

OVERVIEW OF PROPERTY TAX RELIEF PROGRAMS

*Maine Revenue Servs.
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Indirect Property Tax Relief

General Purpose Aid for Local Schools:

General Purpose Aid appropriations enacted in the 2022-2023 biennial and supplemental budgets raised the State share of education funding to 55% for fiscal year 2022 and maintained this level of funding in fiscal year 2023. This percentage is calculated in accordance with Title 20-A § 15671 sub-§ 7 ¶ B and does not include the cost of teacher retirement, retired teacher health insurance and life insurance in the total cost of education. Similarly, the State's appropriation for those items does not count toward the State's share. This calculation method was also used in determining the General Purpose Aid appropriation for the 2024-2025 biennium which assumes continuing to fund the State share at 55% as required by current law.

		Actual					Budget		
		2018	2019	2020	2021	2022	2023	2024	2025
General Purpose Aid For Local Schools	General Fund	996,421,979	1,074,214,639	1,121,572,967	1,184,249,196	1,262,120,554	1,335,940,626	1,376,505,250	1,394,510,495
General Purpose Aid For Local Schools	OSR-Casino	19,812,560	17,994,222	20,546,478	12,714,831	22,972,114	23,618,696	23,669,263	23,728,436
Teacher Retirement (UAL)	General Fund	129,421,735	132,980,833	174,530,364	179,329,944	194,654,439	200,007,436	214,917,737	220,827,975
Retired Teachers' Health Insurance	General Fund	40,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
		1,185,656,274	1,270,189,694	1,361,649,809	1,421,293,971	1,524,747,107	1,604,566,758	1,660,092,250	1,684,066,906

Revenue Sharing:

No later than the 10th day of each month, the State Controller transfers to the Local Government Fund 5.0% of the taxes collected and credited to the General Fund during the previous month under Title 36, Parts 3 and 8, and Title 36, section 2552, subsection 1, paragraphs A – F and L, which include the following taxes:

- The individual income tax;
- The corporate income tax;
- The franchise tax on financial institutions;
- A portion of the service provider tax; and
- Sales and use taxes.

From fiscal year 2010 to fiscal year 2015, fixed-dollar transfers back to the General Fund from the Local Government Fund were implemented to reduce amounts distributed to municipalities through the revenue sharing programs without affecting the 5.0% transfer provision. These statutory amounts were \$25,383,491 in fiscal year 2010, \$38,145,323 in fiscal year 2011, \$40,350,638 in fiscal year 2012, \$44,267,343 in fiscal year 2013, \$73,306,246 in fiscal year 2014 and \$85,949,391 in fiscal year 2015. From fiscal year 2016 to fiscal year 2021 the percentage of the tax revenue base transferred from the General Fund to the Local Government Fund was reduced from 5.0%. For fiscal years 2016-2019 it was 2.0%. In fiscal year 2020, it was 3.0% and in fiscal year 2021, 3.75%. In fiscal year 2022 it was 4.5%. In fiscal year 2023 and subsequent fiscal years, it returns to 5.0%.

A percentage of the total amount transferred monthly to the Local Government Fund must be transferred to the Disproportionate Tax Burden Fund for distribution to municipal entities. These are referred to as "Revenue Sharing II" distributions. The percentage Transferred to the Disproportionate Tax Burden Fund for Revenue Sharing II is set by statute at 15% for fiscal year 2010, increasing each year by 1% until reaching 19% in fiscal

year 2014, and at 20% for 2015 and subsequent fiscal years. In addition, a fixed dollar amount is separately transferred from the General Fund to the Disproportionate Tax Burden Fund as follows:

- \$2 million in fiscal year 2010
- \$2.5 million in fiscal year 2011
- \$3 million in fiscal year 2012
- \$3.5 million in fiscal year 2013, and
- \$4 million in fiscal year 2014 and in subsequent fiscal years.

