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LD: 29: An Act to Establish a Local Option Real Estate Transfer Tax

Sen. McCormick, Rep. Goode and members of the joint standing committee on Taxation

I am Susan Bulay, Register of Deeds for Penobscot County and President of the Maine Registers of Deeds Association, speaking to you today neither for nor against LD 29, An Act to Establish a Local Option Real Estate Transfer Tax.

As written, the registers are very concerned with the logistics of performing the tasks required under this bill. Currently, we receive a deed and transfer tax form which states the consideration paid for the property. We figure the tax, verify the amount paid, and process the recording. As we enter the information in our computer system, the computer verifies the amount paid and tracks the information for month end reports.

Currently every deed is subject to the same tax. Under this bill, we would have to pay attention to the location, check to see if the town has a local transfer tax, check to see what the rate of the tax is, and collect this additional tax. There are 60 organized towns in Penobscot County alone which means my staff and I would have to remember the option chosen by 60 different towns. And as written, each town could have a different rate, so not only would we have to remember the option chosen by the town, but the rate of tax for each town as well. I see a great deal of potential for error.

We currently return 5% of the recordings submitted because of incorrect fees or tax forms that are not complete. If you add in a local option tax, that rate of rejection would skyrocket. I'm sure you might feel that attorneys would get used to the new rates, but I have to say that I've been waiting 20 years for them to get the current rates correct and that hasn't happened yet. In fact, as the recording industry expands to submitters across the country, it gets worse.

Most of the counties do not have a computer system that is programed to accept and track two different transfer tax forms. Computer software changes will be required to capture the town and the additional transfer tax form at the countering step of the recording process as well as accounting for it properly. Computer software changes are expensive.

Section 4663 of the bill as written proposes that the register shall identify the amounts for each town on the last day of the month. Obviously, that is impractical. We currently have ten days to get the money to the state and we need some time delay. Records would be incomplete if we close the books before the end of the working day on the last day of the month. We cannot always do this function on the first day of the month as sometimes that is not a working day either. So we need a delay and ten days works well for the state monies. Then there would need to be a delay to get checks written for each town, and again Penobscot County has 60 towns. So some delay needs to be written in.

As you can see this bill creates a lot of work for the register, the registry staff and the county treasurer. As written there is no compensation for the county for performing these tasks.

Proposed amendments would help in some of the processing areas, especially in the timing of when the taxes would take effect, and would seek to compensate the county for its work in collecting, sorting and distributing the tax payments. However, having the registers of deeds create the form is really not a direction we wanted to go. I have attached a copy of the current tax form that was developed by Maine Revenue Services. In creating the form you need to look at what is the function of the form. The current form is for the collection of the tax and also to assist the town tax assessor in keeping their records up to date. Perhaps Maine Revenue could add a line or adjust numbers 1 and 2 to address whether the town has a local option tax and what the rate is.

Also, please remember that the current rate of tax is 0.44% and this bill would seek to add a tax of either 0.5% or 1.0%.

Thank you for your time and consideration and I would be happy to answer any questions.

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MAINE REVENUE SERVICES
REAL ESTATE TRANSFER TAX DECLARATION

TITLE 36, M.R.S.A. SECTIONS §§4641-4641N

1. County

2. Municipality/Township

BOOK/PAGE—REGISTRY USE ONLY

3. GRANTEE/ PURCHASER

3a) Name LAST or BUSINESS, FIRST, MI

3b) SSN or Federal ID

3c) Name LAST or BUSINESS, FIRST, MI

3d) SSN or Federal ID

3e) Mailing Address

3f) City

3g) State

3h) Zip Code

4. GRANTOR/ SELLER

4a) Name, LAST or BUSINESS, FIRST, MI

4b) SSN or Federal ID

4c) Name, LAST or BUSINESS, FIRST, MI

4d) SSN or Federal ID

4e) Mailing Address

4f) City

4g) State

4h) Zip Code

5. PROPERTY

5a) Map | Block | Lot | Sub-Lot

5b) Type of property—Enter the code number that best describes the property being sold. (See instructions)—»

Check any that apply:

- ☐ No tax maps exist
- ☐ Multiple parcels
- ☐ Portion of parcel

5d) Acreage

5c) Physical Location

6. TRANSFER TAX

6a) Purchase Price (If the transfer is a gift, enter "0") — 6a .00

6b) Fair Market Value (enter a value only if you entered "0" in 6a) or if 6a) was of nominal value) — 6b .00

6c) Exemption claim – ☐ Check the box if either grantor or grantee is claiming exemption from transfer tax and explain.

7. DATE OF TRANSFER (MM-DD-YYYY)

MONTH DAY YEAR

8. WARNING TO BUYER–If the property is classified as Farmland, Open Space, Tree Growth, or Working Waterfront a substantial financial penalty could be triggered by development, subdivision, partition or change in use.

☐ CLASSIFIED

9. SPECIAL CIRCUMSTANCES—Were there any special circumstances in the transfer which suggest that the price paid was either more or less than its fair market value? If yes, check the box and explain: ☐

10. INCOME TAX WITHHELD– Buyer(s) not required to withhold Maine income tax because:

- ☐ Seller has qualified as a Maine resident
- ☐ A waiver has been received from the State Tax Assessor
- ☐ Consideration for the property is less than $50,000
- ☐ Foreclosure Sale

11. OATH

Aware of penalties as set forth by Title 36 §4641-K, we hereby swear or affirm that we have each examined this return and to the best of our knowledge and belief, it is true, correct, and complete. Grantee(s) and Grantor(s) or their authorized agent(s) are required to sign below:

Grantee _____ Date _____ Grantor _____ Date _____

Grantee _____ Date _____ Grantor _____ Date _____

12. PREPARER

Name of Preparer _____ Phone Number _____

Mailing Address _____ E-Mail Address _____

Fax Number _____

http://www.maine.gov/revenue/propertytax/transfertax/transfertax.htm