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An Act To Enhance the Property Tax Fairness Credit for Maine's Low-income Seniors and Other Low-income Residents

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

Sec. 1. 36 MRSA §5219-KK, sub-§1, ¶A, as enacted by PL 2013, c. 551, §3, is amended to read:

A. "Benefit base" means, for property tax years beginning before January 1, 2015, property taxes paid by a resident individual during the tax year on the resident individual's homestead in this State or rent constituting property taxes paid by the resident individual during the tax year on a homestead in the State not exceeding the following amounts:

- (1) For persons filing as single individuals, \$2,000;
- (2) For persons filing joint returns or as heads of households that claim no more than 2 personal exemptions, \$2,600;
- (3) For persons filing joint returns or as heads of households that claim 3 or more personal exemptions, \$3,200; and
- (4) For married individuals filing separate returns, 1/2 of the amount under subparagraph (2) or (3), whichever would apply if the individual had filed a joint return for the taxable year with the individual's spouse.

Sec. 2. 36 MRSA §5219-KK, sub-§1, ¶A-1 is enacted to read:

A-1. "Benefit base" means, for property tax years beginning on or after January 1, 2015, property taxes paid by a resident individual during the tax year on the resident individual's homestead in this State or rent constituting property taxes paid by the resident individual during the tax year on a homestead in the State not exceeding the following amounts:

- (1) For persons filing as single individuals, \$3,000;
- (2) For persons filing joint returns or as heads of households that claim no more than 2 personal exemptions, \$4,000;
- (3) For persons filing joint returns or as heads of households that claim 3 or more personal exemptions, \$5,000; and

(4) For married individuals filing separate returns, 1/2 of the amount under subparagraph (2) or (3), whichever would apply if the individual had filed a joint return for the taxable year with the individual's spouse.

Sec. 3. 36 MRSA §5219-KK, sub-§1, ¶E, as enacted by PL 2013, c. 551, §3, is amended to read:

E. "Rent constituting property taxes" means, for property tax years beginning before January 1, 2015, 15% of the gross rent actually paid in cash or its equivalent during the tax year solely for the right of occupancy of a homestead in the State. "Rent constituting property taxes" means, for property tax years beginning on or after January 1, 2015, 18% of the gross rent actually paid in cash or its equivalent during the tax year solely for the right of occupancy of a homestead in the State. For the purposes of this paragraph, "gross rent" means rent paid at arm's length solely for the right of occupancy of a homestead, exclusive of charges for any utilities, services, furniture, furnishings or personal property appliances furnished by the landlord as part of the rental agreement, whether or not expressly set out in the rental agreement. If the landlord and tenant have not dealt with each other at arm's length, and the assessor is satisfied that the gross rent charged was excessive, the assessor may adjust the gross rent to a reasonable amount for purposes of this section.

Sec. 4. 36 MRSA §5219-KK, sub-§2, as enacted by PL 2013, c. 551, §3, is amended to read:

2. Credit. AFor property tax years beginning before January 1, 2015, a resident individual is allowed a credit against the taxes imposed under this Part in an amount equal to 50% of the amount by which the benefit base for the resident individual exceeds 6% of the resident individual's income. The credit may not exceed \$600 for resident individuals under 65 years of age as of the last day of the taxable year or \$900 for resident individuals 65 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 65 years of age or older to qualify for the \$900 credit limitation. In the case of resident married individuals filing separate returns, each of whom claims the credit on the same homestead, the credit for each spouse may not exceed \$300 if, for the taxable year, neither spouse was a resident individual 65 years of age or older or \$450 if, for the taxable year, at least one spouse was 65 years of age or older.

For property tax years beginning on or after January 1, 2015, a resident individual is allowed a credit against the taxes imposed under this Part in an amount equal to 100% of the amount by which the benefit base for the resident individual exceeds 5% of the resident individual's income. The credit may not exceed \$1,500 for resident individuals under 65 years of age as of the last day of the taxable year or \$2,000 for resident individuals 65 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 65 years of age or older to qualify for the \$2,000 credit limitation. In the case of resident married individuals filing separate returns, each of whom claims the credit on the same homestead, the credit for each spouse may not exceed \$750 if, for the taxable year, neither spouse was a resident individual 65 years of age or older or \$1,000 if, for the taxable year, at least one spouse was 65 years of age or older.

SUMMARY

This bill amends the property tax fairness credit for property tax years beginning on or after January 1, 2015 in the following ways.

1. For purposes of calculating the benefit base upon which the credit is based, it increases the amount of property taxes paid or rent constituting property taxes paid that may be used in calculating the credit.

2. It increases the percentage of rent paid that may be considered rent constituting property taxes from 15% of the gross rent actually paid to 18% of the gross rent actually paid.

3. It changes the calculation of the tax credit to increase it to 100%, instead of the current 50%, of the amount by which the benefit base exceeds 5%, instead of the current 6%, of the resident's income.

4. It increases the maximum credit for residents 65 years of age or older to \$2,000 from \$900 and for residents under 65 years of age to \$1,500 from \$600.