An Act To Amend the Property Tax Laws

Submitted by the Department of Administrative and Financial Services pursuant to Joint Rule 204.
Reference to the Committee on Taxation suggested and ordered printed.

Presented by Representative HILLIARD of Belgrade.
Cosponsored by Representative: BICKFORD of Auburn.
Be it enacted by the People of the State of Maine as follows:

PART A

Sec. A-1. 36 MRSA §652, sub-§1, ¶C, as amended by PL 2007, c. 627, §20, is further amended to read:

C. Further conditions to the right of exemption under paragraphs A and B are that:

(1) Any corporation claiming exemption under paragraph A must be organized and conducted exclusively for benevolent and charitable purposes. For the purposes of this subsection, holding land primarily for conservation purposes or public access purposes is not a benevolent or charitable purpose;

(2) A director, trustee, officer or employee of an organization claiming exemption may not receive directly or indirectly any pecuniary profit from the operation of that organization, except as reasonable compensation for services in effecting its purposes or as a proper beneficiary of its strictly benevolent or charitable purposes;

(3) All profits derived from the operation of an organization claiming exemption and the proceeds from the sale of its property must be devoted exclusively to the purposes for which it is organized;

(4) The institution, organization or corporation claiming exemption under this section must file with the assessors upon their request a report for its preceding fiscal year in such detail as the assessors may reasonably require;

(5) An exemption may not be allowed under this section in favor of an agricultural fair association holding pari-mutuel racing meets unless it has qualified the next preceding year as a recipient of a stipend from the Stipend Fund provided in Title 7, section 86;

(6) An exemption allowed under paragraph A or B for real or personal property owned and occupied or used to provide federally subsidized residential rental housing is limited as follows: Federally subsidized residential rental housing placed in service prior to September 1, 1993 by other than a nonprofit housing corporation that is acquired on or after September 1, 1993 by a nonprofit housing corporation and the operation of which is not an unrelated trade or business to that nonprofit housing corporation is eligible for an exemption limited to 50% of the municipal assessed value of that property.

An exemption granted under this subparagraph must be revoked for any year in which the owner of the property is no longer a nonprofit housing corporation or the operation of the residential rental housing is an unrelated trade or business to that nonprofit housing corporation.

(a) For the purposes of this subparagraph, the following terms have the following meanings.

(i) "Federally subsidized residential rental housing" means residential rental housing that is subsidized through project-based rental assistance,
operating assistance or interest rate subsidies paid or provided by or on behalf of an agency or department of the Federal Government.

(ii) "Nonprofit housing corporation" means a nonprofit corporation organized in the State that is exempt from tax under Section 501(c)(3) of the Code and has among its corporate purposes the provision of services to people of low income or the construction, rehabilitation, ownership or operation of housing.

(iii) "Residential rental housing" means one or more buildings, together with any facilities functionally related and subordinate to the building or buildings, located on one parcel of land and held in common ownership prior to the conversion to nonprofit status and containing 9 or more similarly constructed residential units offered for rental to the general public for use on other than a transient basis, each of which contains separate and complete facilities for living, sleeping, eating, cooking and sanitation.

(iv) "Unrelated trade or business" means any trade or business whose conduct is not substantially related to the exercise or performance by a nonprofit corporation of the purposes or functions constituting the basis for exemption under Section 501(c)(3) of the Code.

(b) Eligibility of the following property for exemption is not affected by the provisions of this subparagraph:

(i) Property used as a nonprofit nursing home, residential care facility licensed by the Department of Health and Human Services pursuant to Title 22, chapter 1663 or a community living arrangement as defined in Title 30-A, section 4357-A or any property owned by a nonprofit organization licensed or funded by the Department of Health and Human Services to provide services to or for the benefit of persons with mental illness or mental retardation;

(ii) Property used for student housing;

(iii) Property used for parsonages;

(iv) Property that was owned and occupied or used to provide residential rental housing that qualified for exemption under paragraph A or B prior to September 1, 1993; or

(v) Property exempt from taxation under other provisions of law; and

(7) In addition to the requirements of subparagraphs (1) to (4), an exemption is not allowed under paragraph A or B for real or personal property owned and occupied or used to provide residential rental housing that is transferred or placed in service on or after September 1, 1993, unless the property is owned by a nonprofit housing corporation and the operation of the residential rental housing is not an unrelated trade or business to the nonprofit housing corporation.