The State Treasurer distributes funds from the Disproportionate Tax Burden Fund to municipalities on the 20th day of each month. Funds are distributed to municipal entities according to a percentage of the total amount. The percentage is calculated based on a weighting of the population and the disproportionate tax burden, defined as the mill rate in excess of 10 mills (only municipal entities with mill rates in excess of 10 mills are entitled to Revenue Sharing II distributions). Beginning on July 1, 2013, if the total revenue sharing distribution from the Local Government Fund is provided to Revenue Sharing I municipalities without transfer or reduction, the threshold for Revenue Sharing II municipalities will be increased by ½ mill per year until only municipalities with an equalized property tax rate in excess of the statewide average property tax rate are entitled to Revenue Sharing II distributions

	Actual					Budget		
	2018	2019	2020	2021	2022	2023	2024	2025
Revenue Sharing	69,338,529	74,095,532	113,613,360	156,047,730	232,362,929	249,471,176	252,049,584	259,532,885

Direct Property Tax Relief

RESIDENTIAL RELIEF PROGRAMS

Homestead Exemption:

The Homestead Exemption provides a \$25,000 reduction in the just value of a qualifying individual’s homestead. To be eligible, the individual must 1) have owned a homestead in Maine for the previous 12 months, and 2) the homestead must be their permanent residence. MRS reimburses municipalities for a portion of the tax lost by the municipalities as a result of the Homestead Exemption (currently 76%). The individual must apply with their local assessor by April 1 of the first year they are requesting the exemption.

Veterans Exemption:

The Veterans Exemption provides a \$6,000 reduction in just value for a qualifying veteran. The reduction increases to \$7,000 for WWI veterans, and \$50,000 for paraplegic veterans. To be eligible, the veteran must 1) be at least 62 or be receiving a pension for total disability, and 2) must have served during a recognized service period or receiving a pension for total service-connected disability. MRS reimburses municipalities for 50% of the tax lost by the municipalities as a result of the Veterans Exemption. The individual must apply with their local assessor by April 1 of the first year they are requesting the exemption.

Blind Exemption:

The Blind Exemption provides a \$4,000 reduction in just value for a qualifying individual. To be eligible, the individual must have been determined to be blind by a medical doctor. The individual must apply with their local assessor by April 1 of the first year they are requesting the exemption.

Renewable Energy Equipment Exemption:

The Renewable Energy Equipment Exemption exempts certain renewable energy equipment from property tax. To qualify, the property must be wind or solar energy equipment and all the energy must be used on site or be subject to net energy billing. The program provides a 100% exemption for eligible equipment, and MRS reimburses the municipality for 50% of the tax lost as a result of the exemption. The individual must apply with their local assessor by April 1 of the first year they are requesting the exemption.

State Property Tax Deferral Program:

The State Property Tax Deferral Program allows certain individuals to defer payment of property taxes on their homestead until they pass away, move, or sell the home. To be eligible, the individual must 1) be at least 65 or be unable to work due to a permanent and total disability, 2) have income less than \$40,000, and 3) have assets less than \$50,000 (\$75,000 if multiple owners). The State will pay the property taxes on the qualifying individual's homestead to the municipality each year and will place a lien on the property. When the participant passes away, moves, or sells property, the deferred tax plus interest comes due and must be repaid. The individual must apply with their local assessor by April 1 of the first year they are requesting the to participate in the program.

Property Tax Stabilization Program:

The Property Tax Stabilization Program allows certain senior residents to stabilize, or freeze, the property taxes on their homestead. To be eligible, the individual must 1) be at least 65, 2) have owned a homestead in Maine for at least 10 years, and 3) be eligible for the homestead exemption on the property for the tax year they are applying for. Qualifying individuals will have the tax billed to them for the proceeding tax year frozen at the amount they were billed for the prior tax year. MRS will reimburse municipalities for the difference between the stabilized amount and the taxes that would otherwise be due. The individual must apply with their local assessor by December 1 each year in order to maintain their stabilized tax amount.

