to the exemptions provided in sections 653 and 654 and chapter 907-B.

**Sec. B-2. 36 MRSA c. 907-B** is enacted to read:

### **CHAPTER 907-B**

#### **LOCAL option HOMESTEAD PROPERTY TAX EXEMPTION PROGRAM**

### **§ 6241. Short title**

This chapter may be known and cited as "the Local Option Homestead Property Tax Exemption Program."

### **§ 6242. Definitions**

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

**1. Applicant.** "Applicant" means an individual who has applied for a homestead property tax exemption pursuant to this chapter.

**2. Homestead.** "Homestead" means any residential property, including cooperative property, in this State assessed as real property owned by an applicant or held in a revocable living trust for the benefit of the applicant and occupied by the applicant as the applicant's permanent residence or owned by a cooperative housing corporation and occupied as a permanent residence by a resident who is a qualifying shareholder. "Homestead" does not include any real property used solely for commercial purposes.

### **§ 6243. Municipal authority**

The legislative body of a municipality may adopt by ordinance a program to provide a local option homestead property tax exemption to persons with a homestead in that municipality.

**1. Conditions of program.** A program adopted under this section must have the same eligibility requirements as the homestead property tax exemption established in chapter 105, subchapter 4-B.

**2. Relationship to state program.** Benefits received under a program adopted by a municipality under this chapter are in addition to benefits provided under the exemption in chapter 105, subchapter 4-B.

**3. Effect on state valuation.** The State Tax Assessor shall ensure that the valuation of property exempt under this chapter is included in state valuation.

**4. Denial; appeals.** If a municipal assessor determines that a property is not eligible for a local option homestead property tax exemption under this chapter, the municipal assessor shall provide promptly a notice of denial, including the reasons for the denial, to the applicant either by personal delivery or regular mail. An applicant may appeal a denial of an exemption under this chapter using the procedures provided in chapter 105, subchapter 8.

#### **§ 6244. Repeal of program**

A municipality that has adopted a local option homestead property tax exemption program under this chapter may repeal it through the same procedure by which the program was adopted.

### **SUMMARY**

This bill does the following:

Part A allows a municipality, by referendum, to establish a local option real estate transfer tax of up to 2% on the transfer of single family homes. The revenue must be used to fund:

- 1 A local option circuitbreaker program;
2. A local option homestead property tax exemption program; or
3. The portion of the state homestead property tax exemption program that is not funded by the State; currently 50% of the property tax revenues lost as a result of the State homestead property tax exemption are not funded by the State.

Part B allows a municipality to adopt a local option homestead property tax exemption program.