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An Act To Provide Property Tax Relief to Maine Residents

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

Sec. 1. 5 MRSA §1518-A, sub-§§1-A and 4, as enacted by PL 2011, c. 692, §1, are amended to read:

1-A. Implementation. By September 1, 2014 and annually thereafter, if the State Controller determines that the ~~benefits required under the Circuitbreaker Program~~ property tax fairness credit under Title 36, ~~chapter 907 has~~ section 5219-II has been fully funded, the State Controller shall inform the State Tax Assessor of the amount available in the fund for the purposes of subsection 1.

A. By November 1st annually, the State Tax Assessor shall calculate the amount by which the income tax rates under Title 36, section 5111, subsections 1-C, 2-C and 3-C may be reduced during the subsequent tax year using the amount available from the fund. Bracket rate reductions must be a minimum of 0.2 percentage points in the first year in which reductions are made and a minimum of 0.1 percentage points in subsequent years. If sufficient funds are not available to pay for the minimum reduction, a rate reduction may not be made until the amount in the fund is sufficient to pay for the reduction. When the amount is sufficient to pay for the reduction, the reduction must first be applied equally to each bracket under Title 36, section 5111, subsections 1-C, 2-C and 3-C until the lower bracket reaches 4%. Funds available from the fund in subsequent years must be applied to reduce the higher bracket rates until there is a single bracket with a rate of 4%, after which future tax relief may be identified.

B. The State Tax Assessor shall provide public notice of new bracket rates calculated under this subsection by November 15th annually.

C. New bracket rates calculated under this subsection apply beginning with tax years that begin on or after January 1st of the calendar year following the determinations made under this subsection.

4. Transfer from General Fund revenue growth. ~~Beginning with~~ At the close of fiscal year 2013-14 and before any other transfers from the General Fund, the State Controller shall transfer to the fund at the close of each fiscal year 40% of the amount by which General Fund budgeted revenue for that fiscal year exceeds the General Fund appropriation limitation calculated for that fiscal year under section 1534. Beginning with fiscal year 2014-15, at the close of each fiscal year and before any other transfers from the General Fund, the State Controller shall transfer to the fund 20% of the amount by which General Fund budgeted revenue for that fiscal year exceeds the General Fund appropriation limitation calculated for that fiscal year under section 1534.

Sec. 2. 5 MRSA §1518-B is enacted to read:

§ 1518-B. Property Tax Fairness Fund

1. Property Tax Fairness Fund. There is created the Property Tax Fairness Fund, referred to in this section as "the fund," which must be used to provide property tax relief to residents of the State through the property tax fairness credit under Title 36, section 1519-II. The fund consists of all resources transferred to the fund under subsection 5 and section 1536 and other resources made available to the fund. The fund must be used to increase the amount of the property tax fairness credit pursuant to subsection 2.

2. Implementation. By September 1, 2014 and annually thereafter, the State Controller shall inform the State Tax Assessor of the amount available in the fund for the purposes of subsection 1.

A. By November 1st annually, the State Tax Assessor shall calculate the amount by which the property tax fairness credit under Title 36, section 5219-II, subsection 2 may be increased during the subsequent income tax year using the amount available from the fund. Notwithstanding the maximum credit specified in Title 36, section 5219-II, subsection 2 of \$300 for resident individuals under 70 years of age as of the last day of the taxable year and \$400 for resident individuals 70 years of age and older as of the last day of the taxable year, the maximum credit must be increased in equal amounts for those resident individuals under 70 years of age and those resident individuals 70 years of age and older.

B. The State Tax Assessor shall provide public notice of the new maximum credit amounts available under the property tax fairness credit calculated under paragraph A by November 15th annually.

C. New maximum credit amounts calculated under paragraph A apply beginning with income tax years that begin on or after January 1st of the calendar year following the determinations made under this subsection.

3. Nonlapsing fund. Any unexpended balance in the fund may not lapse but must be carried forward to be used pursuant to subsection 2.

4. Transfer for property tax fairness credit increase. In the fiscal years immediately following the calculation of the property tax fairness credit increase under subsection 2, paragraph A, the State Tax Assessor shall certify to the State Controller the amount of the reduction in General Fund revenue by fiscal year, and the State Controller shall transfer from the fund the amount certified for the reduction in revenue attributable to adjustments made under subsection 2 to the General Fund unappropriated surplus.

5. Transfer from General Fund revenue growth. Beginning with fiscal year 2014-15, at the close of each fiscal year and before any other transfers from the General Fund, the State Controller shall transfer to the fund 20% of the amount by which General Fund budgeted revenue for that fiscal year exceeds the General Fund appropriation limitation calculated for that fiscal year under section 1534.

Sec. 3. 5 MRSA §1536, sub-§1, ¶E, as amended by PL 2011, c. 692, §2 and affected by §3, is further amended to read:

E. Ten percent to the Capital Construction and Improvements Reserve Fund established in section 1516-A; and

F. ~~Twenty~~Ten percent to the Tax Relief Fund for Maine Residents established in section 1518-A.;
and

Sec. 4. 5 MRSA §1536, sub-§1, ¶G is enacted to read:

G. Ten percent to the Property Tax Fairness Fund established in section 1518-B.

Sec. 5. 36 MRSA §5219-II, sub-§2, as enacted by PL 2013, c. 368, Pt. L, §1, is amended to read:

2. Credit. A resident individual filing a single or married separate return or resident spouses filing joint returns with Maine adjusted gross income up to \$40,000 are allowed a credit against the taxes imposed under this Part in an amount equal to 40% of the amount by which the benefit base exceeds 10% of the resident individual's or the resident spouses' total Maine adjusted gross income as defined under section 5102, subsection 1-C, paragraph A that is greater than zero. ~~The~~Except as increased pursuant to Title 5, section 1518-B, the credit may not exceed \$300 for resident individuals under 70 years of age as of the last day of the taxable year and \$400 for resident individuals 70 years of age and older as of the last day of the taxable year. In the case of married individuals filing a joint return, only one spouse is required to be 70 years of age and older to qualify for the \$400 credit limitation. In the case of resident married individuals filing separate returns, each of whom claim the credit on the same homestead, the credit for each spouse may not exceed ~~\$150~~50% of the maximum credit for resident individuals under 70 years of age if, for the taxable year, neither spouse was a resident individual 70 years of age or older or ~~\$200~~50% of the maximum credit for resident individuals 70 years of age and older if, for the taxable year, at least one spouse was 70 years of age or older.

SUMMARY

This bill creates the Property Tax Fairness Fund to create a mechanism for increasing the cap on the tax credit available to low-income and senior citizens under the property tax fairness credit. Currently, the cap on the credit is \$300 for eligible residents under 70 years of age and \$400 for eligible residents 70 years of age and older.

This bill requires 10% of the unappropriated General Fund surplus after all required deductions of appropriations, budgeted financial commitments and adjustments considered necessary by the State Controller have been made and 20% of the amount by which General Fund budgeted revenue for that fiscal year exceeds the General Fund appropriation limitation calculated for that fiscal year to be transferred to the Property Tax Fairness Fund; these amounts are attained by decreasing the amount of the unappropriated surplus transferred to the Tax Relief Fund for Maine Residents from 20% to 10% and the amount of the excess General Fund budgeted revenue from 40% to 20%.

Annually, the State Controller is required to notify the State Tax Assessor of the amount available in the Property Tax Fairness Fund. Based on that amount, the State Tax Assessor is required to increase the maximum credit available under the property tax fairness credit in equal amounts for those low-income residents under 70 years of age and 70 years of age and older. The higher caps apply to the income tax year immediately following the increase.