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Legislative Document

No. 669

H.P. 490

House of Representatives, February 7, 2019

An Act To Provide Housing Relief for Maine Families and Seniors

Reference to the Committee on Taxation suggested and ordered printed.

A handwritten signature in cursive script that reads "R B. Hunt".

ROBERT B. HUNT
Clerk

Presented by Representative MORALES of South Portland.
Cosponsored by Representatives: BABBIDGE of Kennebunk, GRAMLICH of Old Orchard Beach, RECKITT of South Portland, TEPLER of Topsham.

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

2 **Sec. 1. 22 MRSA §4301, sub-§7**, as amended by PL 2013, c. 551, §1, is further
3 amended to read:

4 **7. Income.** "Income" means any form of income in cash or in kind received by the
5 household, including net remuneration for services performed, cash received on either
6 secured or unsecured credit, any payments received as an annuity, retirement or disability
7 benefits, veterans' pensions, workers' compensation, unemployment benefits, benefits
8 under any state or federal categorical assistance program, supplemental security income,
9 social security and any other payments from governmental sources, unless specifically
10 prohibited by any law or regulation, court ordered support payments, income from
11 pension or trust funds, household income from any other source, including relatives or
12 unrelated household members and any benefit received pursuant to Title 36, chapter 907,
13 Title 36, section 5219-II ~~and~~ Title 36, section 5219-KK ~~and~~ Title 36, section 5219-VV,
14 unless used for basic necessities as defined in ~~section 4301~~, subsection 1.

15 The following items are not available within the meaning of this subsection and
16 subsection 10:

- 17 A. Real or personal income-producing property, tools of trade, governmental
18 entitlement specifically treated as exempt assets by state or federal law;
- 19 B. Actual work-related expenses, whether itemized or by standard deduction, such as
20 taxes, retirement fund contributions, union dues, transportation costs to and from
21 work, special equipment costs and child care expenses; or
- 22 C. Earned income of children below the age of 18 years who are full-time students
23 and who are not working full time.

24 In determining need, the period of time used as a basis for the calculation is the 30-day
25 period commencing on the date of the application. This prospective calculation does not
26 disqualify an applicant who has exhausted income to purchase basic necessities if that
27 income does not exceed the income standards established by the municipality.
28 Notwithstanding this prospective calculation, if any applicant or recipient receives a lump
29 sum payment prior or subsequent to applying for assistance, that payment must be
30 prorated over future months. The period of proration is determined by disregarding any
31 portion of the lump sum payment that the applicant or recipient has spent to purchase
32 basic necessities, including but not limited to: all basic necessities provided by general
33 assistance; reasonable payment of funeral or burial expenses for a family member;
34 reasonable travel costs related to the illness or death of a family member; repair or
35 replacement of essentials lost due to fire, flood or other natural disaster; repair or
36 purchase of a motor vehicle essential for employment, education, training or other day-to-
37 day living necessities; repayments of loans or credit, the proceeds of which can be
38 verified as having been spent on basic necessities; and payment of bills earmarked for the
39 purpose for which the lump sum is paid. All income received by the household between
40 the receipt of the lump sum payment and the application for assistance is added to the
41 remainder of the lump sum. The period of proration is then determined by dividing the
42 remainder of the lump sum payment by the verified actual monthly amounts for all of the
43 household's basic necessities. That dividend represents the period of proration

1 determined by the administrator to commence on the date of receipt of the lump sum
2 payment. The prorated sum for each month must be considered available to the
3 household for 12 months from the date of application or during the period of proration,
4 whichever is less.

5 **Sec. 2. 36 MRSA §943-C, sub-§1, ¶B**, as enacted by PL 2017, c. 478, §3, is
6 amended to read:

7 B. The former owner or owners of the property demonstrate to the municipal officers
8 or their designee that:

9 (1) The income, as defined in section 5219-KK, subsection 1, paragraph D or
10 section 5219-VV, subsection 1, paragraph D, of the former owner or owners of
11 the property was less than \$40,000, after medical expenses have been deducted,
12 for the calendar year immediately preceding the calendar year in which the right
13 of redemption expired; and

14 (2) The value of liquid assets of the former owner or owners of the property is
15 less than \$50,000 in the case of a single individual or \$75,000 in the case of 2 or
16 more individuals. For the purposes of this paragraph, "liquid assets" means
17 something of value available to an individual that can be converted to cash in 3
18 months or less and includes bank accounts, certificates of deposit, money market
19 or mutual funds, life insurance policies, stocks and bonds, lump-sum payments
20 and inheritances and funds from a home equity conversion mortgage that are in
21 the individual's possession whether they are in cash or have been converted to
22 another form.

23 The former owner or owners must provide documentation verifying the former
24 owner's or owners' income and liquid assets.

