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An Act To Limit Homestead Property Taxes to 5% of Income

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

PART A

Sec. A-1. 20-A MRSA §1310, sub-§6, as repealed and replaced by PL 2003, c. 212, §1, is amended to read:

6. Enforcement. If a municipal treasurer fails to pay the installment due, or any part, on the dates required, to initiate collection procedures, the treasurer of the school administrative district may notify the municipal treasurer of the failure to pay. Interest accrues on each unpaid installment at the rate established under Title 36, section 186 beginning on the 60th day after the date the installment is due under subsection 4. If payment of an installment is not made within 60 days after the due date, the treasurer of the district may initiate an action in Superior Court to compel payment of the delinquent installment. The court shall determine the amount owed by the municipality to the district and shall order the municipal treasurer to pay all delinquent installments, accrued interest and any court costs and reasonable attorney's fees incurred by the district. To ensure prompt payment of the delinquent installments, the court may require that amounts due to the municipality from the State under ~~Title 30-A, section 5681~~ and Title 36, ~~sections~~section 578 and ~~685~~ be paid to the district until the amount determined by the court is satisfied. The court shall promptly notify the disbursing state agency of the determination and direct the agency to make the required change in payee and the amounts to be paid. If additional funds are needed to satisfy the amount determined by the court to be paid to the district, the court may order the attachment or trustee process and sale of real or personal property owned by the municipality or the attachment of the municipality's bank accounts or require property tax payments to the municipality to be turned over to the court and may pay the amount owed the district from the proceeds and return any excess to the municipality.

Sec. A-2. 20-A MRSA §1703, sub-§6, as repealed and replaced by PL 2003, c. 212, §2, is amended to read:

6. Enforcement. If a municipal treasurer fails to pay the installment due, or any part, on the dates required, to initiate collection procedures, the treasurer of the community school district may notify the municipal treasurer of the failure to pay. Interest accrues on each unpaid installment at the rate established under Title 36, section 186 beginning on the 60th day after the date the installment is due under subsection 4. If payment of an installment is not made within 60 days after the due date, the treasurer of the district may initiate an action in Superior Court to compel payment of the delinquent installment. The court shall determine the amount owed by the municipality to the district and shall order the municipal treasurer to pay all delinquent installments, accrued interest and any court costs and reasonable attorney's fees incurred by the district. To ensure prompt payment of the delinquent installments, the court may require that amounts due to the municipality from the State under ~~Title 30-A, section 5681~~ and Title 36,

~~sections~~section 578 and 685 be paid to the district until the amount determined by the court is satisfied. The court shall promptly notify the disbursing state agency of the determination and direct the agency to make the required change in payee and the amounts to be paid. If additional funds are needed to satisfy the amount determined by the court to be paid to the district, the court may order the attachment or trustee process and sale of real or personal property owned by the municipality or the attachment of the municipality's bank accounts or require property tax payments to the municipality to be turned over to the court and may pay the amount owed the district from the proceeds and return any excess to the municipality.

Sec. A-3. 36 MRSA c. 105, sub-c. 4-B, as amended, is repealed.

Sec. A-4. 36 MRSA §697, as enacted by PL 2005, c. 623, §1, is amended to read:

§ 697. Audits; determination of bureau

The bureau may audit the records of a municipality to ensure compliance with this subchapter. The bureau may independently review the records of a municipality to determine if exemptions have been properly approved. If the bureau determines that an exemption was improperly approved for any of the 3 years immediately preceding the determination, the bureau shall ensure, by setoff against other payments due the municipality under this subchapter ~~or subchapter 4-B~~, that the municipality is not reimbursed for the exemption.

Sec. A-5. 36 MRSA c. 843 is enacted to read:

CHAPTER 843

homestead tax credit

§ 5501. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings.

1. Benefit base. "Benefit base" means property taxes accrued or rent constituting property taxes accrued. The benefit base for rent constituting property taxes accrued may not exceed \$3,000 for persons filing as single individuals or married persons filing separate returns and \$4,000 for households with 2 or more members. In the case of a claimant paying both rent and property taxes for a homestead, "benefit base" means both property taxes accrued and rent constituting property taxes accrued, except that the limit on rent constituting property taxes accrued is adjusted by the same percentage as the percentage of the year that the claimant was a renter.