For the purposes of this subparagraph, the following terms have the following meanings.
(a) "Nonprofit housing corporation" means a nonprofit corporation organized in the State that is exempt from tax under Section 501(c)(3) of the Code and has among its corporate purposes the provision of services to people of low income or the construction, rehabilitation, ownership or operation of housing.

(b) "Residential rental housing" means one or more buildings, together with any facilities functionally related and subordinate to the building or buildings, containing one or more similarly constructed residential units offered for rental to the general public for use on other than a transient basis, each of which contains separate and complete facilities for living, sleeping, eating, cooking and sanitation.

(c) "Unrelated trade or business" means any trade or business whose conduct is not substantially related to the exercise or performance by a nonprofit organization of the purposes constituting the basis for exemption under Section 501(c)(3) of the Code.

Sec. A-2. 36 MRSA §1102, sub-§5-B is enacted to read:

5-B. Land trust organization. "Land trust organization" means a nonprofit entity organized under Section 501(c)(3) of the Code and established for purposes of land conservation.

Sec. A-3. 36 MRSA §1106-A, sub-§2-A is enacted to read:

2-A. Valuation method for land owned by land trust organization. Notwithstanding any other provision of law to the contrary, an assessor shall reduce the ordinary assessed valuation of the land owned by a land trust organization that meets the requirements of this subsection by 90%, as adjusted by the municipality's certified ratio. An alternate method of valuation is not allowed. In order for land to qualify for this reduction, the following requirements must be met:

A. The land must be regularly and substantially accessible to the public in the same manner as described in subsection 3, paragraph C;

B. Public access to the land must be advertised broadly;

C. The land must meet the criteria specified in section 1109, subsection 3, paragraph C, J or K; and

D. The land must be permanently protected in the same manner as described in subsection 3, paragraph A.

If the land meets all of the requirements of this subsection and the requirements set forth in subsection 3, paragraph B, that land is eligible for an additional 5% reduction in valuation.

Land owned by a land trust organization on which any activity is conducted that is not directly related to requirements of this section, including the harvesting of trees, does not qualify for valuation reduction under this section.

Sec. A-4. 36 MRSA §1114, as enacted by PL 1975, c. 726, §2, is repealed.
Sec. A-5. Application. This Part applies to property tax years beginning on or after April 1, 2018.

PART B

Sec. B-1. 36 MRSA §508, sub-§1, as enacted by PL 2007, c. 627, §12, is amended to read:

1. Imposition. A municipality may impose service charges on the owner of residential real property, other than student housing or parsonages, that is totally exempt from taxation under section 652 and that is used to provide rental income, other than property exempt under section 652, subsection 1, paragraph G. Such service charges must be calculated according to the actual cost of providing municipal services connected to that real property and to the persons who use that property, and revenues derived from the charges must be used to fund, to the extent possible, the costs of those services or an estimate of that cost based on factors other than the value of the property. The municipal legislative body shall identify those institutions and organizations upon which service charges are to be levied.

A municipality that imposes service charges on any institution or organization must impose those service charges on every similarly situated institution or organization. For the purposes of this section, "municipal services" means all fire protection, police protection and snow removal services provided by a municipality other than education and welfare.