Property Tax Fairness Credit:

The Property Tax Fairness Credit allows eligible Maine taxpayers to receive credit for a portion of the property tax or rent paid during the tax year on their Maine individual income tax return, whether they owe Maine income tax or not. To be eligible, individuals must 1) be Maine residents during any part of the tax year, 2) have owned or rented a home in Maine during any part of the tax year and lived in that home during the year as a primary residence, 3) have paid property tax or rent on the primary residence in Maine during the tax year, and 4) meet certain income and property tax and/or rent paid limitations during the tax year. The credit may be up to \$1,000 (or \$1,500 for those 65+), and is refundable.

BUSINESS RELIEF PROGRAMS

Business Equipment Tax Exemption:

The Business Equipment Tax Exemption ("BETE") exempts certain non-retail business property from property tax. The exemption applies to depreciable property that is used exclusively for a business purpose and that was first placed into service in Maine after April 1, 2007. The program provides a 100% exemption for eligible equipment, and MRS reimburses the municipality for 50% of the tax lost as a result of the exemption. Persons must apply with their local assessor by April 1 each year to maintain the exemption.

Business Equipment Tax Reimbursement:

The Business Equipment Tax Reimbursement (“BETR”) program reimburses taxpayers for the property taxes paid on certain business property. Reimbursement is allowed for depreciable property that is used exclusively for a business purpose and that was first placed into service in Maine between April 1, 1995 and April 1, 2007. Reimbursement is also allowed for retail property placed into service in Maine at any time after April 1, 1995. The program provides a 100% reimbursement for taxes paid on eligible equipment for the first 12 years, with a sliding scale after year 12 that bottoms out at 50% reimbursement for years 18 and after. Persons must apply with Maine Revenue Services (“MRS”) between August 1 and December 31 for reimbursement of property taxes paid in the prior calendar year.

Renewable Energy Equipment Exemption:

The Renewable Energy Equipment Exemption exempts certain renewable energy equipment from property tax. To qualify, the property must be wind or solar energy equipment and all the energy must be used on site or be subject to net energy billing. The program provides a 100% exemption for eligible equipment, and MRS reimburses the municipality for 50% of the tax lost as a result of the exemption. The entity must apply with their local assessor by April 1 of the first year they are requesting the exemption.

Tree Growth Tax Law Program:

The Tree Growth Tax Law program provides for valuation of land based on its current use as forest land, rather than based on its highest and best use. The purpose of the program is to encourage forest landowners to keep their lands as active forest lands instead of developing those lands. MRS sets the per acre rates for the different types of forest land by county each year based on harvesting data from the Department of Agriculture, Conservation, and Forestry. MRS reimburses municipalities for 90% of the tax lost by the municipalities as a result of having property in the Tree Growth program. Persons must apply with their local assessor by April 1 of the first year they are requesting the to participate in the program. They must also file updated applications, including forest management plans, with their local assessor every 10 years.

Farmland Tax Law Program:

The Farmland Tax Law program provides for valuation of land based on its current use as farmland, rather than based on its highest and best use. The program was adopted to encourage the preservation of farmland and to protect that land from competing, higher-valued uses. The Farmland program allows the valuation of farmland based on its current use as farmland, rather than based on its just value for other potential uses. This reduced land value results in lower property tax bills for owners of farmland. Lower taxes are designed to act as an incentive to preserve Maine’s farming community. Persons must apply with their local assessor by April 1 of the first year they are requesting the to participate in the program.

Open Space Tax Law Program:

The Open Space Tax Law program provides for valuation of land based on its current use as open space land, rather than based on its highest and best use. The program was adopted to encourage the preservation of open space and to protect that land from competing, higher-valued uses. To qualify for the Open Space program, land must be preserved or restricted for uses providing a public benefit. The program allows for a reduction of between 20% and 95% in the value of qualifying open space land. Persons must apply with their local assessor by April 1 of the first year they are requesting the to participate in the program.

Working Waterfront Tax Law Program:

The Working Waterfront Tax Law program provides for valuation of land based on its current use as working waterfront, rather than based on its highest and best use. The program was adopted to encourage the

preservation of working waterfront and to protect that land from competing, higher-valued uses. To qualify for the Working Waterfront program, land must be used primarily or predominately for commercial fishing activities. The program allows for a reduction of between 10% and 50% in the value of qualifying working waterfront land. Persons must apply with their local assessor by April 1 of the first year they are requesting the to participate in the program.