2. Claimant. "Claimant" means an individual who:

A. Has filed a claim for a credit under this chapter;

B. Was domiciled in this State and occupied a homestead in this State during the entire calendar year preceding the year in which a credit is requested; and

C. Owned or otherwise maintained a homestead in this State during the entire year for which a credit is requested and occupied the homestead for at least 6 months during that year. A claimant is not excluded because the claimant rents out the homestead for less than 32 days in the aggregate during that year.

Regardless of how many names of individuals appear on the property deed, the person who meets the qualifications described in this subsection and proves sole responsibility for the payment of the property taxes on the subject property is the claimant with respect to that property. If 2 or more individuals meet the qualifications in this subsection and share the payment of the rent or the responsibility for the payment of the property taxes, each individual may apply on the basis of the rent paid or the property taxes levied on the homestead that reflect the ownership percentage of the claimant and the claimant's household.

If 2 or more individuals claim the same property, the matter must be referred to the State Tax Assessor, whose decision is final. Ownership of a homestead under this chapter may be by fee, by life tenancy, by bond for deed, as mortgagee or by any other possessory interest in which the owner is personally responsible for the tax for which a refund is claimed.

3. Elderly household. "Elderly household" means a household in which:

A. At least one member of the household has attained 62 years of age during the year for which relief is requested;

B. The claimant is currently not married and has attained 55 years of age during the year for which relief is requested and is, due to disability, receiving federal disability payments, such as supplemental security income; or

C. The claimant is currently married and has attained 55 years of age during the year for which relief is requested and both the claimant and the claimant's spouse are, due to disability, receiving federal disability payments, such as supplemental security income.

4. Gross rent. "Gross rent" means rental paid at arm's length solely for the right of occupancy of a homestead, exclusive of separately stated charges for any utilities, services, furniture, furnishings or personal property appliances furnished by the landlord as part of the rental agreement. If the landlord and tenant have not dealt with each other at arm's length, and the State Tax Assessor is satisfied that the gross rent charged was excessive, the State Tax Assessor may adjust the gross rent to a reasonable amount for purposes of this chapter.

5. Homestead. "Homestead" means residential real property in this State that is occupied by the claimant as the claimant's permanent residence and that is owned or rented by a claimant or occupied by a claimant as a shareholder in a cooperative housing corporation.

6. Inflation adjustment factor. "Inflation adjustment factor" means one plus the annualized cost-of-living adjustment calculated under section 5403.

7. Income. "Income" means federal adjusted gross income.

8. Permanent residence. "Permanent residence" means that place where an individual has a true, fixed and permanent home and principal establishment to which the individual, whenever absent, has the intention of returning. An individual may have only one permanent residence at a time and, once a permanent residence is established, that residence is presumed to continue until circumstances indicate otherwise.

9. Property taxes accrued. "Property taxes accrued" means property taxes exclusive of special assessment, delinquent interest and charges for service levied on a claimant's homestead in this State as of April 1st. If a homestead is owned by 2 or more persons or entities as joint tenants or tenants in common, and one or more persons or entities are not members of the claimant's household, "property taxes accrued" is that part of property taxes levied on the homestead that reflects the ownership percentage of the claimant and the claimant's household. If a claimant and spouse own their homestead for part of the year for which relief is requested and rent it or a different homestead for part of the same tax year, "property taxes accrued" means taxes levied on the homestead on April 1st, multiplied by the percentage of 12 months that the property was owned and occupied by the household as its homestead during the year for which relief is requested. When a household owns and occupies 2 or more different homesteads in this State in the same tax year, property taxes accrued relate only to that property occupied by the household as a homestead on April 1st. If a homestead is an integral part of a larger unit such as a farm or a multipurpose or multidwelling building, "property taxes accrued" means that percentage of the total property taxes accrued that the value of the homestead is of the total value, except that property taxes accrued do not include any portion of taxes claimed as a business expense for federal income tax purposes. For purposes of this chapter, "unit" refers to the parcel of property separately assessed of which the homestead is a part. If a homestead is occupied by a claimant as a shareholder in a cooperative housing corporation, "property taxes accrued" means the amount assessed by the cooperative housing corporation as the claimant's share of the property taxes of the cooperative housing project.

10. Rent constituting property taxes accrued. "Rent constituting property taxes accrued" means 20% of the gross rent actually paid in cash or its equivalent in any tax year by a claimant and the claimant's household solely for the right of occupancy of their Maine homestead in the tax year and which rent constitutes the basis, in the succeeding calendar year, of a claim for relief under this chapter by the claimant.

