An Act To Expand the Value of the Homestead Exemption to $25,000 and State Reimbursement to 100 Percent of Lost Property Tax Revenue

Reference to the Committee on Taxation suggested and ordered printed.

Presented by Representative AUSTIN of Skowhegan.
Cosponsored by Senator LIBBY of Androscoggin and Representatives: DODGE of Belfast, HARNETT of Gardiner, HEPLER of Woolwich, LANDRY of Farmington, MADIGAN of Waterville, RISEMAN of Harrison, SKOLFIELD of Weld, STANLEY of Medway.
Be it enacted by the People of the State of Maine as follows:

Sec. 1. 36 MRSA §683, sub-§1-B, as enacted by PL 2015, c. 267, Pt. J, §1, is amended to read:

1-B. Additional exemption. A homestead eligible for an exemption under subsection 1 is eligible for an additional exemption of $5,000 of the just value of the homestead for property tax years beginning on April 1, 2016 and of $10,000 of the just value of the homestead for property tax years beginning on or after April 1, 2017, April 1, 2018 and April 1, 2019 and $15,000 of the just value of the homestead for property tax years beginning on or after April 1, 2020.

Sec. 2. 36 MRSA §683, sub-§§3 and 4, as amended by PL 2017, c. 284, Pt. G, §1, are further amended to read:

3. Effect on state valuation. For property tax years beginning before April 1, 2018, 50% of the just value of all the homestead exemptions under this subchapter must be included in the annual determination of state valuation under sections 208 and 305. For property tax years beginning on or after April 1, 2018 and April 1, 2019, 62.5% of the just value of all the homestead exemptions under this subchapter must be included in the annual determination of state valuation under sections 208 and 305. For property tax years beginning on or after April 1, 2020, 100% of the just value of all the homestead exemptions under this subchapter must be included in the annual determination of state valuation under sections 208 and 305.

4. Property tax rate. For property tax years beginning before April 1, 2018, 50% of the just value of all the homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. For property tax years beginning on or after April 1, 2018 and April 1, 2019, 62.5% of the just value of all the homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. For property tax years beginning on or after April 1, 2020, 100% of the just value of all the homestead exemptions under this subchapter must be included in the total municipal valuation used to determine the municipal tax rate. The municipal tax rate as finally determined may be applied to only the taxable portion of each homestead qualified for that tax year.

Sec. 3. 36 MRSA §683, as amended by PL 2017, c. 478, §1, is further amended by adding at the end a new paragraph to read:

The property tax assessed on a homestead eligible for an exemption under this section may not be less than $100.

Sec. 4. 36 MRSA §685, sub-§2, as amended by PL 2017, c. 284, Pt. G, §2, is further amended to read:

2. Entitlement to reimbursement by the State; calculation. A municipality that has approved homestead exemptions under this subchapter may recover from the State:
A. For property tax years beginning before April 1, 2018, 50% of the taxes lost by
reason of the exemptions under section 683, subsections 1 and 1-B; and

B. For property tax years beginning on or after April 1, 2018 and April 1, 2019,
62.5% of the taxes lost by reason of the exemptions under section 683, subsections 1
and 1-B; and

C. For property tax years beginning on or after April 1, 2020, 100% of the taxes lost
by reason of the exemptions under section 683, subsections 1 and 1-B.

The municipality must provide proof in a form satisfactory to the bureau. The bureau
shall reimburse the Unorganized Territory Education and Services Fund in the same
manner for taxes lost by reason of the exemptions.

SUMMARY

This bill increases for property tax years beginning April 1, 2020 the value of the
homestead exemption benefit under the Maine resident homestead property tax
exemption from $20,000 to $25,000 and increases the state reimbursement for the lost
property tax revenue from 62.5% to 100%. The bill also provides that the property tax
assessed on a homestead eligible for the homestead exemption may not be less than $100.