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Homestead Exemption	\$ 50,183,013	\$ 64,517,376	\$ 68,079,082	\$ 88,841,135	\$ 94,405,007	\$ 100,725,000	\$ 103,500,000	\$ 108,500,000
Veterans Exemption	\$ 1,223,869	\$ 1,254,502	\$ 1,234,629	\$ 1,209,922	\$ 1,181,329	\$ 1,304,800	\$ 1,300,000	\$ 1,400,000
Blind Exemption	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Renewable Energy Exemption	\$ -	\$ -	\$ -	\$ -	\$ 214,500	\$ 530,603	\$ 1,722,000	\$ 1,722,000
State Property Tax Deferral	\$ -	\$ -	\$ -	\$ -	\$ 844,370	\$ 2,390,889	\$ 843,870	\$ 500
Property Tax Stabilization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000,000	\$ 31,000,000
Property Tax Fairness Credit	\$ 15,400,000	\$ 25,900,000	\$ 25,700,000	\$ 40,700,000	\$ 49,480,000	\$ 75,815,000	\$ 73,743,000	\$ 78,371,000
Business Equipment Tax Exemption	\$ 35,584,483	\$ 43,161,952	\$ 49,194,722	\$ 54,031,628	\$ 58,399,654	\$ 61,610,000	\$ 66,190,000	\$ 70,660,000
Business Equipment Tax Reimbursement	\$ 29,863,832	\$ 24,913,358	\$ 25,490,793	\$ 21,961,345	\$ 19,625,176	\$ 19,000,000	\$ 17,500,000	\$ 16,500,000
Tree Growth Reimbursement	\$ 7,600,000	\$ 7,599,997	\$ 7,600,000	\$ 7,599,999	\$ 9,991,414	\$ 10,800,000	\$ 12,000,000	\$ 13,200,000
TOTALS	\$ 139,855,197	\$ 167,347,185	\$ 177,299,226	\$ 214,344,029	\$ 234,141,450	\$ 272,176,292	\$ 291,798,870	\$ 321,353,500

OPTIONAL MUNICIPAL RELIEF PROGRAMS

Municipal Property Tax Deferral for Senior Citizens:

The Municipal Property Tax Deferral program allows municipalities the option of enacting, by ordinance, a property tax deferral program to help senior homeowners stay in their homes. Under the program, certain individuals are allowed to defer payment of property taxes on their homestead until they pass away, move, or sell the home. To be eligible, the individual must meet certain age, income, and ownership requirements. When the participant passes away, moves, or sells property, the deferred tax plus interest comes due and must be repaid to the municipality. The individual must apply with the municipality as described in the municipal ordinance.

Municipal Property Tax Assistance Program:

The Municipal Property Tax Assistance program allows municipalities the option of enacting, by ordinance, a program to provide benefits to persons with homesteads in the municipality. Any program adopted by a municipality must 1) require the applicant to have owned a homestead in the municipality for a certain period of time, 2) provide benefits for both renters and owners, and 3) provide greater benefits proportionally to applicants with lower incomes. In addition, the program may also provide additional benefits to veterans within the municipality, and for seniors who volunteer for the municipality. The individual must apply with the municipality as described in the municipal ordinance.

MAINE BUDGET STABILIZATION FUND

Budget Stabilization Funds (aka Rainy-day funds) are budget reserve funds for use when revenues fall during recessionary periods. General Fund revenues rely heavily on income and sales taxes, which vary a great deal over business cycles, and fall during recessions. General Purpose Aid, Revenue Sharing, and the other property tax relief programs listed above represent a significant percentage of General Fund spending. Sustaining these General Fund programs during recessionary periods requires a Budget Stabilization Fund at a level that prevents cuts in state aid to municipalities and local property taxpayers, or at the very least minimizes the severity of those cuts during recessions. For more on the sufficiency of Maine’s Budget Stabilization Fund please refer to the latest Stress-Test Report [9043 \(maine.gov\)](#)