§ 5502. Homestead tax credit

1. Credit calculation. A homestead tax credit is equal to 50% of that portion of the benefit base that exceeds 4% but does not exceed 6% of income plus 100% of that portion of the benefit base that exceeds 6% of income.

2. Maximum credit for rent constituting property taxes accrued. The maximum credit for rent constituting property taxes accrued is \$2,000.

3. Minimum benefit. The minimum credit that may be allowed is:

A. Ten dollars for rent constituting property taxes accrued; or

B. One hundred dollars for property taxes accrued.

4. Manner of claiming credit. A claim for a credit may be made on a claimant's individual income tax return or on a separate form filed with the Bureau of Revenue Services on or after January 1st and on or before the following April 15th. A person claiming a credit based on property taxes accrued shall specify the municipality where that person resides or intends to reside on April 1st of the year in which the claim is made.

5. Provision of credit. The credit must be provided as follows.

A. A person claiming a credit based on rent constituting property taxes is entitled to a refundable credit toward the tax owed under this Part. If the claimant is not required to file a return under this Part, the Bureau of Revenue Services shall issue payment in the amount of the credit to the claimant by June 1st of the year in which the claim is filed.

B. A person claiming a credit based on property taxes accrued may choose one of the following options.

(1) The Bureau of Revenue Services shall pay the amount of the credit to the municipality specified by the claimant on the claim for credit by June 1st of the year in which the claim is filed to be applied against property taxes assessed on the claimant's homestead.

(2) The claimant may receive a refundable credit against the tax assessed under this Part equal to 50% of the amount of the credit calculated under subsections 1 to 3.

§ 5503. Elderly option

1. Elderly option. If a claimant representing an elderly household would qualify for a larger credit under this section than the claimant would receive under section 5502, the claimant may choose to receive the credit calculated under this section.

2. Single-member elderly households. For single-member elderly households, the credit is calculated as follows:

If income equals:

\$0 to \$12,000

\$12,001 to \$12,400

\$12,401 to \$12,800

The credit equals:

100% of the benefit base up to a maximum of \$400

75% of the benefit base up to a maximum of \$300

50% of the benefit base up to a maximum of \$200

\$12,801 to \$13,200

25% of the benefit base up to a
maximum of \$100

3. Elderly households with 2 or more members. For elderly households with 2 or more members, the credit is calculated as follows:

If income equals:

The credit equals:

\$0 to \$14,700

100% of the benefit base up to a
maximum of \$400

\$14,701 to \$15,200

75% of the benefit base up to a
maximum of \$300

\$15,201 to \$15,800

50% of the benefit base up to a
maximum of \$200

\$15,801 to \$16,300

25% of the benefit base up to a
maximum of \$100

§ 5504. Annual adjustment

Beginning September 15, 2007, the State Tax Assessor shall annually multiply the inflation adjustment factor by the household income levels in section 5503 and the maximum benefit base amounts specified in section 5501, subsection 1, as previously adjusted. The result must be rounded to the nearest \$50 and applies to the application period beginning the next January 1st.

§ 5505. Administration

The State Tax Assessor shall make available suitable forms with instructions for claimants. The claim must be in the form prescribed by the assessor and must be signed by the claimant. The assessor shall also provide a paperless option for filing an application under this chapter.

§ 5506. Coordination required

The bureau shall seek the advice and cooperation of the Department of Health and Human Services, Bureau of Elder and Adult Services, Bureau of Family Independence and Bureau of Child and Family Services; advocates for elderly and low-income individuals; municipal officials; and other interested agencies and organizations in developing the application form and instructions for the credit provided in this chapter and in achieving full participation by those persons eligible for the credit.

Sec. A-6. 36 MRSA §6204, as amended by PL 2005, c. 2, Pt. E, §3 and affected by §§7 and 8, is further amended to read:

HP1180, LR 2147, item 1, First Regular Session - 123rd Legislature, page 6

§ 6204. Filing date

A claim may not be paid unless the claim is filed with the Bureau of Revenue Services on or after August 1st and on or before the following May 31st, except that claims filed for the period beginning August 1, 2007 must be filed on or before December 31, 2007.

Sec. A-7. 36 MRSA §6221 is enacted to read:

§ 6221. Repeal

This chapter is repealed January 1, 2008.