25 **Sec. 3. 36 MRSA §5219-KK**, as amended by PL 2017, c. 474, Pt. B, §§12 to 16,
26 is further amended to read:

27 **§5219-KK. Property tax fairness credit for tax years beginning on or after January**
28 **1, 2014 and before January 1, 2020**

29 For tax years beginning on or after January 1, 2014 and before January 1, 2020, a
30 Maine resident individual is allowed a property tax fairness credit as computed under this
31 section against the taxes imposed under this Part.

32 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
33 following terms have the following meanings.

34 A. For tax years beginning before January 1, 2018, "benefit base" means property
35 taxes paid by a resident individual during the tax year on the resident individual's
36 homestead in this State or rent constituting property taxes paid by the resident
37 individual during the tax year on a homestead in the State not exceeding the
38 following amounts:

39 (1) For persons filing as single individuals, \$2,000;

1 (2) For persons filing joint returns or as heads of households that claim no more
2 than 2 personal exemptions, \$2,600; and

3 (3) For persons filing joint returns or as heads of households that claim 3 or more
4 personal exemptions, \$3,200.

5 A-1. For tax years beginning on or after January 1, 2018, "benefit base" means
6 property taxes paid by a resident individual during the tax year on the resident
7 individual's homestead in this State or rent constituting property taxes paid by the
8 resident individual during the tax year on a homestead in the State not exceeding the
9 following amounts:

10 (1) For persons filing as single individuals, \$2,050;

11 (2) For persons filing as heads of households that can claim the federal child tax
12 credit pursuant to the Code, Section 24 for no more than one qualifying child or
13 dependent or for persons filing joint returns, \$2,650; and

14 (3) For persons filing as heads of households that can claim the federal child tax
15 credit pursuant to the Code, Section 24 for more than one qualifying child or
16 dependent or for persons filing joint returns that can claim the federal child tax
17 credit pursuant to the Code, Section 24 for at least one qualifying child or
18 dependent, \$3,250.

19 B. "Dwelling" means an individual house or apartment, duplex unit, cooperative unit,
20 condominium unit, mobile home or mobile home pad.

21 C. "Homestead" means the dwelling owned or rented by a taxpayer or held in a
22 revocable living trust for the benefit of the taxpayer and occupied by the taxpayer and
23 the taxpayer's dependents as a home and may consist of a part of a multidwelling or
24 multipurpose building and a part of the land, up to 10 acres, upon which it is built.
25 For purposes of this paragraph, "owned" includes a vendee in possession under a land
26 contract, one or more joint tenants or tenants in common and possession under a
27 legally binding agreement that allows the owner of the dwelling to transfer the
28 property but continue to occupy the dwelling as a home until some future event stated
29 in the agreement.

30 D. "Income" means federal adjusted gross income increased by the following
31 amounts:

32 (1) Trade or business losses; capital losses; any net loss resulting from
33 combining the income or loss from rental real estate and royalties, the income or
34 loss from partnerships and S corporations, the income or loss from estates and
35 trusts, the income or loss from real estate mortgage investment conduits and the
36 net farm rental income or loss; any loss associated with the sale of business
37 property; and farm losses included in federal adjusted gross income;

38 (2) Interest received to the extent not included in federal adjusted gross income;

39 (3) Payments received under the federal Social Security Act and railroad
40 retirement benefits to the extent not included in federal adjusted gross income;
41 and

42 (4) The following amounts deducted in arriving at federal adjusted gross income:

- 1 (a) Educator expenses pursuant to the Code, Section 62(a)(2)(D);
- 2 (b) Certain business expenses of performing artists pursuant to the Code,
- 3 Section 62(a)(2)(B);
- 4 (c) Certain business expenses of government officials pursuant to the Code,
- 5 Section 62(a)(2)(C);
- 6 (d) Certain business expenses of reservists pursuant to the Code, Section
- 7 62(a)(2)(E);
- 8 (e) Health savings account deductions pursuant to the Code, Section
- 9 62(a)(16) and Section 62(a)(19);
- 10 (f) Moving expenses pursuant to the Code, Section 62(a)(15);
- 11 (g) The deductible part of self-employment tax pursuant to the Code, Section
- 12 164(f);
- 13 (h) The deduction for self-employed SEP, SIMPLE and qualified plans
- 14 pursuant to the Code, Section 62(a)(6);
- 15 (i) The self-employed health insurance deduction pursuant to the Code,
- 16 Section 162(l);
- 17 (j) The penalty for early withdrawal of savings pursuant to the Code, Section
- 18 62(a)(9);
- 19 (k) Alimony paid pursuant to the Code, Section 62(a)(10);
- 20 (l) The IRA deduction pursuant to the Code, Section 62(a)(7);
- 21 (m) The student loan interest deduction pursuant to the Code, Section
- 22 62(a)(17); and
- 23 (n) The tuition and fees deduction pursuant to the Code, Section 62(a)(18).