The Maine Budget Stabilization Fund, formerly known as the “Rainy Day Fund”, was restructured in Public Law 2005, Chapter 2 and recently updated in Public Law 2021, Chapter 398, to be expended primarily to offset a general fund revenue shortfall. Amounts in the stabilization fund may not exceed 18% of the total General Fund revenues in the immediately preceding state fiscal year, and except as provided by 5 MRSA §1533, may not be reduced below 1% of total General Fund revenue in the immediately preceding state fiscal year. If the stabilization fund is at its limit of 18% of General Fund revenue of the immediately preceding year, then amounts that would otherwise have been transferred to the stabilization fund must be transferred to the Maine Department of Transportation’s Highway and Bridge Capital program in accordance with 5 MRSA §1536, sub-§3.

Fiscal Year Ending June 30th	Maine Budget Stabilization Fund (Formerly Maine Rainy Day Fund)										Ending Balances as a % of General Fund Revenue	
	Beginning Balance	Deposits: GF Available Year-end, Unappropriated Surplus or "Cascade"	"Specified" Deposits: GF Unappropriated Surplus	Transfer to GF	Transfer to RPC Reserve	Transfer to Programs	Interest Earned	Ending Balance	Statutory Cap	General Fund Revenue		
2005	33,158,244	13,121,679						46,279,923	279,084,505	2,790,845,053		2.5%
2006	46,279,923	30,662,369		-		-	2,960,695	79,902,987	351,819,082	2,931,825,687		4.1%
2007	79,902,987	-	29,000,000	-			6,576,879	115,479,866	362,351,447	3,019,595,389		5.2%
2008	115,479,866	-	10,000,000	-		(100,000)	3,497,143	128,877,009	370,538,280	3,087,818,992		5.5%
2009	128,877,009	-		(131,550,969)		(50,000)	2,919,303	195,343	337,364,195	2,811,368,295		0.0%
2010	195,343	19,626,525	5,597,244	-		(50,000)	15,970	25,385,082	330,681,900	2,755,682,500		1.3%
2011	25,385,082	46,080,951		-		(50,000)	50,781	71,466,814	353,394,811	2,944,956,756		3.0%
2012	71,466,814	-	4,000,000	(30,855,982)		(50,000)	247,677	44,808,509	361,864,587	3,015,538,222		2.1%
2013	44,808,509	55,065,933		(40,253,091)		(50,000)	129,123	59,700,474	371,326,061	3,094,383,842		2.0%
2014	59,700,474	8,453,337		-		(50,000)	167,728	68,271,539	373,619,632	3,113,496,933		2.4%
2015	68,271,539	23,854,159	18,803,702			(100,000)	254,141	111,083,541	599,278,778	3,329,326,547		3.3%
2016	111,083,541	707,300					561,446	112,352,287	605,914,404	3,366,191,131		3.3%
2017	112,352,287	36,837,024	46,017,246			(50,000)	1,133,541	196,290,098	621,882,695	3,454,903,862		5.7%
2018*	196,290,098	76,247,087		(2,000,000)	(65,000,000)	(200,000)	2,524,023	207,861,208	645,781,652	3,587,675,847		7.6%
2019*	207,861,208	18,123,960	19,800,000		(14,500,000)	(100,000)	5,718,984	236,904,152	692,731,996	3,848,511,092		7.7%
2020	236,904,152	-	17,431,338			(100,000)	4,511,388	258,746,878	714,481,866	3,969,343,702		6.5%
2021	258,746,878	223,607,793	8,000,000	0		(200,000)	1,760,856	491,915,527	813,706,406	4,520,591,145		10.9%
2022	491,915,527	401,897,486	0	0		(300,000)	2,483,732	895,996,745	970,490,442	5,391,613,569		16.6%

*Public Laws 2017 chapter 284, Part EEEEEEE and 2019 chapter 343, Part KKKK directed the State Controller to transfer a total of \$79.5 million from the Budget Stabilization Fund to a reserve account to cover disallowed federal participation at the Riverview Psychiatric Center. Repayment to the Centers for Medicare and Medicaid Services were completed during fiscal year 2020.