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Legislative Document

No. 183

H.P. 141

House of Representatives, January 27, 2015

An Act To Decrease Property Taxes by Increasing the Sales Tax

Reference to the Committee on Taxation suggested and ordered printed.

Robert B. Hunt
ROBERT B. HUNT
Clerk

Presented by Representative PICCHIOTTI of Fairfield.
Cosponsored by Representative: BECK of Waterville.

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

2 **Sec. 1. 36 MRSA §683, sub-§1-B** is enacted to read:

3 **1-B. Additional exemption.** For tax years beginning on or after April 1, 2016, a
4 homestead eligible for an exemption under subsection 1 is eligible for an additional
5 exemption of \$10,000 of the just value of the homestead.

6 **Sec. 2. 36 MRSA §683, sub-§§3 and 4**, as amended by PL 2005, c. 2, Pt. F, §3
7 and affected by §5, are further amended to read:

8 **3. Effect on state valuation.** Fifty percent of the just value of ~~homesteads exempt~~
9 ~~under this subchapter~~ homestead exemptions under subsection 1 and 100% of the just
10 value of homestead exemptions under subsection 1-B must be included in the annual
11 determination of state valuation under sections 208 and 305.

12 **4. Property tax rate.** Fifty percent of the value of homestead exemptions under ~~this~~
13 ~~subchapter~~ subsection 1 and 100% of the value of homestead exemptions under
14 subsection 1-B must be included in the total municipal valuation used to determine the
15 municipal tax rate. The municipal tax rate as finally determined may be applied to only
16 the taxable portion of each homestead qualified for that tax year.

17 **Sec. 3. 36 MRSA §683, sub-§5**, as enacted by PL 2005, c. 647, §4 and affected
18 by §5, is amended to read:

19 **5. Determination of exemption for cooperative housing corporation.** A
20 cooperative housing corporation may apply for an exemption under this subchapter to be
21 applied against the valuation of property of the corporation that is occupied by qualifying
22 shareholders. The application must include a list of all qualifying shareholders and must
23 be updated annually to reflect changes in the ownership and residency of qualifying
24 shareholders. The exemption is equal to the ~~amount~~ amounts specified in ~~subsection~~
25 subsections 1 and 1-B multiplied by the number of units in the cooperative property
26 occupied by qualifying shareholders. A cooperative housing corporation that receives an
27 exemption pursuant to this section shall apportion the property tax reduction resulting
28 from the exemption among the qualifying shareholders on a per unit basis. Any
29 supplemental assessment resulting from disqualification for exemption must be applied in
30 the same manner against the qualifying shareholders for whom the disqualification
31 applies.

32 **Sec. 4. 36 MRSA §685, sub-§2**, as amended by PL 2005, c. 2, Pt. F, §4 and
33 affected by §5, is further amended to read:

34 **2. Entitlement to reimbursement by the State; calculation.** A municipality that
35 has approved homestead exemptions under this subchapter may recover from the State
36 50% of the taxes lost by reason of the exemptions under section 683, subsection 1 and
37 100% of the taxes lost by reason of the exemptions under section 683, subsection 1-B
38 upon proof in a form satisfactory to the bureau. The bureau shall reimburse the
39 Unorganized Territory Education and Services Fund in the same manner for ~~50% of taxes~~
40 lost by reason of the ~~exemption~~ exemptions.

1 **Sec. 5. 36 MRSA §1811, first ¶**, as repealed and replaced by PL 2013, c. 588, Pt.
2 E, §11, is amended to read:

3 A tax is imposed on the value of all tangible personal property, products transferred
4 electronically and taxable services sold at retail in this State. The rate of tax is 7% on the
5 value of liquor sold in licensed establishments as defined in Title 28-A, section 2,
6 subsection 15, in accordance with Title 28-A, chapter 43; 7% on the value of rental of
7 living quarters in any hotel, rooming house or tourist or trailer camp; 10% on the value of
8 rental for a period of less than one year of an automobile, of a pickup truck or van with a
9 gross vehicle weight of less than 26,000 pounds rented from a person primarily engaged
10 in the business of renting automobiles or of a loaner vehicle that is provided other than to
11 a motor vehicle dealer's service customers pursuant to a manufacturer's or dealer's
12 warranty; 7% on the value of prepared food; 6% on the value of tangible personal
13 property and taxable services and products transferred electronically with a value of
14 \$5,000 or less; and 5% on the value of all other tangible personal property and taxable
15 services and products transferred electronically. Notwithstanding the other provisions of
16 this section, from October 1, 2013 to June 30, 2015, the rate of tax is 8% on the value of
17 rental of living quarters in any hotel, rooming house or tourist or trailer camp; 8% on the
18 value of prepared food; 8% on the value of liquor sold in licensed establishments as
19 defined in Title 28-A, section 2, subsection 15, in accordance with Title 28-A, chapter 43;
20 and 5.5% on the value of all other tangible personal property and taxable services and
21 products transferred electronically. Value is measured by the sale price, except as
22 otherwise provided. The value of rental for a period of less than one year of an
23 automobile or of a pickup truck or van with a gross vehicle weight of less than 26,000
24 pounds rented from a person primarily engaged in the business of renting automobiles is
25 the total rental charged to the lessee and includes, but is not limited to, maintenance and
26 service contracts, drop-off or pick-up fees, airport surcharges, mileage fees and any
27 separately itemized charges on the rental agreement to recover the owner's estimated
28 costs of the charges imposed by government authority for title fees, inspection fees, local
29 excise tax and agent fees on all vehicles in its rental fleet registered in the State. All fees
30 must be disclosed when an estimated quote is provided to the lessee.

31 **Sec. 6. Effective date.** This Act takes effect October 1, 2015.

32 SUMMARY

33 This bill increases the amount exempt from property tax for homesteads from
34 \$10,000 to \$20,000 and requires that municipalities be reimbursed for 100% of the taxes
35 lost due to the increase. The bill also increases from 5% to 6% the sales tax on tangible
36 personal property and taxable services and products transferred electronically with a
37 value of \$5,000 or less.