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An Act To Increase Relief Provided under the Homestead Property Tax Exemption

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

Sec. 1. 36 MRSA §685, sub-§2, as amended by PL 2005, c. 2, Pt. F, §4 and affected by §5, is repealed and the following enacted in its place:

2. Entitlement to reimbursement by the State; calculation; use of Homestead Exemption Surcharge Fund. The state reimbursement to municipalities for tax revenue lost by reason of the homestead exemptions under this subchapter is determined pursuant to this subsection.

A. There is established in the bureau the Homestead Exemption Surcharge Fund, a nonlapsing account into which the Treasurer of State shall deposit the revenue generated by section 1811, subsection 4.

B. The assessor annually shall determine the amount of revenue in the Homestead Exemption Surcharge Fund and calculate the percentage of state reimbursement. In determining the percentage of reimbursement, the assessor shall start with a minimum reimbursement of 50% and then use the revenue in the fund to increase the percentage of reimbursement above 50%.

C. A municipality that has approved homestead exemptions under this subchapter may recover from the State a percentage of the taxes lost by reason of the exemptions upon proof in a form satisfactory to the bureau as calculated annually pursuant to paragraph B. The bureau shall reimburse the Unorganized Territory Education and Services Fund the same percentage of taxes lost by reason of the exemption as it reimburses municipalities. The percentage of reimbursement may not be less than 50%.

Sec. 2. 36 MRSA §1811, as amended by PL 2003, c. 510, Pt. C, §12 and affected by §13 and amended by c. 673, Pt. V, §23 and affected by §29, is repealed and the following enacted in its place:

§ 1811. Sales tax

1. Personal property and services. A tax is imposed on the value of all tangible personal property and taxable services sold at retail in this State. The rate of tax is:

A. Seven percent on the value of liquor sold in licensed establishments as defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43;

B. Seven percent on the value of rental of living quarters in any hotel, rooming house or tourist or trailer camp.

C. Ten percent on the value of rental for a period of less than one year of an automobile;

D. Seven percent on the value of prepared food; and

E. Five percent on the value of all other tangible personal property and taxable services.

Value is measured by the sale price, except as otherwise provided.

2. Gas, water and electricity. The tax imposed upon the sale and distribution of gas, water or electricity by any public utility, the rates for which sale and distribution are established by the Public Utilities Commission, must be added to the rates so established. A tax may not be imposed upon the sale or use of electrical energy, or water stored for the purpose of generating electricity, when the sale is to or by a wholly owned subsidiary by or to its parent corporation, except for electrical energy or water purchased for resale to or by such wholly owned subsidiary.

3. Rental or lease of automobile for one year or more. Rental or lease of an automobile for one year or more must be taxed at the time of the lease or rental transaction at 5% of the following: the total monthly lease payment multiplied by the number of payments in the lease or rental, the amount of equity involved in any trade-in and the value of any cash down payment. Collection and remittance of the tax is the responsibility of the person that negotiates the lease transaction with the lessee.

4. Homestead property tax exemption surcharge. In addition to the tax imposed pursuant to subsection 1, paragraph E, an additional tax is imposed at the rate of 1% of the value of tangible personal property and taxable services subject to tax under subsection 1, paragraph E. Revenue generated by this subsection must be deposited by the Treasurer of State in the Homestead Exemption Surcharge Fund, a dedicated account established in section 685, subsection 2 and maintained and used by the bureau to reimburse municipalities for lost revenue due to the homestead property tax exemption as specified in section 685, subsection 2.

Sec. 3. Application. That section of this Act that repeals and replaces the Maine Revised Statutes, Title 36, section 685, subsection 2 applies to property tax years beginning on or after April 1, 2008.

SUMMARY

This bill establishes an additional 1% general sales tax. The revenue generated by the additional tax is used to increase the state reimbursement to municipalities to more than 50% of the tax revenue lost by those municipalities due to the Maine homestead property tax exemption program.