PART B

Sec. B-1. 21-A MRSA §1124, sub-§2, ¶B, as amended by PL 2003, c. 673, Pt. EE, §1, is further amended to read:

B. Two million dollars of the revenues from the taxes imposed under Title 36, Parts 3 and 8 and credited to the General Fund, transferred to the fund by the State Controller on or before January 1st of each year, beginning January 1, 1999. These revenues must be offset in an equitable manner by an equivalent reduction within the administrative divisions of the legislative branch and executive branch agencies. ~~This section may not affect the funds distributed to the Local Government Fund under Title 30-A, section 5681.~~

If the commission determines that the fund will not have sufficient revenues to cover the likely demand for funds from the Maine Clean Election Fund in an upcoming calendar year, by January 1st the commission shall provide a report of its projections of the balances in the Maine Clean Election Fund to the Legislature and the Governor and may request that the State Controller make the following transfers to the Maine Clean Election Fund from the General Fund:

- (1) Up to \$2,000,000 no later than February 28, 2006, reflecting an advance of the transfer of the amounts that would be received on or before January 1, 2007 pursuant to this paragraph;
- (2) Up to \$2,000,000 no later than July 31, 2006, reflecting an advance of the transfer of the amounts that would be received on or before January 1, 2008 pursuant to this paragraph; and
- (3) Up to \$1,500,000 no later than September 1, 2004, reflecting a partial advance of the transfer of the amounts that would be received on or before January 1, 2005 pursuant to this paragraph;

Sec. B-2. 30-A MRSA §5681, as amended by PL 2005, c. 266, §1, is repealed.

Sec. B-3. 30-A MRSA §6201, sub-§6, as enacted by PL 2005, c. 266, §2, is repealed.

Sec. B-4. 30-A MRSA §6202, as enacted by PL 2005, c. 266, §2, is amended to read:

§ 6202. Fund source; nonlapsing; dedicated, special revenue account

The fund consists of revenues transferred from the ~~Local Government Fund~~ pursuant to section 5681, subsection 5-B and any funds received as contributions from private and public sources. Eligible investment earnings credited to the assets of the fund become part of the assets of the fund. Any balance remaining in the fund at the end of any fiscal year must be carried forward to the next fiscal year. The fund is a dedicated, special revenue account.

Sec. B-5. 30-A MRSA §6204, first ¶, as enacted by PL 2005, c. 266, §2, is amended to read:

Except as otherwise provided by this section and ~~section 5681, subsection 3~~, the fund is available solely for grants for qualifying projects. The department may use the fund to cover its costs of administration, including contracting for services to administer the grants.

Sec. B-6. 36 MRSA §699, sub-§2, as enacted by PL 2005, c. 623, §1, is amended to read:

2. Intent. It is the intent of the Legislature to fund fully ~~transfers to the Disproportionate Tax Burden Fund under section 700-A, subsection 1 and reimbursements under the business equipment tax reimbursement program under section 6652, subsection 4, paragraph B.~~

Sec. B-7. 36 MRSA §700-A, as enacted by PL 2005, c. 623, §1, is repealed.

Sec. B-8. 36 MRSA §700-B, as enacted by PL 2005, c. 623, §1, is amended to read:

§ 700-B. Adjustments to revenue

1. Certification. By June 30, 2009 and each subsequent year, the State Tax Assessor shall certify to the State Controller amounts certified to the Treasurer of State as reimbursements to be paid to municipalities during the fiscal year under section 694, subsection 5. ~~The Treasurer of State shall certify to the State Controller payments due under section 700-A.~~

2. Transfer. The State Controller shall transfer amounts certified under subsection 1 to the Business Equipment Tax Reimbursement reserve account established, maintained and administered by the State Controller from the General Fund undedicated revenue within the individual income tax category after the reduction for the transfer to the ~~Local Government Fund required by Title 30-A, section 5681, subsection 5.~~ The assessor and the Treasurer of State shall pay amounts required under section 694, subsection 5 and ~~section 700-A.~~

Sec. B-9. 36 MRSA §714, as amended by PL 1987, c. 737, Pt. C, §§78 and 106 and PL 1989, c. 6; c. 9, §2; and c. 104, Pt. C, §§8 and 10, is repealed.

