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TAXATION

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STATE OF MAINE
HOUSE OF REPRESENTATIVES
126TH LEGISLATURE
SECOND REGULAR SESSION

COMMITTEE AMENDMENT " " to H.P. 660, L.D. 936, Bill, "An Act To Authorize Municipalities To Impose Service Charges on Tax-exempt Property Owned by Certain Nonprofit Organizations"

Amend the bill by striking out everything after the enacting clause and before the summary and inserting the following:

Sec. 1. 36 MRSA §508, sub-§1, as enacted by PL 2007, c. 627, §12, is repealed and the following enacted in its place:

1. Imposition. By referendum vote conducted in accordance with the provisions of the municipality's charter or Title 30-A, section 2528 or 2532, even if the municipality has not accepted the provisions of section 2528, a municipality may adopt an ordinance as provided in this subsection that imposes service charges on:

A. Residential property, other than student housing or parsonages, that is totally exempt from taxation under section 652 and that is used to provide rental income; or

B. Subject to the limitations of subsection 1-A, real and personal property that is totally exempt from taxation under section 652, subsection 1, paragraph A, B, F, H or J, excluding:

(1) Nonprofit nursing homes exempt under paragraph A and licensed by the Department of Health and Human Services pursuant to Title 22, chapter 405, nonprofit residential care facilities licensed by the Department of Health and Human Services pursuant to Title 22, chapter 1663 and nonprofit community mental health service facilities licensed by the Commissioner of Health and Human Services pursuant to Title 34-B, section 1203-A; and

(2) Property exempt under section 652, subsection 1, paragraph J that is partly owned or used by an entity exempt under section 652, subsection 1, paragraph E or G.

Sec. 2. 36 MRSA §508, sub-§1-A is enacted to read:

COMMITTEE AMENDMENT

1 **1-A. Conditions.** A municipal ordinance adopted under subsection 1 must provide
2 the following.

3 A. Service charges may be imposed on property only if the owner of that property
4 owns property in the municipality that is exempt under section 652, subsection 1,
5 paragraphs A, B, F, H and J that would have a total assessed value of at least
6 \$1,000,000 if the property was assessed for property tax purposes.

7 B. Service charges may be imposed only on property owned by, rented to or
8 otherwise occupied by, in whole or in part, a person or entity that provides any
9 employee or independent contractor engaged to provide professional management
10 services with compensation, exclusive of health benefits, in excess of 4 times the
11 median household income as most recently established by the United States
12 Department of Commerce, Bureau of the Census for the county where the property is
13 located.

14 C. Service charges must be calculated according to the actual cost of providing
15 municipal services to that real property and to the persons who use that property, and
16 revenues derived from the charges must be used to fund, to the extent possible, the
17 costs of those services.

18 D. Service charges must be reduced by the value of any financial contributions
19 made, payments made or services provided to the municipality in lieu of taxes by the
20 entity that owns or uses the tax-exempt property within the same fiscal year.

21 E. Service charges must be calculated based on the square footage of building space
22 that is exempt from taxation unless the municipality determines that a different
23 measure more accurately represents the cost of services for which service charges are
24 imposed.

25 F. If service charges are imposed on any property entitled to an exemption under
26 section 652, subsection 1, paragraph A, B, F, H or J, service charges must be imposed
27 on all properties entitled to an exemption under the same paragraph.

28 **Sec. 3. Preexisting ordinances not invalidated.** This Act does not void or
29 otherwise invalidate any municipal ordinance adopted before the effective date of this Act
30 pursuant to the Maine Revised Statutes, Title 36, section 508 or former section 652,
31 subsection 1, paragraph L.'

32 **SUMMARY**

33 This amendment, which is the minority report of the committee, provides that a
34 municipality may impose service charges on property that is exempt from taxation
35 because it is owned or used by entities in the following categories: benevolent and
36 charitable institutions; literary and scientific institutions; chambers of commerce and
37 boards of trade; fraternal organizations operating under a lodge system; and property
38 jointly owned or used by those entities. Service charges may not be imposed on property
39 exempt as a house of worship or parsonage or a veterans organization.

40 Service charges must meet the following conditions:

1 1. The property must be owned by an entity that owns exempt property in the
2 municipality that would have a total assessed value of at least \$1,000,000 if assessed for
3 property tax purposes and the property must be owned by, rented to or otherwise
4 occupied by a person or entity that provides any employee or independent contractor
5 engaged to provide professional management services with compensation, exclusive of
6 health benefits, in excess of 4 times the median household income for the county in which
7 the property is located;

8 2. The municipality must adopt an ordinance imposing service charges approved by
9 the voters through a referendum process;

10 3. The municipality may not impose a service charge on individual properties
11 without imposing service charges on all other property in that municipality that is within
12 the same category of exempt property;

13 4. The calculation of service charges imposed by municipalities must be based on the
14 square footage of building space that is exempt from taxation unless the municipality
15 determines that a different measure more accurately represents the cost of services for
16 which the service charges are imposed; and

17 5. Service charges must be reduced by any payments made or services provided to
18 the municipality by the exempt entity in lieu of taxes.

19 The amendment provides that municipal ordinances adopted before the effective date
20 of the legislation remain valid even if they do not comply with the new requirements.
21 The amendment retains the requirement in current law that service charges may not
22 exceed 2% of the entity's gross annual revenue.