

STATE OF MAINE

Interdepartmental Memorandum

January 12, 2012

**To:** The Joint Standing Committee on Taxation

**From:** Dennis M. Doiron, Director, Income and Estate Tax Division,  
Maine Revenue Services (MRS)

**Subject:** LD 1680 – An Act To Amend the Circuitbreaker Program To Include Claimants  
Occupying Property Pursuant to a Trust and To Require Proof of Payment of Rent

---

**Primary Sponsor:** Senator Debra Plowman.

**Estimated Revenue Impact:** Enactment of this bill is estimated to increase General Fund revenues by a negligible amount.

**Estimated Administrative Cost Impact:** Personnel costs are required to add an additional Tax Examiner position to process additional paper applications expected to be received and to review the proof of rent paid documentation for 40,000 affected applications.

**FY 2012-13:** \$74,446

**FY 2013-14:** \$75,114

- Note: There may be additional costs in the event both this bill and LD 1693 are passed, resulting in the discontinuance of the MRS internet filing process for the Circuitbreaker program.

**Identified Issues:**

- With respect to Sec. 1, under current law (36 MRSA 6201(2), 2<sup>nd</sup> paragraph) and long-standing administrative practice, an individual that proves legal responsibility for the property tax is allowed to claim the tax on the application, including those who pay taxes under a life tenancy agreement. However, repealing “revocable living” from the term “revocable living trust” will allow an applicant whose homestead is in any type of trust to claim the benefit even though they may have no obligation to pay the property tax. Was this the intent of the sponsors?
- Under the current Circuitbreaker program, applicants may request refunds only for rent actually paid during the year for which relief is requested. The refund is not based on unpaid rent amounts; however, a refund is not denied the renter with regard to rent paid for the year. For example, if a renter lived in an apartment for 12 months, but still owed rent for two months of the year, the refund would be based only on the 10 months of rent paid. The bill would deny a refund entirely under these circumstances.
- The Bureau has established substantive policies and procedures for auditing Circuitbreaker applications for accuracy, including the examination of claimed rent payments. The examination procedures are reviewed annually. During fiscal year 2011, adjustments (not limited to rent) resulted in savings of \$3,364,707, or 8% of refunds issued.

- The proof of rent payment requirement will significantly reduce the number of applications that can be filed using the Bureau's internet filing system because applications that require supporting documentation must be filed on paper. During the application period beginning August 1, 2010 and ending May 31, 2011, nearly one-half of the 110,000 applications received were I-filed. MRS estimates that 22,550 additional paper applications claiming rent will be received if the bill is passed. If this LD and LD 1693 are both enacted, the Bureau's Circuitbreaker internet filing system could no longer be used.
  - Applications filed under the Maine I-file system are generally processed faster and less costly than paper returns. Because of the faster processing, refunds are sent to applicants faster as well.
- Requiring all renters to provide proof of rent paid will add complexity to the application process for those applicants, particularly senior applicants as 66.5% of all senior refunds include rent in the benefit base. Additionally, depending on the method applicants choose to provide proof of payment, there is potential significant impact on landlords to provide signed statements annually and to correspond with MRS. Claimants that moved during the year will be required to obtain multiple statements.
- Since an applicant under current law must sign the application under penalties of perjury, a notarized statement would be duplicative. Also, because notaries generally charge a fee for their services, the requirement (if no other option is available to the applicant) would result in a cost to some applicants for filing a claim even though they've paid rent for the entire year.

**Similar Legislative Proposals:**

None.

cc (by e-mail): Office of Fiscal & Program Review  
Office of DAFS Commissioner  
Office of the Attorney General  
Office of Policy & Legal Analysis

State Budget Office  
Office of the Governor  
Revisor's Office  
Office of Information Technology