Sec. B-10. 36 MRSA §1815, sub-§2, as enacted by PL 1999, c. 477, §1, is amended to read:

2. Monthly transfer. By the 20th day of each month, the assessor shall notify the State Controller and the Treasurer of State of the amount of revenue attributable to the tax collected under this Part in the previous month on sales occurring on the Passamaquoddy reservation at either Pleasant Point or Indian Township ~~reduced by the transfer to the Local Government Fund required by Title 30-A, section 5681.~~ When notified by the assessor, the State Controller shall transfer that amount to the Passamaquoddy Sales Tax Fund.

PART C

Sec. C-1. 5 MRSA §1531, sub-§1, as enacted by PL 2005, c. 2, Pt. A, §5 and affected by §14, is repealed.

Sec. C-2. 5 MRSA §1531, sub-§10 is enacted to read:

10. Tax burden reduction factor. "Tax burden reduction factor" means:

- A. For fiscal years 2008-09 and 2009-10, 50%;
- B. For fiscal years 2010-11 and 2011-12, 60%;
- C. For fiscal years 2012-13 and 2013-14, 70%;
- D. For fiscal years 2014-15 and 2015-16, 80%;
- E. For fiscal years 2016-17 and 2017-18, 90%; and
- F. For fiscal year 2018-19 and later, 100%.

Sec. C-3. 5 MRSA §1531, sub-§11 is enacted to read:

11. Total income growth factor. "Total income growth factor" means average real personal income growth plus forecasted inflation.

Sec. C-4. 5 MRSA §1534, sub-§1, ¶A, as enacted by PL 2005, c. 2, Pt. A, §5 and affected by §14, is amended to read:

- A. For the first fiscal year of the biennium, the General Fund appropriation limitation is equal to the biennial base year appropriation multiplied by one plus the spending growth limitation factor in subsection 2.

Sec. C-5. 5 MRSA §1534, sub-§1, ¶B, as amended by PL 2005, c. 621, §3, is further amended to read:

- B. For the 2nd year of the biennium, the General Fund appropriation limitation is the General Fund appropriation limitation of the first year of the biennium biennial base year appropriation multiplied by one plus the spending growth limitation factor in subsection 2.

Sec. C-6. 5 MRSA §1534, sub-§2, as enacted by PL 2005, c. 2, Pt. A, §5 and affected by §14, is repealed and the following enacted in its place:

2. Spending growth limitation factor. The spending growth limitation factor is the total income growth factor multiplied by the tax burden reduction factor. The spending growth limitation factor may not be less than zero.

Sec. C-7. 20-A MRSA §15671-A, sub-§3, as amended by PL 2005, c. 2, Pt. D, §35 and affected by §§72 and 74 and c. 12, Pt. WW, §18, is repealed.

Sec. C-8. 20-A MRSA §15671-A, sub-§5, as amended by PL 2005, c. 519, Pt. AAAA, §2, is repealed.

Sec. C-9. 20-A MRSA §15671-A, sub-§6 is enacted to read:

6. Exceeding EPS local growth factor. If the sum of a school administrative unit's required local contribution determined pursuant to section 15688, subsection 3-A plus the state contribution as calculated pursuant to section 15688, subsection 3-A, paragraph D plus any state funds resulting from a transition adjustment pursuant to section 15686 plus any additional local amount proposed to be raised pursuant to section 15690, subsection 3 exceeds the amount permitted to be spent by the school administrative unit for the preceding year by more than the education spending growth limit factor, the following provisions govern approval of that additional amount.

A. The article approving the additional amount must conform to the requirements of section 15690, subsection 3, paragraph B.

B. For all school administrative units that finally approve the school budget at a town meeting or district meeting, and notwithstanding section 1304, subsection 6; section 1701, subsection 7; Title 30-A, section 2528, subsection 5; or any other provision of law, municipal charter provision or ordinance, the article must be approved by at least 2/3 of the school administrative unit's legislative body or, if the legislative body votes to approve the article by a simple majority but not by at least a 2/3 majority, the article must be finally approved by a majority of voters at referendum.

C. For all school administrative units with a legislative body that adopts the school budget by a referendum process, the article must be approved by a majority of voters at referendum.

D. For all school administrative districts and community school districts that have adopted the budget validation process established in sections 1305-A or 1701-A, the article must be approved by a majority of the voters at the open district meeting and a majority of voters at the budget validation referendum.

