

STATE OF MAINE
Interdepartmental Memorandum
January 11, 2012

To: The Joint Standing Committee on Taxation

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

Subject: LD 1693 – An Act To Amend the Law Governing Abatements of Property Taxes for Infirmity or Poverty

Primary Sponsor: Representative Dennis Keschl.

Estimated Revenue Impact: Enactment of this bill is estimated to increase General Fund revenues by \$100K to \$200K per year.

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 property tax paid documentation for a portion of the 67,000 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 1680 are passed, resulting in the discontinuance of the MRS internet filing process for the Circuitbreaker program.

Identified Issues:

- Under the current Circuitbreaker program, applicants request refunds of property tax assessed. There is no requirement that property tax must be paid.
- Under the bill, applicants who now use the program to pay property tax in arrears will not be able to apply for the program to do so.
- The Bureau has established policies and procedures for auditing Circuitbreaker applications for accuracy. During fiscal year 2011, adjustments (not limited to property tax) resulted in savings of \$3,364,707, or 8% of total refunds issued.
- The proof of 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 33,500 additional paper applications claiming property tax will be received if the bill is passed. If this LD and LD 1680 are both enacted, the Bureau's internet filing system could not be used for the program.
 - 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 homeowners to provide proof of property tax paid will add complexity and confusion to the application process for those applicants, municipal officials, and MRS. Many others will not have a receipt because a mortgage company pays the property tax via escrow accounts.

Similar Legislative Proposals:

LD 1067 (123rd Legislature, 1st Session)

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
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