Sec. B-2. 36 MRSA §508, sub-§2, as enacted by PL 2007, c. 627, §12, is amended to read:

2. Limitation. The service charges authorized by subsection 1 may be levied only against an owner that has total real estate assets in the municipality with a just value of $10,000,000 or more. The total service charges levied by a municipality on any institution or organization under this section may not exceed 2% of the gross annual revenues of the institution or organization. In order to qualify for this 2% limitation, the institution or organization must file with the municipality an audit of the revenues of the institution or organization for the year immediately prior to the year in which the service charge is levied. The municipal officers shall abate the portion of the service charge that exceeds 2% of the gross annual revenues of the institution or organization.

Sec. B-3. Application. This Part applies to property tax years beginning on or after April 1, 2018.

PART C

Sec. C-1. 36 MRSA §1482, sub-§1, ¶C, as amended by PL 2013, c. 263, §1, is further amended to read:

C. For the privilege of operating a motor vehicle or camper trailer on the public ways, each motor vehicle, other than a stock race car, or each camper trailer to be so operated is subject to excise tax as follows, except as specified in subparagraph (3), (4) or (5): a sum equal to $4 18 mills on each dollar of the maker's list price for the
first or current year of model, $2.50 for a bicycle with motor attached, $15 for a camper trailer other than a tent trailer and $5 for a tent trailer. The excise tax on a stock race car is $5.

(1) On new registrations of automobiles, trucks and truck tractors, the excise tax payment must be made prior to registration and is for a one-year period from the date of registration.

(2) Vehicles registered under the International Registration Plan are subject to an excise tax determined on a monthly proration basis if their registration period is less than 12 months.

(3) For commercial vehicles manufactured in model year 1996 and after, the amount of excise tax due for trucks or truck tractors registered for more than 26,000 pounds and for Class A special mobile equipment, as defined in Title 29-A, section 101, subsection 70, is based on the purchase price in the original year of title rather than on the list price. Verification of purchase price for the application of excise tax is determined by the initial bill of sale or the state sales tax document provided at point of purchase. The initial bill of sale is that issued by the dealer to the initial purchaser of a new vehicle.

(4) For buses manufactured in model year 2006 and after, the amount of excise tax due is based on the purchase price in the original year of title rather than on the list price. Verification of purchase price for the application of excise tax is determined by the initial bill of sale or the state sales tax document provided at point of purchase. The initial bill of sale is that issued by the dealer to the initial purchaser of a new vehicle.

(5) For trucks or truck tractors registered for more than 26,000 pounds that have been reconstructed using a prepackaged kit that may include a frame, front axle or body but does not include a power train or engine and for which a new certificate of title is required to be issued, the amount of excise tax due is based on the maker's list price of the prepackaged kit.

For motor vehicles being registered pursuant to Title 29-A, section 405, subsection 1, paragraph C, the excise tax must be prorated for the number of months in the registration.

**SUMMARY**

Part A specifies that holding land primarily for conservation or public access purposes is not a benevolent and charitable purpose, which is a condition necessary to obtaining an exemption from property tax. This Part allows a land trust organization to enroll land owned by it in the open space tax law program, which would provide up to a 95% reduction in the assessed value of that land as long as certain conditions are met. This Part also removes the 15,000-acre limit on the size of land that may be enrolled in the open space tax law program.
Part B expands the authorization for municipal assessment of service charges for certain municipal costs against certain property exempt from property tax to remove the exemption for student housing and parsonages and to remove the limit on application of the charge to residential property used for rental income. The service charges may be levied only against an owner that has total real estate assets in the municipality with an assessed value of $10,000,000 or more. The existing cap of 2% of the gross annual revenues of the institution or organization is retained.

Part C reduces the rate of the excise tax imposed on motor vehicles for the first and 2nd year from 24 mills to 18 mills and 17 1/2 to 16 mills, respectively; and increases the excise tax for the 3rd, 4th, 5th and 6th year from 13 1/2 mills to 14 mills, 10 mills to 11.5 mills, 6 1/2 mills to 10 mills and 4 mills to 6 mills, respectively. After the 6th year, the mill rate reverts to 4 mills.