E. In a municipality where the responsibility for final adoption of the school budget is vested by the municipal charter in a council, this paragraph applies, except that the petition and referendum provisions apply only if the municipal charter does not otherwise provide for or prohibit a petition and referendum process with respect to the matters described in this paragraph.

(1) A majority of the entire membership of the school board or committee must approve the additional amount in a regular budget meeting.

(2) An article approving the additional amount must conform to the requirements of section 15690, subsection 3, paragraph B and be approved by at least 2/3 of the entire membership of the council in a vote taken in accordance with section 15690, subsection 5 or, if the council votes to approve the article by a simple majority of the council but not by at least a 2/3 majority of the entire membership, by a majority of voters at referendum.

(3) If an article is approved by at least 2/3 of the entire membership of the council pursuant to subparagraph (2), the voters may petition for a referendum vote on the same article in accordance with subparagraph (4). If a petition is filed in accordance with subparagraph (4), the vote of the council is suspended pending the outcome of the referendum vote. Upon approval of the article by a majority of the voters voting in that referendum, the article takes effect. If the article is not approved by a majority of the voters voting in that referendum, the article does not take effect. Subsequent to the vote, the school committee or board may again propose an additional amount, subject to the requirements of this section.

(4) If a written petition, signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality, requesting a vote on the additional amount is submitted to the municipal officers within 30 days of the council's vote pursuant to subparagraph (2), the article voted on by the council must be submitted to the legal voters in the next regular election or a special election called for the purpose. The election must be held within 45 days of the submission of the petition. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of voters is not required to prepare or the clerk to post a new list of voters and absentee ballots must be prepared and made available at least 14 days prior to the date of the referendum. For the purpose of registration of voters, the registrar of voters must be in session the secular day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the municipal officers and entered upon the municipal records.

Sec. C-10. 20-A MRSA §15672, sub-§3-A is enacted to read:

3-A. Education spending growth limit factor. "Education spending growth limit factor" means the EPS local growth factor multiplied by the tax burden reduction factor as defined in Title 5, section 1531, subsection 10. The education spending growth limit factor may not be less than zero.

Sec. C-11. 20-A MRSA §15672, sub-§7-B is enacted to read:

7-B. EPS local growth factor. "EPS local growth factor" means the percentage increase in the state-determined cost of essential programs and services for a school administrative unit over the preceding year.

Sec. C-12. 30-A MRSA §706-A, sub-§1, ¶C-1 is enacted to read:

C-1. "Local distribution factor" means the figure determined by dividing the property growth factor by the average of the property growth factors for all municipalities.

Sec. C-13. 30-A MRSA §706-A, sub-§1, ¶F is enacted to read:

F. "Tax burden reduction factor" means:

(1) For fiscal years 2008-09 and 2009-10, 50%;

(2) For fiscal years 2010-11 and 2011-12, 60%;

(3) For fiscal years 2012-13 and 2013-14, 70%;

(4) For fiscal years 2014-15 and 2015-16, 80%;

(5) For fiscal years 2016-17 and 2017-18, 90%; and

(6) For fiscal year 2018-19 and later, 100%.

Sec. C-14. 30-A MRSA §706-A, sub-§1, ¶G is enacted to read:

G. "Total income growth factor" means average real personal income growth plus forecasted inflation.

Sec. C-15. 30-A MRSA §706-A, sub-§3, as enacted by PL 2005, c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is repealed and the following enacted in its place:

3. Growth limitation factor. The growth limitation factor is the total income growth factor multiplied by the local distribution factor and the tax burden reduction factor. The growth limitation factor may not be less than zero.

Sec. C-16. 30-A MRSA §706-A, sub-§5, ¶B, as enacted by PL 2005, c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is amended to read:

B. The county assessment limit may be exceeded only as provided in subsection 77-A.

Sec. C-17. 30-A MRSA §706-A, sub-§5, ¶D, as enacted by PL 2005, c. 348, §1, is amended to read:

D. For fiscal years 2005-06 and 2006-07 in Sagadahoc County, and fiscal years 2006 and 2007 in Lincoln County, that portion of the county assessment that is attributable to the costs of construction, debt service, operation and maintenance of a new jail facility authorized under chapter 17 is not subject to paragraphs A, B and C or to subsections 2, 6 and 77-A. Notwithstanding subsection 2, paragraph A, the county assessment limit for fiscal year 2007-08 for Sagadahoc County and fiscal year 2008 in Lincoln County is the county assessment for each county for the previous fiscal year, multiplied by one plus the growth limitation factor pursuant to subsection 3. Notwithstanding subsection 2, paragraph C, the county assessments for Sagadahoc County in fiscal year 2008-09 and subsequent fiscal years and for Lincoln County in fiscal year 2009 and subsequent fiscal years are subject to subsection 2, paragraph B.