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

34 **2. Credit prior to 2018.** For tax years beginning before January 1, 2018, a resident
35 individual is allowed a credit against the taxes imposed under this Part in an amount
36 equal to 50% of the amount by which the benefit base for the resident individual exceeds
37 6% of the resident individual's income. The credit may not exceed \$600 for resident
38 individuals under 65 years of age as of the last day of the taxable year or \$900 for
39 resident individuals 65 years of age and older as of the last day of the taxable year. In the
40 case of married individuals filing a joint return, only one spouse is required to be 65 years

1 of age or older to qualify for the \$900 credit limitation. Married taxpayers filing separate
2 returns do not qualify for the credit under this section.

3 **2-A. Credit in 2018 and after.** For tax years beginning on or after January 1, 2018,
4 a resident individual is allowed a credit against the taxes imposed under this Part equal to
5 the amount by which the benefit base for the resident individual exceeds 6% of the
6 resident individual's income. The credit may not exceed \$750 for resident individuals
7 under 65 years of age as of the last day of the taxable year or \$1,200 for resident
8 individuals 65 years of age and older as of the last day of the taxable year. In the case of
9 married individuals filing a joint return, only one spouse is required to be 65 years of age
10 or older to qualify for the \$1,200 credit limitation. Married taxpayers filing separate
11 returns do not qualify for the credit under this section.

12 **3. Refundability of credit.** The tax credit under this section is refundable after the
13 application of nonrefundable credits.

14 **Sec. 4. 36 MRSA §5219-VV** is enacted to read:

15 **§5219-VV. Housing relief credit**

16 For tax years beginning on or after January 1, 2020, a Maine resident individual is
17 allowed a housing relief credit as computed under this section against the taxes imposed
18 under this Part.

19 **1. Definitions.** As used in this section, unless the context otherwise indicates, the
20 following terms have the following meanings.

21 A. "Area median income" means the amount identified by the federal Department of
22 Housing and Urban Development as the area median income by county or city for the
23 place of residence of a resident individual claiming the credit under this section.

24 B. "Dwelling" means an individual house or apartment, duplex unit, cooperative unit,
25 condominium unit, mobile home or mobile home pad.

26 C. "Homestead" means the dwelling owned or rented by a taxpayer or held in a
27 revocable living trust for the benefit of the taxpayer and occupied by the taxpayer and
28 the taxpayer's dependents as a primary residence and may consist of a part of a
29 multidwelling or multipurpose building and a part of the land, up to 10 acres, upon
30 which it is built. For purposes of this paragraph, "owned" includes a vendee in
31 possession under a land contract, one or more joint tenants or tenants in common and
32 possession under a legally binding agreement that allows the owner of the dwelling to
33 transfer the property but continue to occupy the dwelling as a home until some future
34 event stated in the agreement.

35 D. "Income" means federal adjusted gross income increased by the following
36 amounts:

37 (1) Trade or business losses; capital losses; any net loss resulting from
38 combining the income or loss from rental real estate and royalties, the income or
39 loss from partnerships and S corporations, the income or loss from estates and
40 trusts, the income or loss from real estate mortgage investment conduits and the

1 net farm rental income or loss; any loss associated with the sale of business
2 property; and farm losses included in federal adjusted gross income;

3 (2) Interest received to the extent not included in federal adjusted gross income;

4 (3) Payments received under the federal Social Security Act and railroad
5 retirement benefits to the extent not included in federal adjusted gross income;
6 and

7 (4) The following amounts deducted in arriving at federal adjusted gross income:

8 (a) Educator expenses pursuant to the Code, Section 62(a)(2)(D);

9 (b) Certain business expenses of performing artists pursuant to the Code,
10 Section 62(a)(2)(B);

11 (c) Certain business expenses of government officials pursuant to the Code,
12 Section 62(a)(2)(C);

13 (d) Certain business expenses of reservists pursuant to the Code, Section
14 62(a)(2)(E);

15 (e) Health savings account deductions pursuant to the Code, Section
16 62(a)(16) and Section 62(a)(19);

17 (f) Moving expenses pursuant to the Code, Section 62(a)(15);

18 (g) The deductible part of self-employment tax pursuant to the Code, Section
19 164(f);

20 (h) The deduction for self-employed SEP, SIMPLE and qualified plans
21 pursuant to the Code, Section 62(a)(6);

22 (i) The self-employed health insurance deduction pursuant to the Code,
23 Section 162(l);

24 (j) The penalty for early withdrawal of savings pursuant to the Code, Section
25 62(a)(9);

26 (k) Alimony paid pursuant to the Code, Section 62(a)(10);

27 (l) The IRA deduction pursuant to the Code, Section 62(a)(7);

28 (m) The student loan interest deduction pursuant to the Code, Section
29 62(a)(17); and

30 (n) The tuition and fees deduction pursuant to the Code, Section 62(a)(18).

31 E. "Housing cost" means the following payments made for the purpose of
32 maintaining a homestead:

33 (1) Property tax payments;

34 (2) Property insurance payments;

35 (3) Mortgage payments;

36 (4) Rent payments; and