Sec. C-18. 30-A MRSA §706-A, sub-§6, as enacted by PL 2005, c. 2, Pt. B, §1 and affected by §§2 and 4 and c. 12, Pt. WW, §14, is amended to read:

6. Increase in county assessment limit. The county assessment limit established in subsection 2 may be increased for other purposes only as provided in subsection 77-A.

Sec. C-19. 30-A MRSA §706-A, sub-§7, as affected by PL 2005, c. 2, Pt. B, §4 and amended by c. 12, Pt. WW, §10 and affected by §§13 and 14, is repealed.

Sec. C-20. 30-A MRSA §706-A, sub-§7-A is enacted to read:

7-A. Process for exceeding county assessment limit. A county may exceed or increase the county assessment limit only if approved by a vote of a majority of all the members of both the county budget committee or county budget advisory committee and the county commissioners and the approval is ratified at referendum. For the purposes of conducting the referendum election, the article voted on by the commissioners and budget advisory committee must be submitted to the legal voters in the next regular election or a special election called for that purpose. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of voters is not required to prepare or the clerk to post a new list of voters, the filing requirement contained in section 2528 does not apply and absentee ballots must be prepared and made available at least 14 days prior to the date of the referendum. For the purpose of registration of voters, the registrar of voters must be in session the business day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the county commissioners and entered upon the county records.

Sec. C-21. 30-A MRSA §5721-A, sub-§1, ¶B-1 is enacted to read:

B-1. "Local distribution factor" means the figure determined by dividing the property growth factor by the average of the property growth factors for all municipalities.

Sec. C-22. 30-A MRSA §5721-A, sub-§1, ¶F is enacted to read:

F. "Tax burden reduction factor" means:

- (1) For fiscal years 2008-09 and 2009-10, 50%;
- (2) For fiscal years 2010-11 and 2011-12, 60%;
- (3) For fiscal years 2012-13 and 2013-14, 70%;
- (4) For fiscal years 2014-15 and 2015-16, 80%;
- (5) For fiscal years 2016-17 and 2017-18, 90%; and
- (6) For fiscal year 2018-19 and later, 100%.

Sec. C-23. 30-A MRSA §5721-A, sub-§1, ¶G is enacted to read:

G. "Total income growth factor" means average real personal income growth plus forecasted inflation.

Sec. C-24. 30-A MRSA §5721-A, sub-§5, ¶B, as enacted by PL 2005, c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is amended to read:

B. The property tax levy limit may be exceeded only as provided in subsection 77-A.

Sec. C-25. 30-A MRSA §5721-A, sub-§6, as enacted by PL 2005, c. 2, Pt. C, §1 and affected by §§3 and 5 and c. 12, Pt. WW, §16, is amended to read:

6. Increase in property tax levy limit. The property tax levy limit established in subsection 2 may be increased for other purposes only as provided in subsection 77-A.

Sec. C-26. 30-A MRSA §5721-A, sub-§7, as affected by PL 2005, c. 2, Pt. C, §5 and amended by c. 12, Pt. WW, §12 and affected by §§15 and 16, is repealed.

Sec. C-27. 30-A MRSA §5721-A, sub-§7-A is enacted to read:

7-A. Process for exceeding property tax levy limit. A municipality may exceed or increase the property tax levy limit only by the following means.

A. If the municipal budget is adopted by town meeting, the property tax levy limit may be exceeded only if approved by at least 2/3 of the assembled membership of the town meeting or, if the legislative body votes to approve the article by a simple majority but not by at least a 2/3 majority, the property tax levy limit may be exceeded only if finally approved by a majority of voters at referendum.

B. If the municipal budget is adopted by referendum, the property tax levy limit may be exceeded only if a separate article that specifically identifies the intent to exceed the property tax levy limit is approved by a simple majority of the referendum voters.

C. In a municipality where the responsibility for final adoption of the budget is vested by the municipal charter in a council, this paragraph applies, except that the petition and referendum provisions apply only if the municipal charter does not otherwise provide for or prohibit a petition and referendum process with respect to the matters described in this paragraph.

(1) An article approving the property tax levy limit must be approved by at least 2/3 of the entire membership of the council or, if the council votes to approve the article by a simple majority of the council but not by at least a 2/3 majority of the entire membership, by a majority of voters at referendum.

(2) If an article is approved by at least 2/3 of the entire membership of the council pursuant to subparagraph (1), the voters may petition for a referendum vote on the same article in accordance with subparagraph (3). If a petition is filed in accordance with subparagraph (3), the vote of the council is suspended pending the outcome of the referendum vote. Upon approval of the article by a majority of the voters voting in that referendum, the article takes effect. If

the article is not approved by a majority of the voters voting in that referendum, the article does not take effect. Subsequent to the vote, the school committee or board may again propose an additional amount, subject to the requirements of this section.

(3) If a written petition, signed by at least 10% of the number of voters voting in the last gubernatorial election in the municipality, requesting a vote on the additional amount is submitted to the municipal officers within 30 days of the council's vote pursuant to subparagraph (1), the article voted on by the council must be submitted to the legal voters in the next regular election or a special election called for the purpose. The election must be held within 45 days of the submission of the petition. The election must be called, advertised and conducted according to the law relating to municipal elections, except that the registrar of voters is not required to prepare or the clerk to post a new list of voters and absentee ballots must be prepared and made available at least 14 days prior to the date of the referendum. For the purpose of registration of voters, the registrar of voters must be in session the secular day preceding the election. The voters shall indicate by a cross or check mark placed against the word "Yes" or "No" their opinion on the article. The results must be declared by the municipal officers and entered upon the municipal records.

Sec. C-28. Application. This Part applies to budgets for the first fiscal year that begins after the effective date of this Act.

PART D

Sec. D-1. Statutory referendum procedure; submission at election; form of question; effective date. This Act must be submitted to the legal voters of the State at a statewide election held in the month of November following the passage of this Act. The municipal officers of this State shall notify the inhabitants of their respective cities, towns and plantations to meet, in the manner prescribed by law for holding a statewide election, to vote on the acceptance or rejection of this Act by voting on the following question:

"Do you favor creating a homestead property tax credit that would limit property taxes on homes of Maine residents to no more than 5% of income in most cases and the adoption of a 10-year plan to reduce Maine's overall tax burden?"

The legal voters of each city, town and plantation shall vote by ballot on this question and designate their choice by a cross or check mark placed within a corresponding square below the word "Yes" or "No." The ballots must be received, sorted, counted and declared in open ward, town and plantation meetings and returns made to the Secretary of State in the same manner as votes for members of the Legislature. The Governor shall review the returns. If a majority of the legal votes are cast in favor of this Act, the Governor shall proclaim the result without delay and this Act becomes effective 30 days after the date of the proclamation.

The Secretary of State shall prepare and furnish to each city, town and plantation all ballots, returns and copies of this Act necessary to carry out the purposes of this referendum.

SUMMARY

This bill proposes a homestead tax credit program that would limit property taxes to no more than 5% of income for property taxes on a home. The homestead tax credit is distributed to municipalities as a prepayment toward the tax assessment on homestead property so that the net tax bill imposed on homeowners is reduced accordingly. The homestead tax credit program replaces the Maine Residents Property Tax Program, the Maine Resident Homestead Property Tax Exemption and the state-municipal revenue sharing program and redirects funds previously allocated to those programs to support the cost of the homestead credits.

Administration of the program is simplified and made concurrent with the income tax filing period. For homeowners, credits are calculated based on the previous year's income and property taxes accrued. Credit payments are made to the municipality where the home is located as a credit against the current year's property taxes. Renters are also eligible for a credit in an amount comparable to the benefit available under current law, which would be paid as a refundable income tax credit. Benefits in current law for low-income elderly persons are preserved.

To prevent the homestead tax credit from translating into increased spending at the municipal level, the bill would redefine and make it harder to override the spending limits on municipal, county and school government units. It would incorporate tax burden reduction factors into the spending limits imposed on government at all levels, and it would change the override process for exceeding county, municipal and school growth limits to require either a 2/3 vote of the local body proposing the increase or approval by the voters at referendum.

The changes proposed by this bill are subject to approval by the voters at a referendum vote in November of 2007.